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Title SOCIAL REFORM

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SOCIAL REFORM

SOCIAL REFORM

AS RELATED TO REALITIES AND DELUSIONS

AN EXAMINATION OF THE INCREASE AND DISTRIBUTION OF WEALTH FROM 1801 TO 1910

BY W. H. MALLOCK

AUTHOR OF "A CRITICAL EXAMINATION OF SOCIALISM," ETC.

LONDON
JOHN MURRAY, ALBEMARLE STREET
1914

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Sherratt and Hughes, Printers, London and Manchester.

PREFACE.

THIS work, which deals with "social reform" as connected mainly with the production and distribution of material wealth, aims at exposing certain errors, so profound as to be fundamental, which form the primary assumption of "reformers" of the more extreme type, with regard to both these questions; and to assist sober-minded politicians and others, in unmasking these errors, and combating the proposals based on them.

For this purpose use has been made, for the first time, of specific official information, the existence of which appears to have been overlooked, relating to the amount and distribution of incomes at the beginning of the nineteenth century. McCulloch believed that the records here in question had been destroyed. At the same time he regarded them as so essential to a true understanding of conditions at that time, that he compared their supposed destruction to the loss caused by the burning of the Great Alexandrian Library. They are not quoted by Porter, Levi, Dudley Baxter, or Giffen, or in any of the encyclopedias published during the course of the nineteenth century. Two copies were found by the author in the University Library of Cambridge. They enable certain broad comparisons to be made, which would otherwise not be possible, between present conditions, and those of more than a hundred years ago.

At the same time the reader must be reminded

that, in respect both of the period just mentioned, and of the present, the figures available, though substantially true to fact, cannot be taken as possessing (except in a few cases) mathematical exactitude.

It is specially desirable to note this with regard to the present time. In the first place, the most recent statistics do not all of them relate to the same year. The latest comprehensive returns with regard to wage-rates relate to the years 1906 and 1907; the Census of Production relates to the year 1907; the latest census figures (*i.e.* Census of the Population), with regard to certain particulars, are, at the present moment, those for 1901. The Reports of the Income-Tax Commissioners never relate to the actual year of issue. Whilst these pages were in the press, the Commissioners issued new details, by which to a very slight degree those here given might have been modified.

It must further be noted, in respect of the total amounts of great masses of income, and averages of individual incomes within certain limits, that these are affected from year to year by general conditions of trade, and increases or decreases in the percentage of unemployment. Yet again, it should be noted that in calculating the aggregate income of the wage-earning classes on the basis (as has been done here) of ascertainable wage-rates, and also of the total income produced, as shown by the Census of Production, the sum arrived at is not only liable to deductions on account of unemployment, but may be reasonably subject to addition in respect of public moneys, employed for the benefit of that class alone—for example, on education, and payments of old-age pensions; whilst it is reasonably contended by many eminent statisticians that account should be taken of the value of the unpaid domestic services of some millions of females, who perform such services, but do not work for wages. Were these last included in the aggregate

income of the wage-earners, the figures here given would be increased by about 6 per cent.

The above facts being considered, it may be said generally of the figures given in this volume, that they possess, from one point of view, the kind of accuracy obtainable in the block plans of an architect, or a surveyor; and that they possess, from another point of view, both the accuracy and uncertainties of definition, characteristic of a non-instantaneous photograph of moving objects. Their substantial and general truth, however, is not thereby affected.

January, 1914.

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BOOK I.

INTRODUCTORY.

On the Wide Acceptance, in the Past, of Errors now Repudiated, as to Social Conditions and Tendencies.

CHAPTER I.

THE phrase, "Social Reform," is employed in the present volume in the more or less specialised sense with which recent use has invested it. It is employed to indicate Reform as understood by those who regard the principal evils which exist under contemporary conditions, not as sores or bruises which are local or accidental in their nature, but as results of some organic defect in the structure of society as a whole, and as curable only by some similarly organic change.

Social Reform in this sense presents to those who would examine the subject two questions or sets of questions, each of which must be considered separately:—one consisting of theories as to social action in general, together with practical schemes which have such theories as their basis; the other consisting of the estimates, made and popularised by reformers, of those conditions and tendencies as they actually are to-day which are held by such persons to render their schemes necessary.

The latter of these two questions will here be considered first, such an arrangement being that which logic and common sense dictate. If an architect is to restore successfully a cathedral which threatens to collapse, he must not only be a master of the principles of construction generally, he must also be a master

of the details of this particular fabric—the nature of its foundations, the thickness of its walls and pillars, and the cause and extent of each crack or subsidence. It is only in proportion to the accuracy of his knowledge of these particulars that his principles and plans will be applicable to the practical work in view. In the same way the schemes of social reformers, though dependent in part on general ideas and principles, can only come to possess a practical meaning in proportion as they are determined by a knowledge similarly accurate of the actual conditions of the society for the benefit of which they are advocated.

Now the peculiar danger to which social reformers are liable is a neglect of this obvious truth. Belonging, as they mostly do, to a supersensitive class, for whom sympathy has the powers and the limitations of an indefinitely magnifying lens, they—or, at all events, the most honest of them—are affected by the spectacle of suffering more acutely than they would be by the experience of it; and the vivid pictures which the spectacle leaves in their minds, and which in heightened colours they reproduce for the public, are apt to be symbols of the distress which they feel themselves, rather than diagrams of complicated conditions which are causing distress to others.

In this fact we have the main, though by no means the sole, origin of a mass of mischievous delusions, by which popular opinion at the present day is vitiated, to an extent and in a

manner not perhaps sufficiently realised. These supersensitive persons, largely as a consequence of their honesty, are abnormally impatient of criticism; and anyone by whom their own estimates of social evils are questioned is attacked by them as though he were maintaining that no evils exist, and that everything is for the best in this best of all possible worlds. Now to anyone who reflects calmly it is obvious that in actual life judgements relating to a multitude of obscure details are never thus reducible to a choice between two extreme and mutually exclusive alternatives. To deride the statement that a sick man is dying of Asiatic cholera is not to affirm that he is in absolutely rude health. To deny that four-fifths of the population of a country are starving is not to assert that no section of it is familiar with undeserved want. The real question at issue between the extreme reformers and their critics is not whether any evils of a grave kind exist, but what, given their existence, is their precise extent and character; and to argue that anyone who accuses the extremists of over-estimating them is necessarily denying their existence, or is even insensible of their importance, is to argue like an angry child. Childish, however, as this type of argument is, if considered as an appeal to reason, it constitutes nevertheless a powerful appeal to the feelings, not only of the sufferers on whose behalf it is ostensibly used, but also of others whose position is of a totally different character.

Human tempers and temperaments being such as they are, the over-estimates of social evils put forward by extremists do no doubt tend to provoke, by way of reaction, an under-estimate of them on the part of the opposing moderates. While such a mood lasts, the moderates lay themselves open, as the recent history of Conservativism in this country shows, to a charge of neglecting matters which multitudes regard as vital. Popular support is more or less widely withdrawn from them; and in process of time the results of a general election rouse them to an alarmed perception that such is actually the case. This again leads presently to a reaction of another kind. In order to free themselves from the suspicion of being indifferent to social evils, the moderates in nervous haste betake themselves to an opposite extreme. They compete with one another in proclaiming their full recognition of the facts of the social situation precisely as their opponents give them; and confine themselves to declaring that, these terrible facts being true, it is they, and not their opponents, who best know how to deal with them. In this way, so far as mere facts are concerned, the inflammatory picture drawn of them by politicians of the most extreme type secures the endorsement of those who are otherwise their professed antagonists, and imposes itself on public belief like a legend replacing history.

How wide the difference is between facts as they actually are and popular conception of

them which is generated in the manner just described, it will be the object of the earlier portion of the present work to elucidate. Since many persons, however, will no doubt be reluctant to believe that errors so great as those which are here suggested can possibly exist in a picture of contemporary conditions, which, even if it was outlined originally by persons prone to exaggeration, is accepted by so many others of naturally sober judgement, attention will be called, before we proceed farther, to causes which render such errors at all events antecedently probable, and also to examples of their prevalence and the subsequent exposure of them in the past.

CHAPTER II.

WHAT, then, when we talk about social evils as estimated by persons who regard them as subjects of reform, are the evils which we have in view? It is obvious that they are sufferings, or conditions which produce suffering; but they are sufferings of a definite and limited kind only. In brief phrase we may say of them that they are grievances as distinct from griefs. If a bridegroom loses his bride because she is killed by an avalanche, his loss is a grief, but nobody would call it a grievance. If he loses his hat-box through neglect on the part of a porter, his loss is a grievance, but nobody would call it a grief. Between the two kinds of suffering the radical difference is this—that the one is attributable to causes beyond human control, while the other is attributable to the needless misbehaviour of man. There is no remedy for the one. There is presumably a remedy for the other. If the grievance is the grievance of an individual, the natural remedy is a law-suit. If it is the corporate grievance of a class, the natural remedy is legislation. It is plain that the concern of the reformer is with class grievances only; but these resemble those of the individual in one respect so important that the former will be best understood by comparing them with the latter.

Both, then, resolve themselves into broadly

contrasted groups, according as they are mainly due to the direct impact of facts, or to the influence of facts as presented, correctly or incorrectly, to the imagination. Thus if a man is wretched because his means are rarely sufficient to admit of his pacifying the normal demands of hunger, his grievance arises from facts pure and simple. The imagination has nothing at all to do with it. On the other hand a man may have an income of £2,000 a year, and may have regarded himself for half his life-time as a favoured son of fortune; and yet if one day a lawyer persuades him that he is the rightful heir to a peerage, of which, with the estates attached to it, he is defrauded by some distant kinsman, what has up to that time seemed riches to him will assume the characteristics of poverty; and he may well be more aggrieved by the thought that he is not dining off silver than he would be by the difficulty of getting any dinner at all. Facts are involved in this latter case just as they are in the former; but they are only turned into a grievance by the way in which the imagination works on them.

Similarly if a multitude of wage-earners find that, through a fall in wages, so much butter and bacon disappears from their tables, the sense of grievance which arises is due to direct experience. The butter and bacon disappear not in imagination but in fact. On the other hand the same men may be aware that their wages have risen. They may daily be reminded of the fact by an ampler and more appetising

diet; and yet they may be conscious of a grievance even more acute because their leaders have led them to imagine, correctly or incorrectly, that the rise ought to have been greater, and that the masters could afford to make it so.

Between the grievances of classes, however, and those peculiar to individuals, there is one important difference. The part which the imagination plays in producing the former is incomparably greater than that which is played by it in producing the latter. Let us take the case of the man who, possessed of an ample income, suddenly feels himself poor, because he has been led to imagine that legally he has a claim to millions. The facts which the imagination of such a man must present to him in order to produce such a change in his mental state as this, are bound to comprise many outside his personal knowledge. They will relate to questions of marriages valid or otherwise, the dates of births and deaths, and other similar matters, which have rested forgotten or unquestioned for it may be several generations, and which can only be got together by means of expert research. But such facts, however obscure and numerous, are nothing in comparison with the facts which the imagination is called on to assimilate when the claimant to be inoculated with a grievance is not an individual, but a class. Not only do the facts here involved comprise the innumerable details which constitute, as inter-related, the social conditions of to-day: they comprise social

conditions as they were at previous periods—a century or perhaps a century and a half ago, or in the Middle Ages, or even before the dawn of history, with which conditions present conditions are contrasted. For example, the discontent which expressed itself in the French Revolution owed much of its character to the pictures drawn by Rousseau of the many amenities forfeited by our primeval ancestors when they made the fatal mistake of submitting themselves to social laws.

Now facts such as these being inaccessible to ordinary enquiry or observation, they must, in so far as the ordinary public is to be moved by them, be got together by reformers who, posing as sociological specialists, summarise and group them so as to form a coherent picture, in which, as in "a mirror held up to nature" the public is invited to contemplate its own condition, comparing what is with what was, and also with what should and may be; and the public must necessarily take the accuracy of the picture on trust.

Such being the case, the picture may be true or false. There is no reason in the nature of things why it should not be entirely true. All that is here being urged at the present moment is this:—that in proportion as the facts which the picture purports to represent are remote in point of time, or, even if modern, are obscure, numerous and complex, and are thus beyond the reach of direct common enquiry, the room for error in any picture of them which is presented

to the public will be great; that it will not be unnatural if the gravest errors occur, and if, thus escaping exposure, they are accepted as indisputable truths.

In the two following chapters some preliminary examples shall be given of errors of this kind—and errors on the largest scale—which have been promulgated by reformers in the past, which have met with prolonged acceptance, but which are now relegated by all to the limbo of pure delusions.

CHAPTER III.

MENTION has been made of the manner in which, in the eighteenth century Rousseau sought to stimulate the discontent of his contemporaries by parading before them a picture of the almost perfect conditions which were enjoyed by the human race in the earlier stages of its existence. Rousseau's procedure in this respect is a type of one of the main devices which all reformers employ for a like purpose. Reduced to logical terms, it presents itself as the following argument. All human beings have, as an historical fact, enjoyed certain equal advantages at some specified period. Whatever advantages it is possible for all human beings to enjoy, all human beings have a right to enjoy; and such human beings as do not enjoy them now, have by some means or other been robbed of their just inheritance. Here, for example, is a statement taken from an English Liberal journal of to-day: "The people of England want their land back again; and the immediate duty of the Liberal Party is to give it to them." This is not explicitly a statement relating to English history; but, if it is not absolute nonsense, it is an historical statement by implication. It must mean that there was a time when, in some sense or other, the land of England was the property of the

great mass of the inhabitants: for nobody could want a thing "back again" if he had not possessed it once. The value of this particular statement does not concern us here. It is merely quoted as illustrating the typical character of the argument drawn by Rousseau from his picture of a remote past.

Expressed more definitely, Rousseau's own contention was this. If we examine the life of man in the primary state of nature, we find it to have been, in many important respects, superior to that of most Frenchmen towards the close of the eighteenth century. Nobody was comfortable, it is true; but this was a blessing in disguise, for nobody was conscious of discomfort. The primeval human being, however, was a solitary cave-dwelling animal, the males and the females meeting only for purposes of reproduction; and though the males, like Rousseau himself, were not embarrassed by any subsequent thought of their offspring, the habit of reflection was not sufficiently developed to render these hermits conscious of such beatitude as was theirs. In order to acquire such consciousness, some intercourse with their fellows was necessary. There was thus room for improvement, and the requisite improvements came. Caves as places of residence were superseded by huts. What now would be called "neighbourhoods," loosely compacted, formed themselves; and the units, no longer solitary, began to taste the pleasures which society alone can give. They looked

into each other's eyes, and said to each other "We all are extremely happy." But such social relations were wholly free and spontaneous. Although there was sociability, there was no social authority. A man might perhaps be the owner of the bed of leaves he slept in; but everything out of doors was delightfully free to everybody. There was no such thing as a law which enabled any human being to say even of a cabbage-plot which he had himself cultivated "It is mine." Here, according to Rousseau, was the true golden age—a secondary State of Nature, which was a kind of "riper first": and in this absence of government, of laws, and of protected property, which are purely artificial creations, lay the secret of its lost felicity.

What the moral of all this was for the contemporaries of Rousseau is obvious. Does anyone suffer? Is anyone poor or oppressed? The cause lies not in the fact that existing laws are unjust, or that property is distributed ill. The cause lies in the fact that there are any laws whatsoever, or that anything like property exists to be distributed ill or well. The one reform needed is not to reconstruct, but to destroy. Let us destroy the artificial, and history shows us that happiness will take care of itself.

Let us now turn to another writer belonging to the same epoch, who is no less famous than Rousseau, and to Englishmen yet more familiar—namely the poet, Oliver Goldsmith. Though deficient in the energies essential to

active agitators, there was in Goldsmith much of their characteristic temperament. In the England of his day there were grievances just as there were in France, and although he was blind to the latter he brooded over the former, and endeavoured to render his own countrymen conscious of them by means precisely similar to those employed by Rousseau :—that is to say, by contrasting contemporary facts as he saw them with a picture of what he took to be the facts of some distant and happier time. Embarrassed by poverty himself, he was a spectator of the first appreciably rapid multiplication of considerable fortunes in England derived not from agriculture, but from trade. He was at the same time a spectator of displacements of the agricultural population which, however they may have been due to improved methods of farming, were tragedies for those displaced, and which, as he understood them, he depicts in "The Deserted Village." Divested of the appeal derived by them from the magic of his unforgotten verse, the main propositions which he enunciates are, in plain prose, as follows :—

"A time there was"—that is, in the Middle Ages—when England was a country without any appreciable "grief," or (in other words) appreciable social grievances. The bulk of the population was then supported by agriculture, and consisted of "labouring swains" who, together with their wives and children, flourished in "health and plenty" on their "own

roods of land," each rood on an average maintaining one member of a peasant family, and so secured to its cultivators that it could not be taken away from them. But now, says Goldsmith, writing in the year 1770, English trade had increased with such monstrous rapidity that it was drawing the swains to the towns or driving them into foreign exile; the fields and the villages, denuded far and wide of their population, were being turned by trading plutocrats into playgrounds for their pride and pleasure; whilst, to crown everything, "trade's proud empire" itself was already nearing its zenith, and was, unless English virtue should somehow manage to stop it, bound to collapse in a year or two, buried beneath its own ruins.

Here in all its essentials the method of Rousseau is reproduced. We have contemporary grievances heightened, indeed to a certain extent created, by contrasting the present with what purports to be an accurate picture of a past, when the place of every existing imperfection was taken by its enviable opposite; only Goldsmith's golden age was less remote than Rousseau's, and the moral was more precise which he aimed at deducing from his picture of it.

How far, then, in each of these two pictures, did the details of the past by which the principal effect was obtained, accord with actual facts, and thus form a true standard by which the present might be appraised and judged?

With regard to Rousseau it is needless to say much. Nobody would now deny that his picture of the Golden Age, if considered in its relation to facts, is altogether an absurdity. The actual inhabitants of Europe in the sub-primæval age were creatures who, if Rousseau's contemporaries could have seen them as they really were, would hardly have excited the envy of the poorest peasant who ever beat the frogs into silence for the benefit of the seigneur's dreams. The condition of France in Rousseau's day may have been as bad as we like to think it; but it was not bad because, or in so far as, it differed from the condition of the half-clad savages who were the subjects of Rousseau's fable.

Goldsmith's picture of the past has, on the other hand, certain features which are more or less historical; but his drawing of these is so distorted, and their meaning is so changed by the complete omission of others, that Rousseau himself would have been puzzled to make the whole more fabulous, had he tried. In the first place, though it is true that in mediæval England the agricultural workers formed a larger fraction of the population than they did in the earlier years of the reign of George III, it is totally incorrect to suppose that, as Goldsmith's picture suggests, the entire land of the country was devoted to the support of peasants. The "swains," as Goldsmith calls them, occupied a part only, and paid a rent for their annually allotted strips in the form of "week-work" and

"boon-work" on the domains of the manorial lords. Again, though it is true that each "swain," villein or cottar had a legal right to the use of a specified number of acres, and that thus his means of subsistence could not be taken away from him, this fact has a converse side, no less important, which the picture of Goldsmith altogether omits. The mediæval swains could not be driven from their roods, for the simple reason that they were not permitted to leave them. If they themselves had a firm grip on their lands, their lands had a grip equally firm on them; and this arrangement, though from some points of view it may have been a blessing, came to be felt by many of them as so very much the reverse that it formed one of the main pretexts for the great Peasant Rebellion. Finally, as to the number of the then agricultural population, which, according to Goldsmith, was one person for every "rood of ground," it is enough to observe that if this computation were correct the agricultural population of England at some time during the Middle Ages must have been greater by forty per cent. than that of the United States to-day.

It may of course be said that Goldsmith wrote as a poet; but after every license on this score has been accorded to him, not only does his picture remain a picture full of errors, but it is the errors in it and not the truths which provided him with the bases on which he reasoned from past to present. Even if he had meant that the number of the mediæval agriculturists

was only one to an acre instead of one to a rood, they would have made up a total of very nearly forty millions; and to anybody who started with such an idea as this, English agriculture in the year 1770 (when the entire population of the country was not one-fifth of that number) would naturally have presented itself as an industry that was fast dying, and the English fields would have seemed to be already almost deserts. As a matter of fact there is ample evidence to show that agriculturists of England at the time when Goldsmith wrote were not only more numerous than they had ever been before, but were beginning to increase at a rate unexampled at any previous period; and farther that agriculture as an industry, instead of being injured by trade, owed to the growth of the trading population and its demands that series of rapid improvements which alone enabled this country, in the course of another generation, to confront and destroy Napoleon.[1] Finally, attention may be called to Goldsmith's estimate of the position of English trade itself, which, according to him, by the year 1770—when measured by modern standards its growth

1. According to Mc.Culloch (see Statistical Accounts of the British Empire, chapter on English Agriculture) the English production of wheat was about 3,840,000 quarters in 1765, 4,000,000 quarters in 1773, and nearly 6,000,000 quarters about twenty years later. According to Arthur Young (1802) and Marshall (1790) there was during the latter half of the eighteenth century a most remarkable increase in the number of small farmers and free-holders.

was only just beginning—had all but reached the limits of possible or even thinkable expansion, and was already on the eve of bursting—such was obviously his idea—like another South Sea Bubble on an immeasurably larger scale. The absurdity of this estimate, in the light of subsequent events, is perhaps more immediately evident, but it is hardly greater, than that of the other details which make up, if not the earliest, yet at one time the most popular, picture ever presented to Englishmen of their own social grievances.

No social reformer would maintain to-day that the grievances of France or England in the eighteenth century, whatever they may have really been, were correctly represented in such estimates as those of Rousseau and Goldsmith. What is here commended to the reader's attention is that the fact of these estimates being nonsensical was no bar to their being generally accepted, and that the fact of their being generally accepted was no proof that they were not nonsensical. It may, however, be said that Rousseau and Goldsmith lived in a pre-scientific age, and that from errors, however great, which were formulated and accepted then, no inference can be drawn as to the state of affairs to-day. This is no doubt true; and, as a further introduction to our examination of the social estimates current at the present time, we will glance at those belonging to an intermediate period, during which the apostles of Reform, like other thinkers and investigators, adopted

or claimed to have adopted, the methods of advancing science. We will presently take two of the best known of their generalisations, and see whether these, in point of scientific accuracy, are any improvement on the estimates of Rousseau and of Goldsmith, or no.

CHAPTER IV.

THERE is one feature in the estimates of Rousseau and Goldsmith alike, which, unhistorical as they were, invests them with an historical interest. Both alike represent some dawning perception of that movement of human affairs which is now called Evolution, and the idea of which is so deeply implicated in modern theories of reform.

Such being the case, let us now turn to a thinker who, though not belonging to the company of social reformers himself, has been instrumental in furnishing them with much of the present mental equipment. In the year which witnessed the publication of "The Deserted Village," there was born in Germany the renowned metaphysician, Hegel. Remote from practical life, and indeed from ordinary comprehension, as the doctrines are to which he mainly owes his fame, he condescended to illustrate their validity by applying them to an explanation of the historical development of human thought on the one hand, and of human government on the other. The development of human thought, he declared, exhibits itself as an historical process, under the guise of four "Moments," each representing the mentality of some particular race or races:—the Orientals representing childhood, the Greeks youth, the Romans manhood, and the Teutons complete

maturity. Of this same process another and a rival account was subsequently provided by Comte, the French prophet of Positivism. For him the stages of the process were not four, but three—the Religious, the Metaphysical, and the Positive. To discuss these doctrines in detail would be nothing to our present purpose. It will be enough to say that what for Hegel was supreme wisdom was for Comte the most barren folly; that Comte's supreme wisdom was for Hegel the most vulgar ignorance; that the one doctrine in short flatly contradicts the other; and that nobody, whether Comtist or Hegelian, to-day believes in either. They are only mentioned here because they lead up to another—namely Hegel's doctrine of the evolution of human government. This is likewise resolved by him into a sequence of ordered "Moments," the first being Despotism, or government by the will of one; the second being aristocracy or democracy, or government by the will of a more or less numerous many; the third being government by a constitutional Monarchy, in which the will of the one and the will of the many are unified. So far as practical opinion at the present day is concerned, this theory of government is in itself no less sterile and obsolete than its companion theory of the historical evolution of thought; but it was the parent of another whose practical consequences have been immense, which has coloured the ideas of reformers for now nearly half a cen-

tury, and which, in a modified form, colours and inflames them still.

The creed or the group of creeds now known as Socialism first came into being and acquired that distinctive name early in the nineteenth century. But, except as a protest against the division, which was at that time daily becoming more apparent, between the employers of productive labour and the bodies of labourers employed by them, Socialism suffered for a very considerable period from the want of any commonly accepted and precise theory as its basis: and it was not till this want was supplied by certain thinkers, and by one thinker in particular, that it grew into a force productive of any widespread movements. The particular thinker in question—that is to say Karl Marx—published in the year 1865 his celebrated treatise on Capital, which has been hailed by socialists all over the world as a work which raised Socialism from a sentiment to an exact science; and all subsequent reformers, whether calling themselves socialists or no, have been influenced by certain of the doctrines to which that work gave currency.

Marx concerned himself at once with theory and with concrete facts; and he deserves recognition, whatever may have been his errors otherwise, as the first thinker who attempted, in any systematic way, to associate the details of history with minute economic analysis. The orthodox economists, such for example as Ricardo, were content to accept the industrial

conditions of their day as though masses of wage-paid labourers working for great employers were parts, like the sun and moon, of the constant order of nature. Marx insisted that such was not the case, that the system of the nineteenth century was essentially a modern development, and that it could only be understood by a study of the other systems which had preceded it. He accordingly aimed at presenting the whole series as a sequence of transitory, and radically different, states, evolving themselves in an intelligible order; and in this attempt he was guided by the inspiration of Hegel. Just as Hegel divided the history of human government into three "Moments"—Despotism, Democracy, Monarchy, so did Marx divide the history of economic production into three similar "Moments"—Slavery, Serfdom, Capitalism, the third of which, by an Hegelian unification of contraries, was doomed to issue in a fourth and final "Moment" which is Socialism. With the theories of Marx we shall have occasion to deal hereafter. For the moment we are concerned with him solely as an exponent of economic history—with the definite statements which he made regarding the past, in order to force on his disciples, by contrast, a specific estimate of the present. Of the various propositions which he enunciated so as to make this contrast complete, and exhibit the present system of capitalism in the darkest colours possible, we will here deal with two. Both of these were enunciated by him with the utmost

emphasis, and formulated with the utmost elaboration; they have been vociferated at socialist congresses all over the world; but neither of them is really essential to the position of Marx as a socialist. They can, therefore, be discussed on their own merits, without affronting or flattering any controversial prejudice.

One of them relates to the difference between two systems of production—production for use on the one hand, and production for exchange on the other; and is to the effect that one of the cardinal distinctions between the modern capitalistic system and the systems that went before it, is the fact that, under capitalism, production is production for exchange, whereas under the preceding systems production was production for use.

The other relates to persons of moderate means, who, judged by a financial standard, constitute the middle classes; and is to the effect that whereas, until modern capitalism established itself, such persons formed a numerous and important section of the community, the inevitable tendency of capitalism is steadily to reduce their number, and (as Marx said, writing in 1865) everything goes to show that they will presently have been "crushed out."

The difference between production for use and production for exchange is simple, and is commonly illustrated by a contrast, for which there is some historical justification, between a

plutocrat of the ancient world and a capitalist manufacturer of to-day.[1] The former, it is said, produced through the labour of his many hundreds of slaves the luxuries which he enjoyed himself, and the necessaries which were consumed by himself and his slaves also. The modern manufacturer, on the other hand, with his hundreds of wage-paid workers, produces one commodity, or class of commodity only, such (let us say) as jute matting or screws, of which he and his workmen use little or nothing. Hence he might have a stock of these which his warehouse could hardly hold, and yet be as poor as a beggar so long as they were in his own possession. They only become wealth, available as profits and wages, because of, and in proportion to the amount of, other commodities, personally usable or consumable, which he is able to get in exchange for them.

Is it true, then—let us take this question first—that production for exchange is peculiar to modern capitalism, and was a process unknown or negligible under the systems that went before it? How far this position is true and how far it is fallacious, the reader may be able to judge from the following vignettes drawn by contemporary writers, of economic life as it was in the ancient world.

There is a curious Latin novel, "The Golden Ass" of Apuleius, exhibiting the conditions of life as they were under the Antonine Emperors,

1. Lassalle drew a similar contrast between the modern capitalists and a Greek noble in the Middle Ages.

which opens with an account, given by the hero in person, of the close of a journey on horseback to a certain town in Thessaly. His long route having taken him through scenery of all varieties, he finds himself at last in a green and sequestered by-way. He has dismounted to stretch his legs; and his animal, nosing the grasses, is providing itself with an "ambulatory meal," when he sees a little in front of him the backs of two other travellers. He overtakes them, makes their acquaintance, and discovers who and what they are. They are, as Dickens would have put it, two "commercial gentlemen" —gentlemen who "travelled in cheeses." Another character in the same novel is a miller, for whom the unlucky hero is temporarily compelled to work, of whom and of whose business he gives a detailed description. The miller, though of no great fortune, is evidently "a warm man," and he is for his neighbours "our prominent and esteemed fellow-citizen," as they presently show by flocking from far and near to his funeral. He is a large employer of labour—unfortunately of a "low-grade" kind; and his premises shook, so the writer informs us, with the ceaseless grinding of one mechanism after another, each actuated by quadrupeds trotting round and round in circles.

Now the farmers who produced the cheeses "in which the commercial gentlemen travelled," and the miller who produced flour on the scale that has been just described, evidently did not produce for their own private consumption.

They produced them for exchange. Production for exchange was their occupation, just as it is the occupation of the typical producers of to-day.

Let us take a few other illustrations, which will carry us still further. A fragment is preserved by Athenaeus of a Greek writer, Moschion, which gives an account of a ship built for goods and passenger traffic from the designs and under the direction of Archimedes. This resembled in many respects a modern Atlantic liner. The state-rooms (three beds in each) were ornamented with inlaid woodwork. There was a roof-garden, a bath, a gymnasium, a saloon and a library. The ship was sheathed with lead, calked with pitch, and the nails were of hard bronze. Of the materials of the inlaid woodwork a portion came from Africa, the lead probably from Sardinia, the cordage (as is specifically stated) from Spain, and the pitch from the neighbourhood of the Rhone; whilst the tin—an essential ingredient of the bronze used for nails—came, either from Spain, or (as is more likely) from Cornwall. None of the producers of these many materials—cordage, pitch, lead, tin and so forth—produced them for their own consumption. They produced them for exchange only; and if it had not been for the practice of exchange, such materials could never have been produced at all. How do such transactions differ from those that prevail to-day? How can they be peculiar to the capitalism of the modern times when the

building of a single ship two thousand years ago involved production for exchange over half of the then known world?

It may be said that the doctrine of Marx and of those who follow him does not mean that, before the capitalistic epoch, production for exchange was altogether unknown, but that its extent was comparatively small, and more especially that it was in its nature an incident, and not one of the bases of the economic life of nations. Thus one of the shrewdest of the present generation of reformers has urged that the normal type of production, as opposed to modern capitalism, is the production of all the necessaries of existence by members of the consuming family or small cluster of families, the commodities obtained by exchange from workers other than themselves being trifling in amount, and distinguished by being "non-essentials." This contention to a certain extent is supported by well-known facts. There are families or groups of families which have from the earliest ages—and many of them survive still—grown their own food, woven their own clothing, made their own pots and pans (as was till very recently done in the Island of Tyree) and, by melting fat into saucers, provided themselves with their own illuminants. In the eighteenth century large country houses in England manufactured their own mould candles. Great Russian households, prior to the emancipation of the serfs, manufactured their own carpets, and many articles of furniture.

The great slave-households of the magnates of ancient Rome comprised productive workers as well as personal servants. What, then, for purposes of comparison, do all these considerations come to?

In this connexion we may turn to another Latin novel—that of Petronius Arbiter, written in the days of Nero. A prominent figure in it is Trimalchio, a slave who, freed by his master, had managed to make himself the richest man of his period: and a considerable portion of the book is devoted to an account of a banquet given by him to a company of wondering and half-derisive guests. The arch-millionaire's conversation (herein not wholly unlike that of some of his more modern counterparts) turns principally on himself and his own possessions. One of the casual announcements by which he makes a sensation is that he has just bought Sicily, because, he says, "it is pleasant, when one goes to Africa, to be sailing as far as may be by the borders of one's own property." His great ambition or hobby, however, he does not mind confessing, is to have every single thing which he himself consumes or uses, produced on his own estates, by the labour of his own dependents, and be able to say with truth that he buys and pays for nothing. The realisation of this ambition, he takes care to insinuate, involves the possession of properties all over the world, and he admits that his object even yet is not wholly accomplished. Here, then, we see that when the slave-system of the ancient

world was in its highest stage of development, what Marx and others represent as one of its normal and most distinctive features was so far from being a commonly realised fact that the mere idea of realising it is represented by a contemporary satirist as the foible of an absurd vulgarian whose head has been turned by the growth of his own millions.

Indeed the radical fallacy of the view we are now discussing—that production for exchange is in any sense a peculiarity of the modern world, may be seen by the simple reflection that, if taken in its strictest sense, production for exchange begins with the first divisions of labour, such as the allocation of spinning to women, and hunting and husbandry to men; the males of the family wearing what is produced by the females, and the females eating what is produced by the males. So long, however, as the consuming group is small, production for exchange may be regarded as a maturing embryo rather than a process which has been born into distinct existence. Its distinct existence begins, not with the mere division of labour amongst a group so small that the products are consumed in common, but with such a separation of industries that the persons engaged in each constitute a community by themselves, each being detached from the rest by the special character of its work, by its immediate interests, and in most cases by distance.

How early this feature developed itself may be seen from what we know of Phœnicia. The

production of the dyed stuffs for which the Phœnicians were famous not only involved industries so totally alien in kind as the weaving by the Phœnicians themselves of a certain portion of the material, and the importation of a portion, probably still greater, from remote countries such as Egypt and Persia; but the business of dyeing was itself elaborately subdivided also, amongst the makers of the traps in which the shell-fish containing the dye were caught, the catchers, the crushers, the refiners of the brilliant fluids, the dippers, and the highly-expert blenders of dyes of various quality. It is obvious that these groups were supported not by any sharing amongst themselves of their own immediate products, but by other products fitted to sustain life, which were allocated to each in exchange for them; whilst the bulk of the completed output was wealth for the Phœnicians at large only because it was exchanged by their merchant princes for the products of other countries. It has been said that production for exchange is as old as the separation of industries. We shall be asserting what to many people will perhaps be still more self-evident, if we say that it is as old as commerce.

Was commerce, then, prior to the capitalistic epoch, a relatively negligible process, as the writer just quoted asserts, in respect either of its volume, or (what is by no means the same thing) its importance? In the first place, was it, as he suggests, merely a traffic in superfluities?

An interesting sidelight is thrown on this point by Trimalchio. Having inherited, so he tells his guests, one half of his master's fortune, he at once embarked in commerce as the royal road to riches. He built five vessels, and filled them with such assorted goods as he thought most certain to sell well in the Roman market. His judgement was justified by the event. They were sold at an enormous profit. And of what did these goods consist? A portion, it is true, consisted of superfluities—that is to say, of Oriental perfumery; but the larger part consisted of wines, of beans, and of bacon. Similarly, the vessel of Archimedes carried on her maiden voyage—so Moschion mentions—a comparatively small consignment of miscellaneous goods, which may or may not have consisted of superfluities; but the bulk of the cargo consisted of three things—corn, wool, and pickled Sicilian fish.

The importance of early commerce, however, is, as has just been said, not measurable by its mere magnitude. Everybody knows that the Phœnicians imported tin from Cornwall. Cornwall was, indeed, the chief, though Spain was a minor source, from which that metal was obtainable by the ancient Mediterranean nations. Now as may have been suggested to the reader by the fact already mentioned that the nails used by Archimedes were not of iron but bronze, bronze was for the industries of the nations in question what hardened iron and steel are for those of the modern world; and of

this material an essential element was tin. Thus, as Rawlinson in his History of Phœnicia indicates, this particular commodity, tin, obtainable only from regions then unimaginably distant, was essential to the life of the whole civilised world whose arts and industries had developed themselves round the shores of the Mediterranean Sea. In other words, had it not been for commercial enterprise, that world, whose civilisations are the direct ancestors of our own, could hardly have raised itself above the conditions of the Stone Age. Nor is this all. If we go back to the Stone Age itself, the same situation is repeated. The arts of the Stone Age were dependent on the use of flint; but flint, like tin, is obtainable in certain districts only; and all who lived elsewhere must have obtained their flints from these—a transaction possible only by means of exchange or commerce. Or again we may, if we like, take the case of mediæval England. No doubt the households of the manorial lords and the peasantry were self-supplying to an extent which is almost unknown to-day; but life and the arts of life required two things at all events which in nine localities out of ten were obtainable by commerce only—that is to say salt and iron. Salt was obtainable only from a few mines or brine-pits, or on the sea-coast by vaporisation. Except for importations from abroad, iron was obtainable only from districts where ore and firewood existed in close proximity; and iron and salt alike from places

thus peculiar were supplied to the bulk of the population by an all-pervading process of exchange.

It is needless to multiply illustrations of a fact which is practically universal; and why it is universal has been explained with trenchant simplicity by Herbert Spencer in his account of the beginnings of human progress. The starting-point of all progress was, he says, the "localisation of industries." This event has resulted from the varied character of the "habitats" occupied by neighbouring communities, or by different portions of each. Climate, soil, exposure, and mineral substances are distributed by Nature in a manner so unequal that the production of certain things is not possible at all except in certain places, and is possible with a maximum of advantage in not more than a few. Hence what we call civilisation is developed by human effort in proportion as industries are separated in such a way that the prosecution of each is confined to the places which are most favourable to it. In other words production with exchange for its immediate object has been the warp of civilisation since civilisation first began; the exchange of the products as distinct from an immediate use of them, has been its woof; and then as now commerce threw the shuttle. In other words again, to sum the matter up, a process which social reformers, professing to be scientific historians, have declared to be virtually peculiar to the capitalism of the modern world, has been

an essential feature of production under all systems alike—not merely under Serfdom and Slavery but in times which preceded both.

Let us now take the other of the two assertions here chosen for examination, as having till recently formed an integral part of the version of economic history promulgated by most reformers. This is the assertion that under the modern capitalistic system persons of moderate means, or the middle classes, are disappearing. Such an assertion, though invested with a special prominence by socialists, has not been peculiar to them, nor did they even originate it. Before it began to figure in the manifestos of "scientific socialism," it had been solemnly elaborated by Carlyle, who was not even a democrat. It was for a time adopted by Disraeli himself, and represented an idea which, if vaguely, was very widely diffused. "The day," wrote Carlyle, "seems to be not far distant when the very rich, or 'the Dandies,' and the very poor, or 'the Drudges,' shall be two sects parting England between them, each recruiting itself from the intermediate ranks, till there be none left to enlist on either side. I could liken them," he exclaims, "to two bottomless boiling whirlpools which have broken out on two opposite quarters of firm land, which man's art might yet cover in, but the diameters of which are daily widening . . . so that presently (unless man's art intervenes with some vast reform) even this intermediate film will likewise be washed away: and then

we have the true Hell of Waters, and Noah's Deluge is out-deluged."

So far as this contention is concerned, all that was done by Marx, as the founder of scientific socialism, was to adopt a loose opinion then widely prevalent, to translate it from the language of sentiment into that of a scientific formula, to assign the fact asserted to a single specific cause, and present it as one of three necessary results, inseparably connected, of which that cause was the common origin. The cause in question was, according to him, the substitution of production by machinery, the property of great employers, for production by small implements, the property of the employed themselves—a change, he said, which was first witnessed in England, where its effects began to be general by the beginning of the nineteenth century.

Such being the case, rhetorical assertions, like Carlyle's, that "intermediate films" were being swept away by "whirlpools," are reduced by "scientific socialism" to a proposition sufficiently definite to be tested by detailed evidence. In the first place it relates to a definitely specified period. In the second place it relates to a definitely specified country; for, modern capitalism, said Marx, having been established first in England, it is in England that we must look for the most complete exemplification of its results. In the third place it substitutes for Carlyle's intermediate "film" persons whose incomes are in excess of the earnings of skilled

labour, but do not approach those of "the great capitalist lords," or even reach the amount at which riches are popularly taken to begin. The lower of these limits is at the present time taken by most controversialists as £160 a year, whilst the higher may, according to the point of view, amount to anything up to perhaps £5,000. At any rate, if we adopt for our extremes £160 and £1,000, the persons whose incomes lie between these two amounts will comprise the majority, if they do not comprise the whole, of those whom Marx had in view when he spoke about the Middle Classes.

What, then, with regard to these classes did Marx mean by the assertion that, under capitalism, they were being gradually "crushed out"? He meant, writing in the year 1865, that ever since the year 1801 incomes in England lying between the limits in question had, as a statistical fact, been continually decreasing in number, and would necessarily, unless the capitalist system were abolished, go on decreasing until there were none left.

Now if there is any difficulty in testing this proposition, it lies not in the discovery of evidences sufficiently precise and authoritative. It lies rather in the selection of them, their number is so ample. These comprise two series of records, extending from the opening year of the nineteenth century to to-day, one of these giving the results disclosed by the collection of Income-tax, as imposed at various dates; the other giving the number of private houses

in England, classified year by year in accordance with their annual values. The significance of these two sets of data, if we aim at complete exactitude, cannot indeed be determined without enquiries which at the present moment would be impracticable: but the broad results derivable from the two taken together lie on the surface, and are enough for our present purpose. No minor modifications can affect them in any substantial way.

Of the hundred and thirteen years, then, for which the modern capitalist system has by this time been on its trial in England, let us start with considering one particular portion—a middle period consisting of thirty years, and beginning with the year 1850. In the present connection this period has a special interest, because it was in the middle year of it—1865—that the socialist doctrine of the disappearance of middle-class incomes was formally propounded by Marx in the work that made him famous. If, therefore, this doctrine should have any truth whatever in it, we may expect that its truth would be very signally illustrated in what were then for him the immediate past and future. Now it so happens that this particular period was, with reference to the precise question before us, examined by the well-known statistician, Professor Leone Levi, aided by a prominent official of the Department of Inland Revenue. Taking the higher limit of Middle Class incomes as £1,000, and the lower as £150, his definition of them was

virtually identical with that which has been adopted here. His aim was not to exhibit the number of such incomes as a whole; for he confined himself to incomes identified by the collectors of Income-tax as derived from businesses not carried on as companies. His aim was to exhibit their rates of increase only. Dividing, then, the business incomes identified as earned by individuals into two groups—namely those ranging from £150 to £500, and those ranging from £500 to £1,000, he showed that during the thirty years in question the number of the former had increased by 136 per cent., and that of the latter by 125 per cent., whilst 134 per cent. was the increase for both groups taken together.

Let us now extend our survey, and consider what has happened with regard to Middle Class incomes as a whole from the beginning of capitalist ascendancy up to the present day.

Approximate accuracy being all that is here required, the present number of such incomes in England is sufficiently indicated by the number of private houses whose annual value lies within certain limits. It is commonly agreed that houses whose annual cost to their occupants is more than £20 in respect of rent alone (which means, if rates be included, £25 as a minimum) mainly represent incomes in excess of £160, whilst those whose rental value does not exceed £100, will mainly represent incomes not exceeding £1,000. The total number of such dwellings in the year 1910,

exclusive of lodging houses and places of residence over shops, was (for England and Wales) 1,322,000. From this number a certain deduction must be made in respect of houses shared by more families than one; but when this fact has been allowed for to the fullest extent possible, the number of such houses occupied by single families, and each representing an income within the limits here in question, cannot have been less than 1,100,000.

Let us now see how matters stood in the year 1801. The records of private houses relating to that year are not sufficiently detailed to be serviceable for our present purpose; but other evidence is extant, which will presently be described at length, of a yet more direct kind. This evidence shows that the actual number of incomes between £160 and £1,000 could not, in the year 1801, have been more than 90,000, if indeed it was quite as much.

What then is the net result of these broad and indubitable facts as related to the doctrine of Marx, so long and so widely accepted, that the number of such incomes in England has, under the influence of capitalism, been for more than a hundred years constantly growing less and less? If that doctrine be taken to mean that their number has been diminishing absolutely, its absurdity is so wild as to render comment superfluous. It may, however, be urged that there has meanwhile been an increase of 26,000,000 in the population of the country as a whole; and that Marx, when he spoke of

the number of the Middle Classes as diminishing, meant to speak of a diminution which was not absolute, but relative. Even, however, had this been his meaning (which it was not) his doctrine would practically have been no nearer to the truth. Between the years 1850 and 1880 the population increased from seventeen to twenty-six millions—that is to say in a ratio of ten to fourteen only. The number of Middle Class incomes had increased, during the same period, in a ratio, as we have seen already, of ten to twenty-three. Between the years 1801 and 1911 the population had increased from nearly nine millions to thirty-six—that is to say, in a ratio of one to four. The number of Middle Class incomes had, as we have seen already, increased from ninety thousand to considerably over a million—that is to say in a ratio of one to twelve. In whatever way this doctrine is turned or twisted, it is so far from being correct as a statement of the actual results of capitalism, that it is related to facts only in the sense of being a direct inversion of them.

We will here end our consideration of errors on the part of reformers which, having ceased to be "planks" of their historical "platform," no longer require refutation for the purposes of practical controversy. They have been dealt with as subjects of a useful preliminary criticism, because they have all, within times comparatively recent, been asserted as indubitable truths by earnest and influential men; because popular thought and sentiment have

been widely and profoundly influenced by them; and because they show what a highly complex product is, in most cases, that sense of grievance to which reformers make appeal, and how largely dependent on beliefs as to facts which are beyond experience, rather than on facts as experienced by the aggrieved persons themselves.

We will now pass on to doctrines which are in full vitality to-day, and enquire whether they are less erroneous than those which we have been just considering.

BOOK II.

An Examination of the Fundamental Error Underlying Current Theories of Reform.

CHAPTER I.

THE doctrine, whose absurdity has been exposed in our preliminary criticism, that one of the main results of the modern capitalistic system has been to diminish the number of moderate or middle class incomes, is, let it be said once more, by no means so frequent now in the mouths of reformers as it once was. As originally formulated by Marx, however, and accepted as scientifically true by the reformers of the nineteenth century, it did not stand alone. It was associated with two others, the three together being as follows:—

Under the modern system of capitalism (the results of which are most apparent in England) it is a matter of theoretical necessity and of historical fact also, that, whether the middle classes dwindle or no, and in the end will altogether disappear, *the rich become ever richer, and the mass of the population poorer.*

Now though the doctrine as to the middle classes is more or less in abeyance, the two others, relating to the rich and the poor, are promulgated as industriously to-day as they ever were in the past, and probably win acceptance from an even wider public. They have, it is true, been subjected to certain modifications—to some by socialists, to others by more cautious radicals; but the general version of economic history embodied in them is not only

not discarded, but has merely re-expressed itself in more plausible forms, so that numbers even of sober men are to-day very timid in rejecting it. It is, indeed, for contemporary reformers what an old story is for a novelist who tells it in an amended way, divesting the scenes and characters of traits too outrageous to be credible, but leaving the sequence of events and the principal situations as they were. As thus modernised for the present generation it may be fairly summed up as follows, in terms which are largely borrowed from a member of the present Government.

The structure of English society at the beginning of the nineteenth century was comparatively sound and simple. Wealth existed, but was not in the aggregate overwhelming. Poverty existed, but not to an extreme degree. In any case, since that time the wealth of the country as a whole has, relatively to the population, increased to so vast an extent that, if only it were well distributed, it might (to use a phrase of to-day) be "as plentiful as water everywhere." As a matter of fact there has been no such result as this. In whatever directions the new wealth may have gone, there has been no general diffusion of it. A portion no doubt has been secured by middle class families, and a limited section of highly skilled artizans; but this portion has been small; and the mass of the working classes are no better off than formerly. Their wages in terms of money have perhaps risen slightly; but what they can

buy with their money in the way of comforts and decencies is less to-day than it was in the days of their great-great-grandfathers. Where, then, have the missing millions gone? They have gone to swell the fortunes, already great, of the rich, the result being, as the statesman just referred to expresses it, that we see in this country to-day, to an extent never seen before, "a society fissured into unnatural plenitude on the one hand, and (as an inevitable consequence) into unnatural privation on the other." This assertion is not taken from any electioneering speech, and does not therefore represent the excitement of an unguarded moment. It is taken from a book[1] which the author has many times re-issued, and in which he repeats and elaborates it so as to leave no doubt of his meaning. The riches of the rich in England since the beginning of the nineteenth century have, according to him, not only increased absolutely, which indeed would have been but natural; they have increased out of all proportion to the increase of wealth generally. The golden head has grown faster than any other part of the body, and is crushing the limbs by the enormity of its mere brute weight. In other words, the percentage of the national income represented by what this writer calls "the piled up aggregations of the superwealthy" has by this time come to be something so preposterous, and the percentage left for the remainder of the

1. "The Condition of England," by Mr. Masterman.

community so small, that the principal evils of the present time are attributable, mainly if not exclusively, to this novel and peculiar cause.

Such is the estimate formulated by a prominent radical statesman of the situation with which it is the mission of contemporary radicalism to deal; and it fairly represents the ideas now dominant in the minds, not only of radicals generally, and (it is needless to add of socialists), but also of numerous persons who are otherwise opposed to both. Accordingly, before we attempt to examine any questions of detail, it will be necessary to begin with a consideration of the general picture or conception of things to which all the assertions of reformers as to questions of detail are subordinated, and from which indeed they are in part deduced.

How, then, in respect of its main features does the distribution of wealth in England in the year 1911 compare broadly with its distribution at the beginning of the nineteenth century?

It has been contended by some that a comparison of this kind is impossible, because, though so far as the present time is concerned the requisite evidences, if not complete, are abundant, no similar evidences as to the earlier time is extant. Thus a serious critic in a serious conservative journal has declared, with regard to the beginning of the nineteenth century, that nobody can make so much as a reasonable guess at what the income of the country at that time was, to say nothing of the manner in which

it was distributed amongst different classes. That such views should be prevalent is enough to show the need for a more careful scrutiny of actualities.

The evidences supposed to be wanting are accessible to those who look for them. It has already been observed, and it is a matter of common knowledge, that this country was, in the year 1801, subjected to an income-tax, of which the general results have been preserved. But it is not commonly known—for the fact has escaped the attention even of historians like McCulloch and Porter—that the records which were, according to McCulloch, destroyed, still exist in their integrity. Such, however, is the case. It must be added that the year in question was the year of the first census. A report on that census, and the report relating to the income-tax were printed and issued in conjunction by order of the House of Commons in the year 1802, and from these two documents together a mass of facts is ascertainable which to most readers will be novel. The year 1801 shall be therefore our starting-point.

The then population of England and Wales was approximately 9,000,000, which may be taken as representing 1,800,000 families,[1] and 100,000 families, or half a million persons, are

1. That is to say "natural families" averaging five persons. If the word "family" is taken to mean a household, the number was much less; for the overcrowding of the population in 1801 was much greater than it is to-day.

shown by the returns, which are singularly systematic and minute, to have been supported on incomes in excess of £160 a year. Of the rest of the inhabitants of the country—8,500,000 persons—more than 4,500,000 were women and children not working for wages, whilst the number of the actual bread-winners was a little below 4,000,000, of whom about one-third were women, lads and girls, and the number of the adult males about two millions and a half. If we roughly take all those persons as belonging to the working classes who were not supported on incomes exceeding £160 a year, the working-classes consisted of 1,700,000 families; and for every two of such families there were, on an average, three adult male bread winners. The entire number of separately received incomes, earned or unearned, from the largest down to the smallest, may be taken with reasonable accuracy as 4,100,000.

Let us now subdivide these farther into six characteristic groups, and see what, according to the returns, was the number comprised in each. In accordance with a note appended to the document in question, the numbers actually tabulated shall in each case be increased by one-eighth, as it was subsequently estimated that they were deficient by approximately that amount, and for simplicity's sake round figures shall be employed. The advantage of sim-

plicity will be great, and the sacrifice will be so small as to be negligible.[1]

There is, then, detailed evidence to show that in the year 1801, out of about 4,100,000 earned and unearned incomes,

The number of those exceeding £5,000 a year was about	1,100
The number of those between £1,000 and £5,000 a year was about ...	11,000
The number of those between £160 and £1,000 a year was about ...	90,000
The number of those between 30/- and 62/- a week was about	90,000
The number of those between 22/- and 30/- a week was about	160,000
The number of those *below* 22/- a week or £60 a year was about	3,752,100[2]

Let us next consider how matters stand to-day, when set forth in a similar manner.

The population of England and Wales to-day is 36,000,000. The number of persons receiving separate incomes, whether earned or unearned, is in excess of 16,000,000[3] Of these,

1. The total number of persons liable to income-tax on more than £60 a year, actually recorded in the returns for 1801, was about 315,000. The number shown in the text (one-eighth being added) is, as will be seen, about 352,000.

2. Between 1,310,000 and 1,500,000 of these would have been women, lads, and girls.

3. The number for the United Kingdom is about 20,000,000.

about 15,000,000 whom, following our previous procedure, we may group together as the working classes, earn or receive not more than £160 a year, or 62s. a week. The number of persons in England and Wales receiving incomes in excess of this amount is, as we shall see presently, about 1,200,000.

For the purpose of subdividing these into six groups, as we have done in the case of the year 1801, the principal evidences are as follows. As to incomes exceeding £5,000 a year, their number is directly ascertainable from the returns relating to supertax. As to incomes lying between £1,000 a year and £5,000, we may take their number as corresponding to the number of private houses whose annual values lie between £100 and £200. As to incomes lying between £160 and £1,000, it has already been explained that we may, after making a certain deduction, take their number as corresponding to the number of private houses whose annual value lies between £20 and £100. As to the incomes of the 15,000,000 workers which lie below the present income-tax limit, the elaborate investigations of the Board of Trade, mainly relating to the years 1906-7, will provide us with evidence sufficient for the comparison here in view: but, before making use of this, there is one fact to be considered.

Of such incomes, about one-third consist of the earnings of women, lads and girls. Now the precise figures for 1801 stop short at incomes exceeding £60 a year, or 22/- a week:

and not only is it certain that in 1801 no such incomes were earned by women, lads or girls; but, as appears from the latest investigations of the Board of Trade, that only a small percentage of them are earning such incomes now. Hence though the earnings of all of them may have very greatly increased, we shall, if we take £60 as our standard, have no adequate means by which this increase may be measured, just as the growth of children from six to twelve years old could not be measured by reference to a vertical scale on which no point was marked that was lower than sixty inches. The average stature of the children might have risen from thirty-six inches to fifty; but until it exceeded sixty inches, such a method of measurement would record no growth at all. For this reason the earnings of women, lads and girls must be excluded from our present survey, and our attention must be confined to those of adult males.

With regard to adult males, the case is totally different. Here the dividing line of £60 a year, or 22/- a week, provides us with an index whose informative value is of the highest. It appears from a comprehensive analysis of the Board of Trade returns, supplemented by the results of a semi-official enquiry, recently carried out by a committee of well-known economists, that, out of about 10,000,000 adult male workers,[1] whose earnings are not in excess

1. This figure includes not only wage-paid labourers but the lower middle classes.

of 62/- a week, or £160 a year, about 2,000,000 earned less than 22/- a week, about 2,000,000 earned between 22/- and 30/-, and about 6,000,000 earned between 30/- and 62/-. The significance of these facts with regard to the adult male workers will be evident when we compare them with those given already, which corresponded to them in the year 1801. The number of adult male workers having been at that time about 2,500,000, it will be seen that those earning more than 30/- a week were approximately 90,000, or only 3·6 per cent. of the whole; that those earning from 22/- to 30/- a week were 160,000, or only 6·4 per cent. of the whole; and that those earning less than 22/- a week amounted to no less than 90 per cent. of the whole. On the other hand, at the present day, if we take these groups in the same order, it will be seen that the percentage of the whole represented by each respectively has risen in the case of the first from 3·6 to 60: that it has risen in the case of the second from 6·4 to 20; and that it has fallen to 20 per cent., in the case of the third, from 90. In other words, the situation has been almost exactly inverted. Whereas in 1801 only 10 per cent. of the adult male workers earned more than £60 a year, at the present time only 20 per cent. earn less.

These observations having been made, the whole of the six characteristic groups of incomes, as already dealt with in respect of the earlier period, shall now be taken together, and

the number comprised in each shall be given as it is, or approximately as it is, to-day.

In the year 1910, then, out of nearly 11,200,000 incomes separately earned or re-received in England and Wales (exclusive of the wages of women, lads, and girls) detailed evidence of the kinds already specified shows that—

The number of incomes exceeding £5,000 a year was about 10,000 (supertax figures).[1]

The number of incomes between £1,000 and £5,000 a year was about 60,000 (evidence of houses).[2]

The number of incomes between £160 and £1,000 a year was about 1,100,000 (evidence of houses).[2]

The number of incomes between 30/- and 62/- a week was about 6,000,000 (Board of Trade figures).

The number of incomes between 22/- and 30/- a week was about 2,000,000 (Board of Trade figures).

The number of incomes *below* 22/- a week was about 2,000,000 (Board of Trade figures).[2]

1. The supertax total for the United Kingdom is about 11,000. One-tenth is here deducted in respect of Scotland and Ireland.

2. See Book III, Chapters i and ii, where the figures dealt with relate not to England and Wales, but to Great Britain or else to the United Kingdom.

Here we have two sets of comparable figures before us—those for 1910 and those for 1801—the immense significance of which, if they were merely set side by side and left to speak for themselves, would be obvious to those familiar with statistical presentations of history. By most readers, however, it will probably be best understood if we express it in a pictorial form which appeals more directly to the imagination.

CHAPTER II.

We will begin, then, with representing the condition of things in 1801 by an imaginary town and its environs, containing a population of 9,000 persons. We shall thus have a unit representing a thousandth part of what was then the population of England and Wales—that is to say 9,000,000: and the total number of incomes in each group, as already given, can, by the simple process of striking off three noughts, be reduced to the number that would have existed in such a typical microcosm. Thus the total number of incomes exceeding £5,000 a year having, then, as we have seen, been something over 1,000, and the total number between £160 and £1,000 having been about 90,000, we may say with sufficient accuracy that in our town of 9,000 inhabitants there would have been one income of the former amount, and 90 incomes of the latter; and so on throughout.

We will next apply the same treatment to incomes as they exist to-day, so that the figures for both dates may be reduced to a common denominator. The population of England and Wales to-day being 36,000,000, is almost exactly four times as great as it was in the year 1801. A typical population, therefore, of 9,000 persons will in this case represent, not a

thousandth, but a four-thousandth part of the whole; and in order to make such a community representative, the actual number of incomes in each group must be reduced, not only by striking off three noughts as previously, but also by dividing this reduced product by four. Thus the total number of incomes exceeding £5,000 a year being to-day about 10,000, the average number per 9,000 persons will be strictly two and a half; and for purposes of a broad comparison we may conveniently call it two. The total number of incomes between £160 and £1,000 being to-day about 1,100,000, the average number per 9,000 persons will similarly be 275; and so on throughout.

We will assume farther, in both cases, that there is one family of five persons to a house; that, in the case of incomes exceeding £160 a year, there is one house to every income; and, in the case of incomes not exceeding that amount, there are about two houses to every three incomes earned by adult males.

The way in which these preliminary assumptions will work out, may be conveniently summarised thus:—

In a town and its environs containing 9,000 inhabitants and 1,800 houses, incomes and houses would, at the two dates specified, have been as under, on the supposition that the distribution followed that prevailing in England and Wales as a whole. The number of incomes is exclusive of the wages earned by women, lads and girls.

Range of Incomes-	1801. Number of Incomes.	1801. Number of Corresponding Houses.	1910. Number of Incomes.	1910. Number of Corresponding Houses.
Over £5,000 a year	1	1 ...	2	2
£1,000 to £5,000	11	11 ...	15	15
£160 to £1,000...	90	90 ...	275	275
30/- to 62/- a week	90	60 ...	1,384	908
22/- to 30/- a week	160	106 ...	462	300
Under 22/- a week	2,248	1,532 ...	462	300

One more set of assumptions still remains to be made—namely, that every house representing an income of over £5,000 a year is a castellated structure with a tower and a flag flying on it; that every house representing an income between £1,000 a year and £5,000 is a flat-roofed "classical mansion," which is distinguished by a pillared portico; that every house representing an income between £160 a year and £1,000 is distinguishable by being roofed with slates; that every house representing an income between £160 a year and £60, is distinguishable by being roofed with tiles; and that those representing incomes below £60 a year, or 22/- a week, are distinguishable by being roofed with thatch; and we will imagine an inquisitive stranger visiting such a town in the year 1801.

The town, we will so suppose, lies in a hollow with wooded slopes surrounding it; and from one of these slopes, as he looks through a gap

in a hedge, he sees it spread out beneath him. His first impression is that it is altogether a town of thatch, the prevailing colour being brown; but he presently notes that the brownness is variegated here and there by the gleamings of blue slate, or by short red streaks indicative of a street or two roofed with tiles. Presently, as his eyes wander from the town to its environs, he realises that, separated from one another by a quarter of a mile or more, certain houses with porticoes show their white fronts amongst shrubberies; whilst at one point a castle lifts above a group of trees some turrets on the highest of which a solitary flag is fluttering. Having entered the town to examine things more minutely, and having lost himself in the region of thatch, he at last reaches a street about a quarter of a mile long, lined with houses which are slated, which have high Georgian windows, and some of which bear on their doors a brass plate with a name on it. Here he encounters a personage who is a house-agent and surveyor of taxes, and from him he learns without difficulty the following interesting particulars. The castle with the flag is one of the local sights. There is nothing in those parts to compare with it. The mansions with the pillared porticoes, though they differ considerably in size, are all fit for the honour of being occupied by a county family: and round the town there are no fewer than eleven of them. The street which is the scene of this conversation contains ninety houses—forty-five on each

side—not one of which is the home of a citizen having anything less than £160 a year. Some of these citizens must have nearly £1,000. Of tiled houses there are nearly 170, each of these containing one worker or more who is making—to say the least of it—his 22/- a week; 30/-, 40/-, and even 60/- being the earnings of a considerable number. These tiled houses, if arranged in opposite rows would make up a street nearly half a mile in length; whilst as to thatched houses, occupied by the mass of the population, none of whose earnings are up to the twenty-two shilling standard—these houses would, if set in a line, reach to another town nearly ten miles away.

And now let us suppose that our stranger returns to his own home, falls into a deep sleep, and wakes up like Rip van Winkle 110 years afterwards, determined to revisit the scene which it seems to him he was inspecting yesterday. He discovers that somebody is watching his return to consciousness—a gentleman of excitable aspect, who describes himself as a social reformer. The situation of the stranger is elucidated; and the reformer, having learnt his intentions, addresses him in these solemn terms:—

"My very dear friend, you must prepare yourself for a grievous shock. The condition of England while you slept has been steadily growing worse and worse. This once was a land of plenty. It is a land of starvation now, and the town you are about to revisit is an

image in miniature of the change. Do not misunderstand me. The wealth of the country as a whole has increased beyond the dreams of avarice; but where has this increase gone? If you want an answer it is flaunted before your very eyes by what now are the homes of Englishmen. Most of the increase has gone in a mad multiplication of castles and of mansions hardly less pretentious. You will find that your little town is now ringed round by these—by thirty new great flag-flying castles, and by seventy new mansions—pillared temples of opulence. Where has the new wealth gone? Dwellings such as these will answer you. It is true that the houses described by you as tiled or slated are still in good repair. Some of them perhaps have even an extra storey; and by means of striped blinds, and lace curtains in their windows, they endeavour, pathetically enough, to simulate an air of affluence; but these houses and their occupants—the smaller professional men, and a handful of skilled wage-earners—in point of number do no more than hold their own; whilst the mass of the population—five-sixths of the whole—have, as their houses will show you, gained nothing. They have lost. They are still under the same thatch, but the thatch has been left to rot, and now gives to the place the aspect of one great dunghill. You must be prepared, in short, for an unexampled and appalling spectacle—a collection of human dwellings which is fissured into two extremes—unnatural superwealth

crowded and glittering on the slopes, and a mass of unalleviated squalor festering under straw below."

With these ominous words in his ears, the awakened sleeper starts on his way to verify them. The outskirts of the town are reached. He cannot have missed his way; for here, seen through an avenue, is the castle—then the only one—which had caught his attention or existed at the time of his first visit. But where are the thirty new ones, which now crown the hills in a circle, and indent the horizon with their towers? He can see the opposite heights, but no sign of a castle is anywhere. Presently he encounters an elderly man, whom he addresses, and finds that he has secured, as he did on a former occasion, a house-agent and surveyor of taxes for his informant.

"I am," says the stranger, practising an innocent deception, "looking about for a house here. It might be large—something like this castle. It might be of moderate size, worth, say, from £100 to £200 a year. But one thing it must be—it must be modern—built at all events since the beginning of the nineteenth century. You've thirty new castles—that's what a friend tells me; so the chances are you could find me something suitable in your books."

"I don't know, sir," says the agent, "who may have been telling you tales, but I've been in the house business here for more than fifty years. My father was in the same line before

me, and his father before him: so I ought to know what I'm talking about. This castle of Sir John's was reconstructed in the year 1799, and since that time—a matter of a hundred and ten years—the number of houses that have been built of the same class—what do you think it is? It's one, sir, no more than one. That's been built by a gentleman from South Africa, and he only moved into it a couple of months ago."

"I may," says the stranger, "have mistaken my friend's meaning. I certainly understood him to speak of a great multiplication of castles, occupied by families with more than £5,000 a year; but he may merely have meant what I suppose you would call large mansions, with accommodation, say, for from eight to a dozen servants. If you've only one new castle, the number of new mansions must be very nearly a hundred."

The agent smiles, and makes a calculation on his fingers. "Of such residences," he replies, "eleven would be no good to you. You'd think them much too old. As you might see for yourself from an old plan in my office, they were standing twenty years before the battle of Waterloo."

"Yes, yes," says the stranger: "I believe you about the eleven old ones. What I want to hear about is the hundred or so which must be new. Whereabouts are they situated?"

"You can," the agent replies, "if you look between those two elm trees, see four of them

for yourself—white houses with pillars, standing on the hill opposite. You can tell the dates of them by their names. The lower one on the left is 'The Pavilion,' so called after 'The Pavilion' of the Prince Regent. To the right of that is 'St. Albert's,' called after the Prince Consort. The gilt ornament, six feet in height, on the portico, is a copy of the Albert Memorial. Of the two top houses, the one to the right is 'Beaconsfield.' The newest of all—the one to the right—is Edwardstown—classical outside, inside Jacobean, with smoked oak panelling, and called after his late Majesty. You were speaking just now of a hundred new houses or thereabouts. Well, sir, let me tell you this. Not a single new house, lying within the limits you mention, has been built here, except those four, since the year 1801."

The stranger is silent with surprise. Presently the agent, as if a fresh thought had struck him, begins again.

"It has," he says, "been just occurring to me, sir, that the explanation of your little mistake may be this. There are new houses here, different from those yonder—very genteel residences, but on an altogether smaller scale—most of them costing you £30 a year, a few of them up to ninety, many not more than twenty; and many of these call themselves by fancy names—the names of castles like Walmer, Dunrobin, Alnwick, or of big places like Sandringham, Welbeck, Clumber; and these names may have misled you. That would account for

everything. Of new houses of this kind there are nearer two hundred than one—every one of them built since the days when my father was a boy—nice places, not inside the town, but ranged all round it at just a convenient distance. I ought to mention that they have small accommodation for servants—none for more than three, most for not more than one; but if a house of this description would suit you otherwise for a month or two—why, your servants could get capital lodgings in almost any of the streets close by."

"I'm afraid," the stranger replies, "that plan would hardly work. I'm sorry to say anything derogatory of your native place, but I think you'll admit that I'm not wrong as to one thing. The houses in the town itself, with the exception of a few like your own, are little better than so many thatched hovels, and hardly a penny has been spent on them for the last three generations. I couldn't ask any servant of mine to lodge in a thatched dog-hole."

"Well, sir," says the agent, "seeing's better than talking. If you'll step so far as the stile at the end of that short foot-path, you can with your own eyes see the whole thing in a nutshell." The stranger goes with his guide, and the promised spectacle is before him. Except for the four new mansions whose porticoes he has seen already, and the raw new castle of the South African magnate, the higher slopes remain as they were when he first saw them. Lower down is a novelty—a circle of slated

villas, forming a continuous fringe with the body of the town enclosed by it. This is astonishing enough—this glittering sign that a class must have more than trebled itself which, according to his friend, the reformer, had barely escaped extinction; but what strikes the stranger dumb is the body of the town itself. Where is the mass of thatch, which must now be sodden and ruinous? Where is the great expanse of almost unbroken brown? The prevalent colour of the town is now not brown, but red. Except for some patches of slate, it seems that there are tiles everywhere. It is only after he has been staring for many minutes in silence, that something catches his eye which is oddly familiar to his memory—something which now suggests to him an incongruous group of hay-ricks. It is the sole remnant of the thatch which he remembers as all but universal. This alone remains to show him that he is not dreaming.

"That, sir," says the agent at last, "is different from what you expected. And yet you're in the right thus far. There was a time—I'm speaking of the beginning of the last century—when out of 1,800 houses, those that were thatched numbered 1,530. We know the figures from the rate-books. But since that time, a good many things have happened. With the exception of three hundred, every one of those thatched houses has been pulled down and rebuilt—built of brick, and roofed, as you see, with tiles. Some of them—about three

hundred—are a bit smaller than the rest; but in each of these last there's now one man or two, earning twenty-five or twenty-six shillings a week, whose grandfathers lived under thatch, and were lucky if they earned sixteen. Of the bigger of these tiled houses, there's something above nine hundred, in every one of which there's one man or two, as may be, earning anything from £80 to £160 a year; whereas, if you'll only believe it, in 1801 there were, barring the gentry, only ninety men in the place earning so much as 30/- a week. Lord bless you, sir, if these things happen to interest you, you may take again the case of those smart new slated villas. There's hardly a family living in one of those, whose grandfathers were not born and brought up under thatch like the rest of them. There's a lot of new money been made in this town since then. Perhaps your informant didn't take that into account."

"On the contrary," says the stranger, "he did; and he told me that the kinds of people to whom the new money went could be seen by the different classes of houses it was used to build. He told me as a known fact that nearly all of this new money was used in building big castles and so forth, and that nothing was left for the improvement of houses of any other kind."

"I wish, sir," says the agent, "you'd only been here last week, and had heard an Address given by my son-in-law—a builder himself—on the history of our local building trade, since

the beginning of the last century. He showed, going into the figures, that the five big houses, inclusive of the one new castle, represented a building cost of about £60,000; cost of 170 new slated villas, £170,000; ditto of 900 superior dwellings for artizans, £360,000; ditto of 300, same style but smaller, £80,000. Total for all new houses, £670,000. Well, sir, if £60,000 amounts to nearly all of £670,000, the party who gave you your information may be right—not otherwise. Ask him, when next you see him, if he'd say that one-and-ninepence was 'nearly all' of a pound. I don't know who the gent can have been, unless he was a wild-eyed chap who came here a year ago 'to inspect conditions' as he called it. He spent three hours amongst the thatch, gossiping with a lot of loafers; and when somebody proposed to show him the rest of the town, he said that the thatch and the loafers were the only things that interested him. Anyhow, whoever your informant was or was not, he seems to have got things pretty much upside down. With regard to the way in which things have really gone—with regard to what hasn't happened, likewise with regard to what has—his meaning is only correct if you take it, like a dream, by contraries."

If this illustration, representing in rough pictorial form the contrast between actual facts and the versions of them now popular, errs at all, it errs, so far as it goes, in representing the

contrast as less violent than it is. It may, however, be objected that even if pictorially correct, the two pictures need not prove what at first sight they appear to prove, and the grounds on which this objection may be raised shall be considered in the next chapter.

CHAPTER III.

THE purpose of the two pictures being to exhibit the fallacy of the idea that the increasing wealth of this country has been mainly appropriated by the rich, it may be objected that the manner in which houses of different kinds are used to represent incomes between certain limits or above them, is so loose as to cover the possibility of widely different results. It may thus be true that in the year 1801 such a typical town would have contained eleven substantial houses representing incomes between £1,000 and £5,000 a year, and not more than fifteen in the year 1910: but the average of such incomes may have been smaller at the earlier date than at the later. It may have been £2,000 in one case, and be £3,500 in the other; and though the houses may have increased in number by little more than a third, the amount of income represented by them may have possibly more than doubled itself. It is, however, to incomes exceeding £5,000 a year that this contention applies with the greatest force; for here, according to the terms of the definition, there is no upper limit whatsoever. Thus if a castle is taken to represent an income of which nothing is stated except that it exceeds this minimum, our typical town might have contained one castle at one time, and a century later might have contained no more than two;

but the old castle might represent an income of barely £6,000 a year, and the new one an income of £180,000. The number of castles would not have been more than doubled; but the income represented by castles would have been multiplied by more than thirty. Hence, for anything that our pictures show to the contrary the castles might have robbed the town, if not to the extent which the language of reformers suggests, yet at all events to an extent which renders their exaggerations excusable.

In such objections there is nothing which is *a priori* impossible. Their value can be tested by specific evidence only: and with regard to the most important of them, to which we will here confine ourselves, namely, that relating to incomes in excess of £5,000, we happen to have evidence which is exceptionally direct and ample. The official report on the income-tax of 1801 enables us to ascertain with very fair exactitude, not only what was then their number—this we have seen already—but also their entire amount. Information of a similar kind is now available with regard to the present day, as a result of the special investigations necessary in connection with the super-tax to which now all incomes in excess of £5,000 are liable.

Of such incomes, in the year 1801, so far as England and Wales are concerned, the average per head was £9,970, or practically £10,000 a year; and the number, as already stated,

having been about 1,100, the aggregate amount of the whole may be taken as about £11,000,000.

The number of such incomes in the year 1910, as disclosed by the assessors of super-tax, was approximately 11,000 in respect of the United Kingdom, the average income per head being £12,000 a year; and the aggregate amount of the whole was £130,000,000.[1]

Let us now consider what, at each of these two dates, was the aggregate income of all classes taken together.

From the income-tax figures for 1801 it is directly ascertainable that, out of a total population of 9,000,000 persons, half a million, or 100,000 families, subsisted on incomes exceeding £160 a year, their aggregate income being £60,000,000; that another half million of persons subsisted on incomes lying between £160 a year and £60, their aggregate income being £24,000,000; and that the rest of the population, consisting of 8,000,000 persons were supported by about 3,700,000 workers, none of them earning as much as 22/- a week. Of these last, a third must have been women, boys and girls, who cannot have earned between them more than £13,000,000. Of the remainder, consisting of two and a half million

1. It appears, from supplementary information issued whilst these pages were in the press, that the total was about 3½ per cent. in excess of the sum above stated. This fact, however, does not substantially alter the general conclusion given in the text.

men, one million were workers engaged in, or connected with, agriculture, who cannot have earned between them more than £26,000,000;[1] whilst the remainder—men, who, apart from the specially skilled artizans, represented the mass of labour other than agricultural—even if we assume them to have received on an average as much as £40 a head, could not have earned between them more than £56,000,000. In other words, we shall be appreciably over the mark, but sufficiently near it for the purpose of a broad comparison, if we assume that the income of England and Wales at the beginning of the nineteenth century amounted to as much as £180,000,000.

The national income to-day, when considered for statistical purposes, is commonly taken to mean the income of the United Kingdom. The question of its amount has been approached in various ways; but for several years there has been a general consensus of opinion that it could not be less than two thousand million pounds; whilst an elaborate volume,[2] which throws much new light on the matter, and was issued by the Board of Trade in 1912, leads to the conclusion that it considerably exceeds

1. The average earnings of an agricultural labourer at the beginning of the nineteenth century were commonly computed to be not more than £21 a year. As supplemented by payments out of the rates they may possibly have reached the sum mentioned above.

2. The Final Report in the Census of Production for the year 1907.

that sum. If we wish to adhere to the letter of our previous comparison, and deal in both cases with England and Wales only, a deduction would have to be made in respect of Scotland and Ireland. Since, however, the question now before us relates to proportions rather than to absolute amounts, our figures will be simplified, and our comparison will be practically unaffected, if, as regards the present, we deal with the United Kingdom, and, as regards the earlier period, with England and Wales only.

To begin, then, with a comparison of the broadest kind, the outstanding facts and figures which call for our consideration are these.

In the year 1801, of the class of persons whose incomes exceed £5,000 a year—the class specially meant by reformers when they declaim about the riches of the rich—the average income per head was £10,000 a year; the number of such persons was 1,100; their aggregate income was £11,000,000; and the income of the nation was £180,000,000.

At the present time,[1] of the same class of persons, the average income is £12,000; the number of such persons is 11,000; their aggregate income is but slightly in excess of £130,000,000, and the income of the nation is in excess of £2,000,000,000.

Now if these figures should be examined by any one who entertains the idea that an increas-

1. This phrase refers throughout to the year 1910.

ing proportion of the income of this country is being appropriated by the rich, the result of which process is a constant increase of poverty, two facts may be deduced from them which might seem, if quoted on a platform, to favour such a conclusion. In the first place the average income of the persons here in question has risen from about £10,000 to £12,000 a year—an increase of 20 per cent. In the second place, whilst, at the beginning of the nineteenth century there was, in England and Wales, one of such incomes to every 9,000 inhabitants, there is at the present time in the United Kingdom one of such incomes to every 4,100 inhabitants.

Taken by themselves, however, facts such as these prove nothing. The nation may be compared to an individual who carries his income in his pocket, and the rich to a thief who abstracts from it a certain number of sovereigns. The extent to which the victim is impoverished, or even appreciably inconvenienced, does not depend on the amount of the theft alone. It depends also on the amount from which the theft is made. Other things being equal, the inconvenience experienced by the victim if £2 be taken from £20 will in all probability be less, it will certainly not be greater, than it would have been had £1 been taken from £10.

Similarly, with regard to the income which, if we like to put it so, is stolen by the rich from the income of the community at large, the practical question for the community at any

particular period is, what is the proportion of the abstraction to the total from which it is abstracted? If we re-examine our figures with this consideration in view, the result will be remarkable, and to many people surprising. The income of England and Wales having been £180,000,000 in 1801, the aggregate of incomes exceeding £5,000 a year—namely £11,000,000, will have amounted to 6·3 per cent. of the whole. The income of the United Kingdom being at the present time more than £2,000,000,000, the aggregate of incomes exceeding £5,000 is a sum which relatively to the whole is certainly not greater but probably a trifle smaller. Our information, however, is not sufficiently precise to justify us in insisting on the difference between these two fractions. For argument's sake, they may be here taken as identical. It is enough for the moment to insist on the broad fact, which definite evidence places beyond all doubt, that the aggregate income of "the rich," despite its huge absolute increase, has, relatively to the income of the country as a whole, not undergone any increase whatsoever, but, singular as the fact may seem, is substantially the same to-day as it was a century, or more than a century, ago.

Thus far, however, the figures bearing on the case have been taken at their "face value." Certain considerations have been omitted to which due weight must be given before even a general conclusion can be presented in its final form.

In most cases when attention is called to the magnitude of the income of the rich, however "the rich" may be defined, the special object in view is a comparison of their aggregate income with the aggregate income of the multitude commonly called "the poor," or of the "employed" as opposed to the employers, or of the "labourers" as opposed to the "capitalists" or the "takers of profits." Now, except in the case of certain professional earnings, such as those of a lawyer or a doctor, it is obvious that whenever any large income is produced, the employment of labour is a necessary part of the process; that the labourers, in order to live, must be paid wages of some sort; and that profits, however large, are merely part of a total, larger still, of which wages constitute the remainder. There are no persons who, as the result of their own logic, are bound to insist on this fact more forcibly than socialists. To admit that profits can exist which have no wage-bill as their concomitant, would be to admit that wealth can be produced without any labour at all. If any English employer sought to maintain this position on the ground that he had recently transferred his works to France, and no longer paid any wages to Englishmen, socialists would be the first to inform him that he had no more altered the situation than he would have done if, his works having been situated originally on the English bank of the Tweed, he had re-erected them in an opposite field in Scotland, so that his labourers now

lived at the Scotch end of a bridge, whilst he himself lived on, and received his profits, at the English end. His profits would still be one part of a total business income of which his labourers would receive another, whether he and they were divided by a stream of water or no.

Now the kind of case here indicated, of an employer living in this country and his labourers living in another, is so far from being imaginary that it has a most important bearing on all current computations of the income of the United Kingdom to-day. Of that income, as commonly computed by statisticians, a considerable portion consists of profits arising from enterprises the seat of which is not in this country, but abroad; and the labour employed in which is not home labour, but foreign.

In all cases other than these, the total value produced by any business or industry, however it may be divided into profits and the wages of those employed, is duly included by statisticians in their estimates of the income of the nation. Let us, for example, imagine two brothers living at Dover, each of whom has a factory situated in that town. The annual product of each is equal to £20,000, of which £10,000 is profits, and £10,000 is wages. In any statement of the income of this country, the united profits of these brother employers would appear as £20,000 on the profit side of the entries, and the wages paid by them as £20,000 on the wages side. The statistical statement would

be so far complete. The two sums would be comparable, and the result we should get by comparing them—that profits and wages were halves of the same total—would be correct.

But if, of the two factories owned by these Kentish brothers, one happens to be situated, not at Dover but at Calais, and the labourers employed by its owner are not English but French, the profits of the brothers and the total of the wages paid by them, will be in this case precisely what they were in the other; but they would not, according to current statistical methods, be so entered in any statement of the income of the United Kingdom. The united profits of the brothers would still continue to figure as £20,000 in the aggregate income of the employers, but of the wages corresponding to these profits, and still actually equal to them, one half, because it was paid on the opposite side of the Channel, would vanish from our insular records of the aggregate income of the employed, and only the other half, still paid at Dover, would remain. We should still have £20,000 on the profit side of the entries, but on the wages side, only £10,000 instead of £20,000 to correspond to it. Hence, if these entries were taken as indicating the actual ratio of the income of employers in this country to the income of those employed by them, the conclusion thus reached would, it is sufficiently obvious, be either absurdly misleading, or in its very nature impossible. We should either have to believe, in respect of these two busi-

nesses, that wage-rates were 50 per cent. below the prevailing level, or else that one of them, though no less lucrative than the other, had managed to dispense with wages, or in other words with labour, altogether. In order to render our insular records such that any true comparison between profits and wages might be based on them, it is clear that we should have to do one or other of two things. We should have to strike out the profits of the factory at Calais from our profit-income, or else add the wages paid to the labourers at Calais to our wage-income.

These observations apply, it is needless to say, to the whole of that portion of the income of this country which appears in statistical statements as 'profits coming from abroad," and if our object is to compare one group of insular incomes with another, either all profits from abroad must be eliminated as having no wages to correspond to them, or the corresponding wages, which are paid abroad, must be included. The former method is the simplest; and we will now apply it to the totals, as already given, of incomes exceeding £5,000, in the year 1801 and at the present time respectively. What, then, is the amount which, on account of profits from abroad, must in each case be deducted from £11,000,000 in the first case, and from £130,000,000 in the second?

If we make the assumption, which at any rate is broadly true, that the bulk of profits is included, no matter what their origin, in the

aggregate of such incomes as are now subject to income-tax—namely those exceeding £160 a year, and if we assume farther (which is all that can be done here) that the distribution of the foreign element amongst all such incomes is equal, an answer sufficiently accurate for our present purpose is obtainable. At the beginning of the nineteenth century, according to the then recent estimate of Pitt, out of every pound of income which would now be subject to income-tax, profits from abroad—mainly from the West Indies—amounted to no more than sevenpence. At the present time, according to the latest information, out of every such pound they amount to at least five shillings. What, then, we shall have to deduct from the two sums here in question will be sevenpence in the pound from £11,000,000 for the year 1801, and five shillings in the pound from £130,000,000, in respect of the present time.

The result will be that whereas, taken in its integrity, the total has increased in the ratio of one to twelve, the home-produced portion has increased in a ratio of only one to nine. Hence if the gross total, relatively to the income of the nation, is, as we have seen, no greater to-day than it was more than a century ago, it is plain that the home-produced portion of it will be now considerably smaller. It will have amounted, at the beginning of the nineteenth century, to fifteen pence out of every pound of the home-produced income of the nation. It

will amount at the present time, as nearly as possible, to a shilling. It must farther be noted that the home-produced income of the nation would, if divided equally in 1801, have yielded an average income of less than £20 per inhabitant. It would yield, if similarly divided, more than twice that amount to-day. The effect, therefore, in 1801 of "the abstractions of the rich," on the average share per person, would have been a loss of fifteen pence in the pound out of £19 15s. It would be a loss of only a shilling in the pound out of £45 to-day.

It is needless, at the present stage of our enquiry, to labour these details farther. Practically the object with which they have been set forth, is that of elucidating one broad conclusion, namely this:—that the primary idea or thesis with which social reformers start, which is the foundation of all their projects of reform, and is the key to their interpretation of the conditions which require to be reformed, is altogether a delusion. Their primary thesis is that all the social evils of to-day, as contrasted with those of yesterday, are due in the last resort to the ever-increasing proportion which is being taken from the income of the community in order that it may be added to "the piled up aggregations" of a class to whose present riches the past affords no parallel; and all their projects of reform are reducible to some device or other by which the reservoirs of this class, supposed to be inexhaustible, may be tapped,

and their contents administered in doses to the mass of the population generally. If there are any persons to whom the language of reformers is applicable when they declaim in this manner about the all-engrossing modern rich, these persons must be all comprised in the class whose incomes, to say the least of them, exceed £5,000 a year; and the broad conclusion here placed before the reader is that the wealth of the typically rich class, relatively to the wealth distributed amongst the population generally, is a quantity which, instead of increasing, has for more than a hundred years been actually growing less and less; and that all those ideas as to modern poverty and reform, which have the contrary opinion as their basis, must be altogether readjusted.

The case of the lesser rich will, with similar results, be considered in a future chapter, when the analysis of the income of the nation can be presented in greater detail. For the moment it will be enough to observe that the moral suggested by our pictures of the same typical town, as to the actual diffusion of wealth in contrast to its supposed concentration, errs, if it errs at all, not by overstating but by understating realities.

At the same time it must be admitted that the fallacy here exposed is by no means peculiar to the reformers who specialise in the trade of disseminating it. It represents an opinion which is more or less vaguely held by a very

large number of otherwise cautious persons, and this opinion being diametrically opposed to facts, a delusion so widely spread must have some cause or causes of an important and discoverable kind. In the following chapter these causes, of which there are several, will be surveyed.

CHAPTER IV.

One of the reasons why the total wealth of the rich may seem to have increased relatively to the total wealth of the country, whereas in reality it has not increased but declined, is no doubt the fact that the number of rich individuals has increased in relation to the number, though not to the income of the population. The actual number of the rich, however, has always been so small that a relative increase of this particular kind would, if it stood by itself, be even now not very conspicuous, being equivalent to no more than an addition, in the course of a century, of one rich household to every eighteen hundred houses.

But there is another standard of measurement, taken in relation to which the increase of the rich has been enormous, not only in respect of their number, but of their aggregate income also. This standard consists of the geographical area of the country, which, unlike the population, and unlike wealth in general, instead of increasing, always remains the same. To put the matter roughly, if we imagine the country to be divided into eleven hundred parishes all of equal size, whereas there would at the beginning of the nineteenth century have been only one person in each with more than £5,000 a year, there would be at least ten

to-day; and if the whole of each parish had been visible from its own church steeple, any observer, on whatever steeple he perched himself, would to-day see at a glance ten times as many great houses as he would have seen had he lived in the days of his great-grandfather. If from such a spectacle, repeated wherever he went, he derived the impression that the rich were fast getting hold of everything, the impression would be natural enough; but how widely at variance such appearances may be with realities, can be seen by considering an analogy, which relates not to wealth but health.

Let us suppose that a tropical island, previously unoccupied, is one day discovered to be astonishingly rich in rubber. An enormous influx of settlers is thereupon expected, and a town is rapidly built which will accommodate twenty thousand persons. The climate, however, proves to be so pestilential that only one thousand persons can be induced to remain and brave it; and amongst these thousand the annual death rate is 100—nearly six times as great as the death-rate of the United Kingdom. Let us now suppose that science discovers a means by which the pestilent air is purified. The terrors of the climate disappear. Colonists arrive in the number at first anticipated. The fever-stricken and almost empty town soon has its full population of twenty, instead of a single, thousand, and the annual death-rate falls from 100 per 1,000 to 15—a rate lower than that of any country in Europe. Neverthe-

less, if bereaved persons were accustomed to wear black for a year, any one who visited this town now, which has been transformed from the unhealthiest into one of the healthiest in the world, would encounter in a tour of its streets three hundred persons in mourning, whereas he would have encountered no more than a hundred in the old days when each of these streets was a death-trap, and one man out of every ten to be met in them would have had but twelve months to live. As a spectacle appealing to the eye, the signs of death would have been multiplied; but the ravages of death, as actually experienced by the population, would from a ghastly maximum have been reduced to an abnormal minimum. The reduction would, it is obvious, be the one vital fact. The spectacular increase would be illusory, because altogether irrelevant.

Similarly, with regard to the rich in the United Kingdom, their aggregate wealth has increased, and increased in a visible way, if measured by its average amount per square mile of the *national area*. It has, at the same time, decreased rather than increased, if expressed as so many pence per pound of the *national income*. This decrease, or at all events this failure to increase, is the sole relevant, indeed the sole actual fact, so far as the wealth or the poverty of the mass of the population is concerned. The increase, which shows itself only when measured by an irrelevant standard, has, when considered as a strictly economic

symptom, no meaning whatsoever. It is nothing but an optical delusion.

Nor do these observations apply to the rich only. An optical delusion of precisely the same kind is produced in the case of the conspicuously poor also. In London, for example, the number of paupers per 1,000 of the population might to-day be only half of what it was at the beginning of the nineteenth century; and yet the actual number now living within walking distance of Hyde Park Corner, would have so increased that the crowd of unfortunates would have doubled itself who could be mustered in Hyde Park to make a show of their tatters.

Optical delusions, however, even when known to be such, often exert an influence which it is hard to escape; and the delusions which have just been noted as to riches and extreme poverty are heightened by various circumstances the effect of which on the imagination is cumulative.

Though of incomes exceeding £5,000 a year, the average income per head, in the course of more than a century, has risen only from £10,000 to £12,000, a number of individual incomes are now comprised in this group of a magnitude unknown at any previous period; and the imagination of the superficial observer is often so affected by these ultra-conspicuous fortunes that he takes them to be representative for the precise reason that they are exceptional. Here we have the origin of the declaration, which is a commonplace amongst modern reformers from the Chancellor of the Exchequer

downwards, that the contrast to-day between wealth and extreme poverty is greater and more menacing than it ever was before. And in a certain sense this statement is true; but, if taken in connection with the issue which agitators intend to raise it, its truth is completely barren. If poverty be represented by an income of ten shillings a week, there is a greater difference between poverty and an annual income of five hundred thousand pounds, than there is between poverty and an annual income of fifty thousand. But if the riches of the rich be regarded as affecting the popular welfare in the sense that, if it were not appropriated by a small number of persons, the income of the nation in general, and of the poor in particular, would be larger, the incomes of these persons individually, are a matter of complete indifference. What affects the nation at large is the total amount of the "theft," not the number of thieves, or the share taken by each.

The fact, however, that a certain number of the incomes of the rich to-day are enormous, cannot be entirely disposed of by the above obvious criticism. This may be seen by reflecting on certain of the results that would ensue if these enormous fortunes disappeared, and all incomes in excess of £5,000 a year, whilst remaining what they are in respect of their total amount, were merely raised or reduced to what is their present average—in other words to £12,000 a year. The effects of this change would be remarkable. There would be a

sudden cessation of nearly all the proceedings with which wealth in the imagination of the public has now come to be identified. The sensational prices now paid for pictures and other works of art would become things of the past. What man with only £12,000 a year would give for a china saucer or a sucking-bottle of rock crystal three times as much as it costs him to keep three sons at Eton? Who would spend two years' income on pearls for his wife's neck, and deprive himself for two years of the means of providing her with a new petticoat? Who would give three years' income for the pleasure of hanging in his dining-room a portrait of the wife or the grandmother of a total stranger, and leave himself for three years without the price of a dinner? What would become of all the great entertainments at which singers and pianists delight unwillingly silent companies at an average rate of £1,000 an hour? Such things would cease to be. What would become of the yachts of six hundred tons and more, with whose size, whose beauty and whose movements the newspapers to-day render all the world familiar? Their day would be over. Nobody would be rich enough to keep one of them in commission for six weeks. The same fate would overtake the only hotels which now enjoy any special reputation for luxury. They would have either to close their doors or entirely change their character.

It is true that hotels of this class are few. So are great yachts. So are the jewels, the

pictures and other works of art, whose prices are counted by thousands and tens of thousands of pounds. So are the great entertainments whose splendour fills the newspapers. The great buyers and entertainers are exceedingly few likewise. Yet if these features of to-day, few as they are, were to disappear (as they would if the income of nobody exceeded £12,000) the riches of the rich as a body would remain as great as ever, but they would, so far as the imagination of the public is concerned, seem so to have dwindled that no rich men were left. Conversely, if things having been reduced to such a state as this, were once again to become what they are to-day—if a few thousands of incomes fell from £12,000 to £5,000, and a couple of hundred rose to £60,000 or more, fabulous sales of gems would once more fill the newspapers, the great yachts would float again, the hotels de luxe would be regilded; and the impression produced on the imagination of the public would be irresistible that the riches of the rich were being swollen to a magnitude more vast than ever, whereas the total amount had not increased by a halfpenny.

Here, then, stated briefly, we have the more general causes which, whereas in actual fact the riches of the rich, relatively to the wealth of the nation, are less now instead of greater than they were at the beginning of the nineteenth century, combine to produce a delusion that the case has been exactly opposite. But to these general causes another remains to be added, of a

different kind, and incomparably more important. This consists of the specific teaching of reformers, whether socialists or extreme radicals, whose business has been to translate a more or less vague delusion, to which any uninstructed person may be liable, into a body of statistical statements which affect to be so precise that they are offered to the public as the basis of a definite social policy. These monstrous and ludicrous statements shall be dealt with in a separate chapter.

CHAPTER V.

Of the statements just referred to the most comprehensive and most characteristic are those which relate to the total amount of the national income to-day, and the manner in which it is distributed amongst various classes of the population. The reader shall first be shown by an examination of one of the most recent and also one of the most favourable examples of them, how fallacious these statements are in respect of their general character. We will then deal more minutely with each of their more important details.

This example of the performances of modern reformers as statisticians is provided by a synopsis of the national income and its distribution, which has been issued by the Fabian Society as a trumpet-call to the discontented. The Fabian Society, its avowed object being the establishment of a bureaucratic socialism, claims that its members are persons of high education and intellect, and are by no means to be confounded with the agitators of the street corner. Its leading spirit is Mr. Sidney Webb, who is honourably known as an historian of certain industrial movements, and whose opinions as to Poor-law Reform and other kindred questions have been seriously consulted by many who have no sympathy with his

socialism. Closely associated with Mr. Webb as a member of this Society is Mr. B. Shaw, whose triumphs as an intellectual dramatist are sufficient to attest that his talents are of a very unusual order. When, therefore, an elaborate statement as to a question of the first importance is issued by such a society on the authority of such men as these, we may assume that the statistical ideas which reformers now seek to popularise are being presented in the maturest form with which the knowledge of the reformers can invest it.

The following are the main propositions contained in this remarkable document, the figures given being for the year 1905.

The total income of this country is £1,920,000,000.

Of this nearly one half, or £925,000,000, consists of incomes exceeding £160 a year, and is thus appropriated by the rich or the relatively rich.

The remainder—£995,000,000—represents the income of the poor, and is made up mainly of weekly wages or salaries, £730,000,000 being the earnings of industrial labour, and £265,000,000 being the earnings of a miscellaneous body comprising shop-assistants, commercial clerks, and the lower ranks of the employees of the State and Local Authorities.

It would, however, the Fabian writer continues, be incorrect to suppose that these two sections of "the poor," perform between them the whole of the necessary work of the country.

There is a certain section of the rich or the comparatively rich—the active heads and managers of productive and commercial businesses, professional men and others—whose services are as necessary as manual labour itself, and who earn their incomes as honestly as any manual labourer. But how much between them do men such as these receive? Out of the £925,000,000, which represents the total of incomes in excess of £160, these men receive no more than £225,000,000. And what becomes of the rest? Here we are brought to the astounding, the almost incredible fact, that the rest, amounting to £700,000,000—nearly 37 per cent. of the entire income of the nation—is appropriated by a class absolutely and avowedly idle, comprising—here the writer is very precise—more than 660,000 adult males, not one of whom has ever "pretended to have so much as the shadow of an occupation." Here, in the existence of this multitude of "the idle rich," is the cause of all those evils which it is the mission of the reformer to eradicate. Here, reduced to scientifically exact proportions, is the fact which before all others must be burnt into the reformer's consciousness.

It is claimed on behalf of these figures and statements that they are one and all of them based on specific information derived mainly from the following authoritative sources; the latest Board of Trade Reports on the various rates of wages current respectively in the various businesses of the country; the elaborate analyses

of the incomes subject to Income-tax, which are set forth by the Commissioners of Inland Revenue; and the Census Reports relating to the number of individuals engaged in each class of occupation, or not engaged in any. And in a certain sense this claim is correct. The Fabian statistician has, with a few exceptions, not invented his figures. He has found them in the documents cited by him; but he has misunderstood, and ridiculously mis-stated their meaning.

His errors are least—though even then they are flagrant—when he is dealing with the income of the "poor," or the mass of incomes not exceeding £160 a year. The aggregate of these he sets down as no more than £995,000,000, made up of the wages and salaries of productive workers; but in order to reduce their income to this figure, he not only fails to include a sum of £50,000,000 known to go to such persons as interest on invested capital; he also deliberately suppresses a sum of £100,000,000, which represents the wages earned by domestic service. Servants, he says, produce nothing that has any economic value. Their work adds nothing to the sum of the national income; and in dealing with the national income, both they and their wages must be eliminated. Considered on its own merits, this puerile contention hardly needs exposure. In any case a few words will be enough to point out its absurdity. Nobody denies that a potter produces an economic value when he coats a

dinner-plate with a glaze, without which it would be useless because it could not be washed clean. It is obvious that a servant who washes it produces a value likewise, because for practical purposes the plate, if it were never washed, would be just as valueless as it would be if it were not washable. Again, nobody denies that the workers in a great biscuit factory are producing values when they turn flour into biscuits. How does a cook fail to produce values likewise when she turns raw meat into soup in a private kitchen? Servants produce values just like any other workers, and whenever any estimates are made of the luxuries which rich men purchase, the value of domestic services is one of the most important items. The Fabian statistician, therefore, in respect of the income of "the poor," is at once seen to be wrong to the extent of £150,000,000; but if we merely add to the total which he himself gives the income which he excludes, though he does not deny its existence, the aggregate of incomes not exceeding £160 a year will, in the year 1905, have been nearly £1,150,000 according to his own authorities: and even if we suppose that since that date it has done no more than increase in the same ratio as the population, the total for to-day, which in that way would be reached, would not differ by more than six per cent. from what, as we shall see presently, is the true amount.

It is when the oracle of the Fabian Society comes to his main subject—the income and

number of the rich, and of the "idle rich" in particular, that his carnival of error begins in downright earnest.

Let us first take his figures as they stand. According to him, the total number of "the rich," or persons subject to income-tax, in the year 1905, somewhat exceeded 1,000,000, but was not as much as 1,100,000. In other words, it must have been approximately 1,050,000, the number of the absolutely idle being at least 660,000. The aggregate income of "the rich" was £925,000,000; that of the absolutely idle section was £700,000,000; that of the occupied was £225,000,000. Now these figures can be put to a very simple test, by comparing them with certain others, given by those very authorities on which the Fabian writer relies. These latter figures relate to the occupied section only—firstly to their number, secondly to their total income. Let us begin with the question of their number.

According to the Census of 1851, the clergy, the barristers, the solicitors and doctors of the country amounted to no less than 150,000. By the year 1905 the number of them had certainly not decreased. According to the Report of the Commissioners of Inland Revenue for the year 1905, there were 60,000 business firms (exclusive of public companies), each of which firms must have represented at least one active partner; the number of salaried employees (earning more than £160 a year), of business houses and of the State, was more than 500,000;

and to these must be added at least 20,000 farmers. If such be the number of a portion of the occupied rich only, and if the number of the rich altogether was at that time not much more than 1,000,000, how can the number of the rich who are absolutely idle be by any possibility 660,000? It could not have been as much, or anything like so much, as half of this. It is obvious that the computation of Mr. Webb's statistical expert not only has no relation to fact, but is inconsistent with even his own primary data.

Let us now take the question of incomes. The aggregate of incomes exceeding £160 a year, amounted, according to him, to £925,000,000. This figure is taken from certain tables in the Report of the Commissioners of Inland Revenue for the year 1905, but if we refer to those tables themselves, and consider the various items of which the total is made up, the following can be at once identified (to say nothing of others) as earnings of the occupied, and not the appropriations of the idle: Income of farmers, £17,000,000; Income of working partners in private business firms, £60,000,000; Income of 503,000 employees, £116,000,000; Total £193,000,000. If the income of the idle, then, was really £700,000,000, and this portion only of the income of the occupied class be added to it, there would have been no more than £32,000,000 left, to be divided amongst the learned and all other professions, to say nothing of shopkeepers, owners of mills, agents, or of

any working partners in businesses run as companies.

Such, even if we suppose the figures quoted by the Fabian statistician from the Commissioners of Inland Revenue, to bear the meaning which he himself ascribes to them, are the results of his insane estimate of the income of "the idle rich."

But what we have glanced at thus far has been the surface of his mistakes only. They originate in an ignorance deeper than anything that has been yet suggested. His figures with regard to the income of the rich are, as has been said already, not inventions of his own. He has found them in official reports, and he quotes them with substantial accuracy; but he totally mistakes their meaning. They are figures representing, as is very carefully explained in these documents, "the gross amount or amounts brought under the review of the Commissioners" for the purposes of ascertaining what the amount liable to taxation is; or, in other words, what is the true net total of private incomes exceeding £160 a year. But, though this net total is included in it, much is included also which, before the net total can be reached, has to be thrown overboard. This portion, which may be called the refuse, of the "gross amount reviewed," consists of various elements which have one common characteristic. They form no part of the total of which the Commissioners are in search, namely that which is divided amongst private individuals in net incomes exceeding

£160 a year. They consist: *Firstly*, of incomes which do *not* exceed that sum, and of the revenues of charitable bodies; *Secondly*, of amounts which are not income at all, but are on the contrary outgoings, comprising insurances, and, what is far more important, the cost of upkeep of all the farms, private houses, business premises, factory plant, railway plant, and shipping of the United Kingdom; and *Thirdly*, of over-assessments, including the imaginary rent of premises shown to be empty. In the year 1905 these three portions were nearly, though not precisely, equal; each amounting to about £60,000,000, and the actual total to £180,000,000.[1] All these amounts were struck off from the "gross amount reviewed" in order to reach the residue which alone represented the total of net private incomes exceeding £160.

The total income, therefore, of the rich or the relatively rich, was not £925,000,000, as the Fabian writer asserts. It was not more than £745,000,000. By reference to more recent information, which will be dealt with in another chapter, it will be seen that even this sum exceeds the reality by something like £100,000; but for the moment let us take it as it stands—as it stands disclosed in the pages, parts of which at all events the Fabian statistician must have consulted; and now let us apply to his figures, as thus corrected, the same test which

1. The actual figures for 1905 were: Small exempted incomes, £52,400,000; Charities, £10,500,000; Upkeep and Insurances, £61,700,000; Over-assessments, £55,600,000.

already we have applied to them in their crude form.

If some 660,000 idle rich men—men who have never even professed to have so much as "the shadow of an occupation," really appropriated between them £700,000,000, how much would be left for those of the "rich" who were occupied—for the salaried employees, for the larger farmers and shopkeepers, for all the active partners in all the other businesses in the Kingdom, and for the whole of the professional classes? If the income of the idlers equals that which the Fabian statistician ascribes to them, the share of the occupied will be £45,000,000 only, which is hardly more than one-third of the income earned by the salaried employees alone, and is only one-fifth of the sum—£225,000,000—which the Fabian statistician himself declares to be the earnings of the occupied rich as a whole.

But the full measure of his absurdities has not been disclosed yet. A farther point still remains to be considered. This is not the income of the "idle rich," but their number, which the Fabian sage declares to be about 660,000. Here we shall get a new, and indeed a sensational light, on the manner in which the social statistics of the modern reformer are elaborated. How is this number reached? Strange to say, it is no mere freak of the imagination. The authority on which it is based can be very easily identified. It is based on the Census Returns for the year 1901, and

claims to represent the number of adult males, there given respectively for England, Scotland and Ireland, as "unoccupied persons." Whether this total is absolutely correct or no, is not very material. In any case it is large. The number of such persons in England and Wales alone is given in the Returns as 543,000. The characteristic error of the Fabian lies not in the total number itself, but in the fact that he has no suspicion of what the number really means. Of what does the reader think that this body of adult males, described in the Census Returns as "unoccupied persons" consist? Barely one-fifth of the number—namely persons defined as "living on their own means"—can by stretching the meaning of the words be identified with "the idle rich," the age of half of these being more than sixty-five years. The remainder, amounting to 80 per cent. of the whole, was made up of what? It was made up of tradesmen and others who had retired in their declining years from a life of active business; of 25,000 pensioners drawing £200 a year; and a mixed group of more than 160,000 persons, consisting mainly of "special inmates" of workhouses, but including also the blind, the insane and the imbecile, permanently housed in asylums, and last, but not least remarkable, a certain number of convicts. All these, like "supers" in a Christmas pantomime, are paraded by Mr. Webb and his friends before the eyes of a gaping multitude, who are invited to regard them with feelings of revolt and

horror, as so many gilded voluptuaries who are eating up the wealth of the nation.

Here, then, in this tissue of nonsense, we have not only an example but (as has been said already) a highly flattering example, of the methods and the degree of accuracy, represented by the social estimates of the social reformers of to-day. If we turned from Mr. Webb and his Society to reformers of rival schools, we should find the same absurdities repeated in even wilder forms. With regard to the rich in the special sense of the word—namely persons whose incomes exceed £5,000 a year—we should find their aggregate income set down as almost exactly double what it has been shown to be by official investigation.[1] We should find the income of the comparatively rich—namely all those whose incomes exceed £160 a year, set down by one reformer as £1,300,000,000, and by another as £1,600,000,000, whereas the Fabians content themselves with a poor £925,000,000.

If, however, the statistics of the reformers are really of a kind so preposterous, so utterly out

1. Mr. Money informed the Select Committee of Income Tax, in the years 1905-6, that the imposition of a supertax on incomes exceeding £5,000 would disclose an aggregate income of £250,000,000. The actual amount disclosed several years later was not much more than £130,000,000. Mr. Hyndman has declared that the capitalists and plundering classes absorb ten-thirteenths of the entire income of the nation. One of the leading Trade Union agitators in Scotland has declared that 60 per cent. of the income of the nation is stolen from the workers by the profit-takers.

of relation to the facts of contemporary life, why, some readers may ask, is it necessary to spend time on a minute examination of blunders which must be sufficiently patent to any sober and intelligent man? The answer is that, however preposterous these blunders may be seen to be, the moment they are examined seriously, yet until they are so examined the ordinary intelligent man has no means of knowing that they are blunders at all. At all events he will be unable to identify them and measure their precise extent; and until they are so identified, and can thus be exposed in detail, the reformer may repeat them with impunity, multitudes will continue to accept them; and even moderate men will imagine that they are substantially, if not literally, true.

Finally it may be added that when, with regard to any question, gross errors have won a very wide acceptance, the identification of these errors with more or less precision is the best and most convenient preparation for an exposition of the actual facts: and to such an exposition we will now go on to address ourselves.

BOOK III.

A Statistical Review of the Income of the United Kingdom and its Distribution at the present Day.

NOTE.

The statistical portion of this work, in so far as it may present any difficulties to the general reader, is mainly comprised in Book III., which those who are more interested in final results than in details may use at their discretion for purposes of reference.

It had been the author's original design to have relegated many of the figures given in Book III. to a supplement consisting of very elaborate tables: but, as for various reasons this has been thought undesirable, certain references are given in footnotes to a series of Statistical Monographs, containing minute analyses of official information, which have been issued by him for the use of speakers and others, from the offices of The Liberty and Property Defence League, 25, Victoria Street, S.W., and which are obtainable by application to the Secretary at that address.

CHAPTER I.

In any general review of our national income and its distribution, there are four points to be considered :—

Firstly, the net total, or the total available by the recipients for their own private expenditure on the necessaries and luxuries of existence.

Secondly, the division of this total amongst the two sections of the population commonly described as the richer and the poorer classes, or those subject and not subject to income-tax.

Thirdly, the composition of the national income generally, when translated from terms of money into the things that money represents.

Fourthly, the amount going to each group of recipients, relatively to the number of persons comprised in each group separately.

To begin, then, with the net total. This, according to the latest information—namely, that provided by the recent Census of Production—would appear at first sight to be nearly 2,200 million pounds.[1] In the Census of Pro-

1. The Census of Production deals with the national income from an entirely new standpoint. It deals with the actual value of material goods produced and consumed in the United Kingdom, and the actual cost and value of services. Other computations are based on wages-returns, and income-tax returns. The Census of Production is entirely independent of these.

duction, however, the term "net income" is employed in a somewhat unusual sense. It includes the cost, borne mainly by the employing classes, of the upkeep of all the farm-lands, buildings, machinery, shipping, and industrial appliances by means of which the income is produced; and if this be deducted, the remainder—the true net income—will amount, as we shall see presently, to about 2,020 million. This total coincides almost exactly with that which expert statisticians had already reached by different methods of enquiry. Moreover, when it is remembered that the figures of Mr. Webb and his friends relate to the year 1905, and that the population and income of the country have since that time increased, we shall find that it corresponds substantially with socialist computations of the national income also.

We thus start with a fact as to which all parties are agreed. The first difference between facts and the wild fallacies of reformers appears in connection with the division of this total into incomes which exceed and which do not exceed £160 a year, and which are respectively subject and not subject to income-tax.

It will presently be shown in detail that this latter group of incomes amounts at the present time to about 1,300 millions, whereas according to Mr. Webb and his brother socialists it was barely 1,000 millions five or six years ago. But this discrepancy is not so great as it seems. If Mr. Webb and his friends had stated their case

in full, the then total would, according to their own admissions have been hardly less than 1,150 millions; and if allowance be made for the increase in the number of wage-earners, and for a certain increase in wage-rates, which have taken place since then, the present total, even according to the data of the socialists, would not differ by more than 6 per cent. from that which has just been stated.

Here, then, we have two figures as starting-points—2,020 million pounds as the net income of the nation, and 1,300 millions as the total of incomes not exceeding £160 a year—figures which may indeed be subject to some revision when examined more minutely, but the substantial correctness of which even reformers do not seriously dispute.

The main errors of the reformers, whether calling themselves socialists or not—the errors which place their estimates out of all relation to reality—begin (let it be said once more) when such persons, turning from what they call the income of the "poor," exercise their powers of analysis on what they call the income of the "rich." These errors are mainly of two kinds, each of which can be identified with the utmost ease. The first consists, as was explained in the last chapter, in identifying "the gross amount reviewed for income-tax purposes, by the Commissioners of Inland Revenue" with the total of net incomes exceeding £160 a year. The second consists of the inclusion of profits coming from abroad, and involving the wages

of foreign productive labour only, in the total which is compared with the wages of labour in the United Kingdom.

With regard to the first of these proceedings, we have already seen in detail how it resulted in the representation by Mr. Webb and his friends of the incomes subject to income-tax in the year 1905 as amounting to no less than £925,000,000; whereas the very documents from which this figure was taken demonstrate that the true total was, to say the most of it, not in excess of £745,000,000. If the Fabians, by way of providing a new exhibition of incompetence, were to apply the same method of computation to the matter as it stood in the year 1910, they would give the total of incomes in excess of £160 as amounting to no less than £1,045,000,000, such having been in that year the gross total "reviewed." This is precisely what in his book, "Socialism and Syndicalism," Mr. Philip Snowden does. The main statistical proposition with which he opens his argument is that, the income of this country being about £2,000,000,000, the rich and the comparatively rich—namely, the persons subject to income-tax—had, in the year 1910, an income of £1,045,000,000 between them.

Here we have an error so constantly and so obstinately repeated—repeated even in the House of Commons, and there listened to without any efficient protest—that its true character may with advantage be impressed once more upon the reader. When the Income-

tax Commissioners record that such and such a "gross amount" has been "reviewed" by them, they simply mean that they have collected a vast number of documents, each purporting to represent a certain sum of money, and have reviewed them, or (in plain English) gone through them, with the object of picking out those and those only, which stand for net private incomes amounting to more than £160 a year. Their procedure in short is like that of a detective who, employed to look for proofs that the managing director of a company has been robbing the company by paying into his private account cheques of a value in excess of the salary due to him, finds a bundle of cheques in the office of the supposed delinquent, which have been returned from the bank as cashed; and reviews or goes through the whole, in order to ascertain which of them have been converted by the manager to his own personal use. Let us suppose, then, that the value of the whole collection reviewed turns out to be £1,045; that the salary due to the manager was admittedly £820, that cheques to that amount paid to himself are identified; that the rest, to the value of £225, have been paid to a painter and a paperhanger for redecorating the company's premises, and that information to this effect is placed by the detective in the hands of the person employing him. What would be said of such a person if, at a general meeting of the shareholders, he declared that the manager had appropriated out of the company's funds £1,045 when only

£820 was due to him, the sole ground for the charge being the fact that cheques for the larger amount had been found in the manager's desk, and that somebody or other had taken a look at all of them? If Mr. Snowden in similar circumstances were the object of a similar accusation based on similar grounds, the terms which he would apply to his accuser may be very easily imagined. The conduct of such an accuser would in no way differ from that deliberately practised, in connection with the income of the "rich" by Mr. Snowden himself, and his brother reformers generally.

Let us now return to the "gross amount reviewed" by the Income-tax Commissioners in the year 1910, which was £1,045 turned into so many millions. Mr. Snowden seriously declares that such was the amount "observed" by them as made up of incomes exceeding £160. The Income-tax Commissioners observed nothing of the kind. On the contrary they observed and stated, by means of eight analytical tables, that, out of the sum which Mr. Snowden quotes £225,000,000[1] consisted of amounts of a character wholly different from that which he

1. Whilst these pages were in the press, a new Report was issued by the Commissioners of Inland Revenue, in which an item of information is for the first time given, showing that for the last year or two about £5,000,000 has been included in the official deductions, which is really a new group of abatements, in respect of children. This affects the figures given in the text to the extent of about one-third per cent.

deliberately ascribes to them. They observed that about £70,000,000 was only money on paper, consisting of over-assessments rectified on appeal or otherwise; that another £70,000,000 was income going to "poor" persons and charities; and that a sum considerably larger was not income at all, but consisted of insurances, together with the cost of upkeep of all the farms, all the buildings, all the machinery, and industrial appliances of the kingdom. Hence, so far as the facts of the case are shown by the official reports dealing with the collection of income-tax, the aggregate of private incomes exceeding £160, was, in the year 1910, not £1,045,000,000, but £820,000,000; and even this sum, as shall now be shown, is excessive.

We here come to a matter which persons like Mr. Snowden cannot be blamed for neglecting; for definite information with regard to it only became accessible towards the close of the year 1912. This is the cost of upkeep. It has always been asserted by business men of all kinds that the statutory allowances in respect of this class of outgoings fall very far short of the actual sums expended. In the year 1910 these allowances amounted to £67,000,000. The actual cost, as compared with the amount "allowed" has, in the Census of Production, been made for the first time the subject of official enquiry. The various forms of capital requiring such expenditure for their maintenance are, in the Census of Production, dealt

with one by one; and the actual cost of upkeep, including renewals, is given as exceeding the allowances by at least £100,000,000. This excess must therefore be added to the official deductions; and the true net total of incomes subject to income-tax will have been in the year 1910, not £820,000,000, as shown in the report of the Commissioners, but, as presently will be shown in detail, about £720,000,000.

The net income of the country being, then, by common admission, £2,000,000,000, or a very little more, about £720,000,000 is the share of the rich and the comparatively rich, and £1,300,000,000 is the share of the poor and the comparatively poor. In other words, the aggregate income of the rich, instead of being, as Mr. Snowden and the Fabian oracle declare, nearly as great as, or even greater than, the aggregate income of the "poor," is in reality not much more than half of it.

But even yet we are far from having reached the true facts of the case; for if we proceed to consider these two portions with a view to drawing any moral from a comparison of their respective magnitudes, it still remains for us to take account of the farther fact, that a very large fraction of the income going to the "rich" consists of profits from abroad, which, so far as their origin is concerned, have no connection whatever with labour in this country. The significance of this fact has already been explained at length; but it may, in view of its importance, be advantageously restated here.

When persons like Mr. Snowden, or Mr. Webb and his friends, divide the national income into two contrasted portions—the one subject to income-tax, and roughly described by them as "profits," the other exempt from income-tax, and roughly described by them as "wages"—they invariably summarise their moral in the following familiar language: "Here are the profits of capital: there, the wages of labour. How huge the one, and how relatively small the other!" Now apart from any error in the actual figures given, such a comparison, even in this rough form, would be legitimate, were but one condition fulfilled. This condition is that both figures are complete, in the sense that everything which each purports to include is included in it. But in computations such as Mr. Snowden's, and those of his brother reformers generally, this condition is absent. One of the figures is complete. The other, even according to their own principles, is not. It is one of the cardinal doctrines of all such persons that no profits on capital are producible without labour, or in other words, without the payment of wages; for, unless they received wages, the labourers could not live. Such being the case, in the total described as "profits" everything received by persons domiciled in this country to which it is possible to apply that name is included; and so far as "profits" originate in England, Scotland or Ireland, the wages corresponding to such profits are duly included in the total described as

"wages." But with regard to profits from abroad, this is not so. Whilst they appear in, and help to inflate, the total of profits stated, our home statistics contain no trace whatever of the wages of labour which correspond to them. These, if stated anywhere, are stated in the industrial statistics of the Rand, of the United States, of Egypt, of the Argentine Republic, and various other regions. They are certainly not stated in those of the United Kingdom.

Hence, to compare profits from abroad with the wages of labour at home, is according to the principles of the reformers themselves an absurdity. If any general comparison between "profits" and "wages" is to be made, either the wages paid abroad must be added to the home wage-bill, or the profits coming from abroad must be deducted from the total subject to our home income-tax. Now a certain portion of the wages so paid abroad—namely, those corresponding to the profits from certain foreign railways—might be estimated with some accuracy; but we have no means of arriving at a reliable computation of the whole. We cannot therefore adopt the course of adding these wages to the wage-bill of our own country. We must do what will lead us to a practically equivalent result. We must deduct these profits from abroad from the total which is taxed at home. Only so can we get two sums which are really comparable—the wages paid to labour in this country, and the only profits in

the production of which that labour is a factor.

What, then, is the sum to be thus deducted, in respect of the year 1910, from the total of net incomes on which income-tax was paid by inhabitants of the United Kingdom? Of all the elements of which the taxable total is composed, these profits from abroad are the element which of late years has increased most rapidly. For example, since the year 1904 whilst the taxable total has increased by less than 11 per cent., profits from abroad have increased by more than 50 per cent., and have now, according to the latest information, reached the enormous sum of £240,000,000. It will however, be shown presently that of this imported income about one-fourth is absorbed by the costs of commercial distribution, and that not more than £180,000,000 is a direct addition to those profits which are purely of home origin. If, then, from a grand total of £720,000,000 we deduct this sum which in its origin is as purely foreign it would be if it tumbled into the British Islands out of the moon, the total of the home-produced incomes in excess of £160 will, in the year 1910, not have amounted to more than £540,000,000. If this sum be added to the income of the poorer classes, we have for the year 1910 a home-produced national income of 1,840 millions. Of this the share of the poorer classes will have been 1,300 millions, and the share of the richer will have been 540 millions. Thus, whereas according to Mr. Snowden, the latter sum, or

"profits," formed more than half of the total, and the former sum, or "wages" formed a fraction appreciably less, profits, so far as the home-produced income is concerned, were in reality considerably less than one-third, and the "wages" corresponding to them were very nearly three-quarters.

Such are these masses of income as expressed in terms of money; but money is merely the measure, it is not the substance, of income. As must be obvious to anyone who will give himself the trouble to reflect, the substance of income resolves itself into two elements, namely material goods, such as food, clothes, fuel, houses, and so forth, in the first place; and personal services received by one person from another, in the second place, such as those rendered by the teacher, the doctor, the domestic servant, or the railway porter who handles the luggage of the excursionist. Any individual who kept fairly accurate accounts might find out in what proportions goods and services combined to make up income in his own individual case. The question which he would have to answer would be of a very simple kind: How much do I spend on having things made for me, and how much do I spend on having things done for me? But the matter is not so simple when we are dealing with the income of a nation; and so far as the income of the United Kingdom is concerned, there was till very lately no direct evidence to show how much of it, as measured in terms of money, was made up of

personal services, and how much of goods. In the Census of Production such evidence may at last be found. It is there shown that, if we take the national income in its integrity, a little more than twelve hundred million pounds out of a total of over 2,000 million is accounted for by the value of goods at the time of their passing into the hands of the commercial distributors; and that the complicated process of distribution, by which alone they are rendered accessible to the final users or consumers, increases their value by about 33 per cent.—that is to say, by about 400 million pounds. Thus something over 1,600 million pounds, or about four-fifths of the total income of the nation, is represented by goods as invested with their final value, or their value at the time when the use or enjoyment of them begins; and the remaining 400 millions is represented by services.

If, however, we confine our attention, as we are now doing, to that part of the national income which is produced in the United Kingdom, and in the production of which home labour co-operates, and thus eliminate the part which comes to us ready-made from abroad, not only will the total be reduced, but the above proportions will be altered. The imported element consists, and can only consist, of material goods of one kind or another; and it is from the goods-income, as above stated, that the required deduction must be made. The home-produced goods-income, apart from the

value added by the process of commercial distribution, is shown by the Census of Production to be not more than £970,000,000. Accordingly, if the income of the United Kingdom be taken as the income produced within our own insular borders, the primary value of the material goods comprised in it will be as 970 out of a total of 1,840, instead of a total of 1,200 out of a total of 2,020, or 57 instead of 65 per cent.; whilst the income represented by distribution and personal services may, for the purposes of the present argument, be assumed to remain the same.

Provisionally, then (for the figures require some slight qualification) what we have seen thus far may be briefly summed up thus. The home-produced income of the United Kingdom amounts to-day to about £1,840,000,000. About three-fifths of this consists of goods as lying at the places of production; about one-fifth is the value added to them by the process of bringing them to the consumers; about one-fifth consists of personal services; and the total thus composed is divided into two portions—the one, amounting to £1,300,000,000, and consisting of incomes not exceeding £160 a year; the other consisting of incomes above that limit, and amounting in the aggregate to £540,000,000.

We may now proceed to the question on which, for practical purposes, the whole significance of the above facts depends—that is to say, the number and character of the persons

amongst whom respectively these two portions are divided.

Of the total population of the United Kingdom, which is approximately 45,000,000, about 26,000,000 are persons of working age, or between the ages of fifteen years and seventy. Of these 26,000,000 persons about 20,000,000 are "workers for gain," or producers of income in one way or another. Of the remaining 6,000,000, it is possible that as many as 100,000 may be men described as "living on their own means"—men who, whether usefully active or idle, do not depend for their incomes on productive efforts of their own; and to these men whom, according to our point of view, we may identify as the "leisured," or denounce as the "idle" classes, we may for argument's sake, add an equal number of women. The rest of the 6,000,000 persons who, although they are of working age, are technically described in the census returns as "unoccupied," are women, mostly married, who as members of working families, pass their lives in performing the duties of unpaid servants—in bearing and rearing children, darning their husband's socks, cooking the household dinner, and scrubbing the household floor.

Of the 20,000,000 workers, about 14,000,000 are males, including men and youths, and 6,000,000 are females, including women and girls. About 12,000,000 are engaged in the production of material goods; about 4,000,000 in selling them to the final buyers; and about

4,000,000 in rendering personal services other than the unpaid services of the women already mentioned.

Thus the number of separate incomes directly earned, or directly produced, by work, being approximately 20,000,000, and the assumed number of the "idlers" being as much as 200,000, the number of separate incomes received as resulting from work or otherwise, may be taken as 20,000,000, with 200,000 added.

Here, then, is the final question to which this preliminary survey has been leading us. The home-produced national income being divisible into two sums—the one amounting to 1,300 million pounds made up of incomes below a certain limit, and the other, amounting to 540, millions, and consisting of incomes above it—amongst how many persons respectively out of 20,200,000 are the former sum and the latter sum apportioned? This question will be most readily answered by beginning with a consideration of the latter—namely the £540,000,000 which is made up of incomes exceeding £160 a year.

The number of persons whose incomes exceed £160 a year, and who are thus subject to income-tax has by certain statisticians been, for the last six years, carelessly estimated at 1,100,000. This figure, however, as will be shown by detailed evidence presently, falls far short of the truth, the number of persons subject to income-tax to-day being definitely indicated

as something like 1,400,000, who may, together with their families, be taken as representing a population of about 7,000,000 individuals. Hence, if the total number of incomes be 20,200,000, and the number of those exceeding £160 a year be deducted, the number of persons whose incomes do not exceed that sum will be about 18,800,000; and 38,000,000 will be the number of the total population represented by them.

With these figures before us, we are able to state intelligibly what the distribution of the home-produced income of the United Kingdom is, as between those two groups which the social reformers distinguish as the richer and the poorer classes. If the two portions of that income which are here in question be divided respectively, first by the number of the direct recipients, and then by the number of the recipients with that of their families added to it, the average income per head will in each case be as follows.

Of the direct recipients of incomes, in the case of the poorer classes, the average income per head will be £69. In the case of the richer (additions from abroad being excluded) the corresponding average will be £400.

Of the total population represented by the direct recipients, the average income per head in the case of the poorer classes will be £34. In the case of the richer classes, it will be £80.

In other words, if the aggregate income of the poorer classes were divided in equal shares

amongst all its direct recipients, and if the aggregate income of the richer classes (in so far as it is of home origin) were divided in the same way, we should have on the one hand nearly 19,000,000 persons each in the financial position at present occupied by a moderately skilled mechanic; and on the other hand we should have nearly one and a half million (all of those now denounced by persons like Mr. Keir Hardie as exorbitantly rich, being included) each of whom financially would occupy the precise position now occupied by Mr. Keir Hardie himself and other members of his party, who, having ceased to perform labour, receive what they regard as a moderate salary for representing it.

Such statements, however, though provisionally they have their uses, give a very imperfect picture of the graduated actualities of the situation; and before we moralise farther on the facts as thus far stated, these shall now be reconsidered in detail. We will begin with the aggregate of incomes not subject to income-tax, and the direct recipients (their number being 18,800,000) amongst whom that aggregate of 1,300 million pounds[1] is divided.

1. This includes income of Charities (about 12 millions), as shown in income-tax deductions; but does not include profits of co-operative societies (estimated at about 12 millions) which are not reviewed by the Commissioners.

CHAPTER II.

THE 18,800,000 "producers" or "workers for gain," none of whose incomes exceed £160 a year, and who for rhetorical purposes are continually called "the poor," are for similar purposes also continually spoken of as "the employed," the "labourers" or the "wage-earners."

To the majority of them no doubt these latter terms are applicable, but not by any means to the whole. The millions of persons in question comprise three groups at all events which, with equal frequency and with much greater accuracy of suggestion, are roughly distinguished by the name of the "Lower Middle Classes." Neither the number, composition, or the incomes of these last have been dealt with by the Board of Trade in any of their enquiries into earnings and hours of labour. They have, however, been made the subject of a systematic investigation by a committee of distinguished economists (including Professor Cannan and Mr. A. Bowley), to whom semi-official assistance of an exceptional kind was given; and a very elaborate report, embodying the results of their work, was presented to the British Association in the year 1910 on the occasion of its meeting at Sheffield.

According to this report, the Lower Middle Classes, not subject to income-tax, comprise (in

addition to a variety of workers who would commonly be included in the labour-class) the three following groups, which account between them for 2,300,000 persons, and an aggregate income of £250,000,000.

(1) Heads of small businesses, mostly shops. Number, 640,000; aggregate earnings, £66,000,000; average earnings per head, £103.

(2) Farmers not subject to income-tax. Number, 360,000;[1] aggregate earnings, £34,000,000; average earnings per head, £95.

(3) Persons engaged in professional or quasi-professional work—*e.g.*, government officials, business clerks and agents, and officers in the army, navy and mercantile marine. Number, 1,300,000; aggregate earnings, £120,000,000; average earnings per head, £92.

To the earnings of these groups must be added about £30,000,000[2] from investments, thus bringing up the total income to the amount that has just been stated.

The remaining persons (including about 10 per cent. of independent workers) and the remaining income, will correspond to what is commonly understood by the labouring classes and their wages. The number of these persons will be about 16,500,000, and their aggregate

1. This number is reached by a collation of the figures given in the Report here referred to, with those given in the Census of Agricultural production.

2. See Income Tax Returns for 1910, under the heading of small incomes, "reviewed" and then "exempted."

income about £1,050,000,000, of which £20,000,000 is, however, interest on investments. The earned income or the wage-income of these 16,500,000 persons will be accordingly £1,030,000,000, which means a general average per head of £62 a year, or 23s. 11d. a week.

But though such would be the income of each wage-earner if wages were divided equally, they are not so divided; and for this there is a very obvious reason—that, in certain respects at all events the wage-earners are themselves unequal. Some of them are boys and girls under eighteen years of age, and whilst most of the adults are men, a large number are women. The non-adults naturally earn less than the adults. The women on the whole earn less than the men. These facts are notorious, and recent information enables us to state them in specific form. If we take the average of weekly earnings per head in each of these groups separately, they will be 10s. for girls, 13s. 6d. for boys, and 12s. 6d. for non-adults as a whole. They will be 18s. for women, and 30s. for men. Farther, out of a total working body of sixteen and a half millions, the non-adults account for about one-sixth, or 2,700,000 persons, and the adults for about 13,800,000, of whom 4,300,000 are women, and 9,500,000 are men. Thus, whilst the average of annual earnings for all these workers together is £62 a year, this resolves itself into £33 for about one-sixth of the number—namely the non-adults; £47 for about one-fourth—namely the

women; and £77 for about two-thirds—namely the men.

Such approximately are the broad results disclosed by an examination of the latest Board of Trade enquiries into wages, of the census of the population in so far as it relates to employments, and of the more detailed figures given in the Census of Production as to the number of men, women, boys and girls engaged in each of the industries with which that work deals.

But even this analysis is insufficient for our present purpose. Let the averages for non-adults and for grown-up men and women be respectively what they may, it is constantly urged by reformers, when such averages are quoted, that in each of these cases a certain number of persons will be earning more than the average, and others at the bottom of the scale will be earning very much less. Thus two women may be earning an average of £47 a year each, or £94 between them; but the one may be a skilled milliner who earns £70, and the other a common sempstress who earns only £24. Two men may be earning 60s. a week between them, and it is true to say that on an average each of them is earning 30s.; but in reality the one may be an engineer whose share is 45s., and the share of the other, who is a stone-breaker, may be no more than 15s. Thus general averages as to wages may suggest a diffused prosperity, and at the same time may cover, although in a sense correct, a vast diffusion of poverty and even of extreme want.

And this argument, although the results of its application are by most reformers exaggerated to an extreme degree, is true. If we wish to discover from an examination of current wage-rates what the practical distribution of income amongst the wage-earning classes is, we must take some dividing limit above and below which adequate wages and inadequate are respectively admitted to begin. Such a limit is, for purposes of general controversy, now taken by most reformers as 25s. a week—a limit which is apparently quoted with reference to adults only, and more especially to adult males. We will, therefore, adopt it in this sense here, and proceed to consider how many men and women earn more and less than the critical sum in question.

Let it first, then, be noted with regard to the non-adults (of whom a few are "half-timers" earning 5s. a week, whilst an appreciable minority earn from 15s. up to 18s.), that the average for the whole being 12s. 6d., the annual earnings of the whole will be approximately £90,000,000, whilst their number, as has been said already, is 2,700,000. Thus the aggregate annual earnings of the adults will be £940,000,000, of whom 4,300,000 are women, and the remainder, 9,500,000, are men.

Let us first take the earnings of the women. It was observed in an earlier chapter with reference to incomes at the beginning of the nineteenth century that not many women even to-day earn more than 22s. a week. The

number of those earning more than 25s. is naturally smaller still. It is, however, not inappreciable. It appears that the mass of the women workers earn from 14s. a week up to 17s. 6d.; that at the bottom of the scale there is a residuum or "submerged tenth," barely earning half that sum; and that at the top, there is a sixth, whose earnings range from 21s. up to as much as 30s., but who, if taken together as one superior class, will not on an average earn more than 27s. or 26s. The aggregate earnings of the women are about £200,000,000.

Let us now turn to the men—to the army of adult male bread-winners—who in respect not only of their numbers, but also of their position and the amount of their earnings, are the main determining factor in the welfare of the wage-paid population.

The total number of these males is, as has been said already, about 9,500,000.[1] The

1. These figures are dealt with in detail, and presented in a series of Tables in "Statistical Monographs," 19, 21, 30, 35. The trades or industries dealt with comprising agriculture, maintenance of rural roads, maintenance of urban roads, linen and jute trades, silk, cotton, wool, hosiery, millinery, boots, and all clothing trades, as well as all textiles; pig iron, iron and steel, engineering, ship-building, tin plate, light castings, railway wagons, electric lighting, gas, tramways, and water. See Board of Trade Yellow Books on agriculture, clothing trades, textile trades, metal trades, and public utility services. The recent Analytical Tables of Earnings which have been used are those relating to persons working for normal hours, *i.e.*, not those working overtime, or only for a portion of the normal working day.

average earnings per head are, it has been said also, about 30s. a week (in strictness a little less), or in other words about £77 a year; and the aggregate earnings of the whole amount in round figures to £740,000,000.

Such being the case, it appears from a minute examination of the evidences that the number earning more than 25s. a week is about 6,500,000, that their weekly average per head is 33s. 6d., that their annual average is £88, and that the aggregate of such earnings for the year is a trifle in excess of £570,000,000. Of the 3,000,000 adult males remaining, it appears that the aggregate earnings for the year are nearly £170,000,000,[1] and that their weekly average per head is 21s., and their annual average about £54.

Now in the numerical proportion borne by the richer of these two groups to the poorer there is nothing perhaps very different from what the majority of persons might expect; but the average rate of earnings in the one case differs so greatly from the average rate in the other, that it is desirable to illustrate the matter by a few particular instances.

Let us begin with two of the cases in which the average rate of earnings for all adult males is at its lowest, namely, the maintenance of rural roads and the jute trade.

For those employed in the maintenance of rural roads, the general average is 18s. a week; but for the small minority who earn more than

1. This will include a fraction from invested capital.

25s. the average rate is 31s.; and for the majority who earn less it is 17s.

In the jute trade the general average is 21s.; but the average for the richer minority is 31s., as in the case of rural roads; but for the poorer majority it is 20s.

In the cotton trade the general average is 28s. 6d.; but for the richer group, which in this case forms 60 per cent. of the whole, the average is nearly 33s.; for the poorer minority it is, as in the case of the jute trade, 20s.

In the great metal trades—tin-plate, iron and steel, ship-building, pig iron and engineering—the general averages are 41s., 36s., 33s., 32s., and 31s. respectively; but for the large majorities earning more than 25s. a week—and in these trades they constitute about 80 per cent. of the whole—the respective averages are 47s., 49s., 37s., 39s. and 35s.; whilst for the poorer minorities the averages range from 21s. to 22s., being not much higher than the average in the case of cotton.

Indeed throughout the whole field of wage-paid industry (with the exception of agricultural and casual urban labour) the same fact presents itself. The adult males earning less than 25s. a week earn approximately the same in one case as they do in another, and the great variations manifested by the averages for adult males as a whole are due to the groups whose earnings exceed that limit—partly because of the amounts which their members earn per head, but mainly because of the number, in each case, of this

higher rank of workers as compared with the number of the lower. The principal trades in which the proportion of the former to the latter is greatest are coal-mining, all industries connected with iron and steel and other metals, the building industries (wood-work, plumbing and decoration included), and the public utility services such as gas, electric lighting, and tramways; to which, strange as it may seem, must be added all the clothing trades. Of the adult males working in these latter industries the proportion earning more than 25s. a week ranges from 76 to 86 per cent.[1]

If, however, all the industries of the country are taken together, such proportions are reduced, mainly by the agricultural, casual and certain textile workers, to about 68 per cent.; or, in other words, as has been said already, out of nine and a half million adult male wage-earners, about six and a half millions earn more than 25s. a week, and the number of those who earn less is about 3,000,000.

Let us now take all the workers together, and consider what in a general way, the facts just stated mean. The number of such persons, if non-adults be included, is about 16,500,000; and if all these persons are treated

1. The percentage of males in the millinery trade earning more than 40s. a week is higher than in any other, being 69 per cent. In the lace trade it is 54. The percentages of those earning more than 35s. a week in the millinery trade, the lace trade, and the hat trade are 72, 55, and 50. The percentages earning more than 25s. a week are 85, 84, and 83.

as separate units, and everybody is called poor who earns less than 25s. a week, reformers may say with truth that, despite all alleged progress, more than half of the wage-earners remain below the poverty limit to-day.

But as purporting to represent the concrete facts of life, such a statement would be true on one supposition only—the supposition that every wage-earner was an absolutely isolated animal, sleeping, cooking its meals, and eating its meals in solitude. Such, however, is not the case. The wage-earners, like the majority of human beings of all ranks live not alone, but in families. Let us endeavour to see, with some approach to precision, how this fact affects the wage-earners of the United Kingdom. The average family is, by most statisticians, taken as five persons; and the correctness of this estimate would appear to be borne out by the circumstance that to-day in the United Kingdom there are 9,000,000 occupied houses or tenements, which, if we allow five occupants to each will give us a total of 45,000,000 persons—a number almost exactly equal to that of the present population. Account must be taken, however, of a certain disturbing factor, namely the existence of domestic servants. These, to the number of some two and a half million, inhabit the houses of their employers, and are thus abstracted from their own family groups. If then we assume, as we reasonably may, that their employers are the 1,400,000 persons subject to income-tax, each of them represent-

ing on an average a natural family of five, and each family occupying a separate house, the addition to their households of this number of servants will raise the number of occupants per house in this special group from the natural average of five to an average of approximately seven; and the population contained in them will be about 10,000,000. Farther, if with regard to the families of the lower middle classes, we assume that these are neither augmented by the presence of servants, nor reduced by supplying them, but conform to the natural average of five persons to a family, these may be taken as representing a total population of 5,000,000, and as occupying 1,000,000 separate houses or tenements.

Here then are 2,400,000 houses, and a population of 15,000,000 persons, which being eliminated, leave us with 6,600,000 houses on the one hand, and a population of 30,000,000 persons on the other, by whom the houses are occupied at the average rate of $4\frac{1}{2}$ persons to a house. These 30,000,000 persons will consist of the remaining wage-earners and their families. The actual wage-earners (non-adults included), after the deduction of two and a half million servants, will number 14,000,000; and if with regard to the servants we make these three assumptions—that the males are taken from the men earning more than 25s. a week, that three-fourths of the females are women, and one-fourth girls—the composition of this body of 14,000,000 wage-earners

will, in respect of their earnings, be as follows. There will be 6,000,000 men earning more than 25s. a week; there will be 3,000,000 men earning less; there will be 3,200,000 women and 1,800,000 non-adults, all of them earning less than 25s. a week likewise; and if we suppose the whole body to have been called out for inspection from their 6,600,000 houses, the members of the richer group wearing white clothes, and those of the poorer black, the number of the whites would be six, and the number of the blacks would be eight, million; and the ordinary agitating reformer, having such a spectacle before him would at once say that here was an answer to the question of how wealth is really distributed amongst the wage-earning classes of to-day.

This is really no answer at all; for a spectacle such as that which we have imagined would not present to us even the rudiments of the real question. The primary fact to be borne in mind is this—that these millions of wage-earners all of them live in houses, that if they did not live in houses they would die, and that the number of houses in which as a fact they do live is nearly one-half of the number of the labourers themselves. This means that, on an average, the wage-earners live in couples—that there are on an average two of them to every working household; and that the character of the life lived within the household walls depends practically on the joint earnings of both.

This is no speculative statement. It is a statement the truth of which is illustrated and substantially attested by the bricks and mortar of the 6,600,000 houses in which the masses of the wage-earning population of this country pass their lives;[1] and if all the wage-earners earned the same amount, the result would be very simple. Every household income, on an average, would be double the income earned by each of its working members. Servants and their wages being deducted, the masses of the wage-paid workers would earn between them £930,000,000 a year, or £66 per head; and the income of every household would be £132.

But individual earnings, as we have seen, differ. For one group the average is £88 a year, for another it is £54, for another it is £47, and for another it is £33; the number of persons in the groups are very unequal likewise; and how they and their earnings can be combined into 7,000,000 couples, one couple on an average being allotted to every household, is a problem of which no solution is even arithmetically possible which will coincide with the arrangement suggested by a consideration of the units separately.

The situation will, perhaps, be more easily grasped by the reader if we reduce our figures,

1. Compare these figures with columns 3 to 7 in table 1, vol. vi, of Census of England and Wales, 1911, dealing with "Buildings of various kinds." The figures given in the text are the approximate figures for the United Kingdom.

in respect of persons and houses so as to deal with hundreds and with tens instead of millions and hundreds of thousands. Let us suppose, then, that the wage-earners, other than domestic servants, are 140 in number instead of 14,000,000, and that the houses or separate tenements which we know them as a fact to be domiciled are, not nearly 7,000,000 in number, but 70.[1] Now matters being represented on this reduced scale, the 140 wage-earners will, in accordance with what we have seen already, be made up of 60 men who on an average earn £88 a year, of 30 men who earn £54, of 32 women who earn £47, and of 18 non-adults who earn £33; and we may suppose that these persons are 140 little dolls, which represent so many different incomes, and with which we have to play a puzzle-game, the object being to fit these dolls in couples into 70 little toy houses, in such a manner as to produce some prescribed result.

If the puzzle were set by an optimist, the prescribed result would be so to arrange these couples that the joint incomes represented by them should as nearly as possible be equal. If the puzzle were set by a pessimist—by Mr. Snowden or any other reformer, who desires to paint the present in the darkest hues which the colour-box of imaginable possibilities affords—

1. The correct number would of course be 66; but by slightly raising this, the process of calculation is simplified, and the general character of the results not substantially altered.

the proposed result would be so to arrange the dolls as to couple all those representing the smallest incomes together, and thus fill with poverty the largest number of houses.

Such is the game (if the word may be used inoffensively) which the reformers play themselves. Let us consider the utmost lengths to which in the present case it can carry us. The darkest result would be reached by beginning with the non-adults—18 in number, and assigning them in nine couples as the sole bread-winners to nine out of the 70 houses; then to treat the 32 women likewise, assigning them, in 16 couples, as the sole bread-winners to 16 houses; and then to take the 30 men earning less than 25s. a week, and assign, them in 15 couples, as the sole bread-winners to 15 houses more. In this way we shall get 40 households, of which, if we take them together, the average income will be £88 per household; and the only persons left will be 60 men earning more than 25s. a week, their annual average being £88 per head. These similarly we must combine into 30 couples, and assign them as sole bread-winners to the 30 houses remaining.

Here is a result which is at all events arithmetically possible; and if it were translated into the language current on radical or socialist platforms, it would have a very familiar and at the same time a striking sound. "Even if some of the working-classes," we may imagine Mr. Snowden saying, "are moderately well-to-do, these are but a favoured minority. Only

40 per cent. of our working-class families to-day are supported on household incomes exceeding £100 a year; whilst 60 per cent. live on incomes which are not only below that limit, but which are, if measured by averages, not more than one-half of the incomes that rise above it."

But the distribution of wage-earners which would justify such a statement, although possible as a matter of arithmetic, is absolutely inconsistent with what we know as to concrete facts. We know, without consulting statistical records that all the non-adult workers—those whose earnings are lowest—are not in reality grouped together in couples so as to form the sole bread-winners of any one class of households. We know also the same thing as to women; and definite statistics confirm what common sense and observation tell us. In Part I of the Report on the Census of 1851, a most interesting section is devoted to the treatment of this very question. It is there shown from an examination of a large number of representative families that there is one adult male at least in each of every six families out of seven; and this fact alone would compel us to reconstruct the scheme of distribution which has been mentioned as not arithmetically impossible. Instead of crowding the whole of our 90 adult males into 45 houses at the rate of two per household (thirty of these households belonging to a conspicuously favoured minority) we shall have to distribute 60 of them amongst 60 houses at the rate of one per household; and

the women and the non-adults, however they may be distributed actually, must at all events be distributed somehow, and not left together at the bottom of the scale like a sediment. There are various ways in which, without violating these conditions, our 140 wage-earners might conceivably be combined into couples, and got into our 70 houses. The reader may find it amusing to work them out for himself. It is enough here to say that if £100 a year be taken as a standard household income there is no credible arrangement of the 70 couples in question according to which the incomes of less than half of them would conspicuously exceed that standard, and the incomes of more than a half conspicuously fall below it. Let us only assign, as a beginning, one adult male per house to 60 houses out of our 70, and in whatever way we may dispose of the 80 wage-earners remaining there will be 60 household incomes exceeding £100, and not more than 10 below it. Between these two groups of incomes the difference will be very striking, the average in the case of the former being greater by 60 or perhaps by 70 per cent. than the average in the case of the latter.[1] From each average in

1. In an interesting article on "Wages," in vol. xxxiii of *The Times* edition of the Encyclopædia Britannica, the writer notes that wages, under modern conditions, show a tendency to "cluster" round two points—32s. to 35s. a week on the one hand, and 21s. to 22s. on the other. These figures refer to the close of the nineteenth century, and confirm those given in the text, which are based on independent and later data.

reality there will of course be individual divergencies. Of the household incomes which exceed £100 a year, many will exceed that sum by a very small amount; others will be as much as £250 or more. Of household incomes which are less than £100, some will be as much as £90, others not more than £50, whilst in both groups there will be a minority of solitary workers, of whom those earning as much as the individual average will be few, and those earning less will be relatively, if not absolutely, numerous. Could all these facts be identified and proper allowance made for them, any statement which in general terms is possible, would call no doubt for many important qualifications; but a general statement is sufficient for our present purposes; and it may be said with confidence as to the 14,000,000 wage-earners who are not in domestic service, but occupy independently nearly 7,000,000 houses, that at least four-fifths of them belong to a well-marked superior class in which the average household income is about £140, £100 being the minimum; and that one-fifth (which means a population of about 6,000,000 individuals out of 30,000,000) belong to a class equally well-marked, in which the average household income is approximately £75 or £80, and £100 is the maximum.

Neither for these summary statements, nor for the analytical figures preceding them, can it be claimed that their accuracy is more than approximate, or for general purposes substan-

tial. In this respect they resemble the block plans of buildings as shown on a map the scale of which is (let us say) 24 inches to a mile. On such a map the respective shapes and sizes of the manor house, the farm houses, and the cottages, would be shown with a precision which for general or comparative purposes was sufficient, though they would be of small use to a builder in contracting for the alteration or repair of any particular structure. The foregoing figures and summaries possess, it may be safely said, at least such an accuracy as this; and widely as they differ in many respects from the statements of the ordinary reformer, they are, if taken as a whole, confirmed in a remarkable way by figures which reformers themselves, though not realising their cumulative significance, are accustomed to quote as indubitable.

One instance of this fact will be enough. In the course of a Parliamentary debate on the condition of the wage-earning classes—a debate suggested by certain then recent strikes—a prominent labour-member, who was the principal speaker on the occasion, having contended that the condition of these classes was one of increasing misery, enlarged on the additional hardships entailed on them by the strikes in question; and the climax of his argument was an estimate of the actual total of wages which, owing to these strikes, had been lost by them in a few short weeks. The actual amount quoted by him does not concern us here. It is interesting only on account of the basis on which

it was estimated. That basis was the assumption that for wage-earners of all grades the average weekly wage-rate is 24s. per head. This sum is slightly in excess of the average which has been given here; but the two are, for practical purposes, identical. The annual earned income of the wage-paid workers as a whole, computed on this basis, is £1,030,000,000. If we add to this the earnings of the lower middle classes—about £220,000,000—together with a farther sum of £50,000,000 from investments (which is ear-marked in the reports of the Commissioners of Inland Revenue as going to persons not subject to income-tax) we reach the grand total of £1,300,000,000 as the aggregate income of the 18,800,000 persons, none of whose incomes individually amount to more than £160 a year; and this sum, though not purporting to be exact, may therefore be accepted as not open to serious dispute.

Such being the case, it will be seen from the details already given, that servants and their wages being excluded, about £1,200,000,000 is divided amongst some 8,000,000 households, each household on an average containing two working members; that about 1,000,000 of these are households of the lower middle classes, the average household income being about £200; that about 6,000,000 are households of the richer section of wage-earners, the average household income being about £145; and that about 1,000,000 are households of the poorer section of wage-earners, the average household

income being about £75 or £80, though the actual household income will vary in various cases from anything under £100 down to something barely sufficient for the primary needs of life.

From the income of "the poorer classes" as a whole, we will now turn to that of the "richer"—namely of those persons whose incomes are in excess of £160 a year, and being thus subject to income-tax are directly dealt with in the Reports of the Commissioners of Inland Revenue.

CHAPTER III

In dealing with the income of the richer classes, as in dealing with that of the poorer, the main points to be considered are firstly the total that is distributable, secondly the number of the recipients, and thirdly the division of these last into groups, according to the magnitude of the incomes comprised by each.

The total amount, and the total number of the recipients, have both been stated provisionally, and in general terms, already. Each of these questions shall be now reconsidered, and the statements made with regard to them shall be explained in detail and verified. We will begin with the total of net private incomes, in excess of £160 a year, as shown by a collation of the income-tax returns for the year 1910 with certain information which has been provided by the Census of Production since these returns were issued.

The total amount reviewed in the year 1910, for the purpose of ascertaining the aggregate of such private incomes, was, as we have seen, £1,045,000,000. We have seen also that, out of this total, the amount recognised by the Commissioners as being either not income of any kind, or not consisting of incomes exceeding £160 a year, was £225,000,000. This amount was made up of £75,000,000 (or 33·3 per cent.)

in respect of over-assessments; of £71,000,000 (or 31·5 per cent. in respect of small incomes and incomes of charities); of £12,000,000 (or 5 per cent.) in respect of insurances; and of £67,000,000 (or 29·2 per cent.) in respect of upkeep. These items, which are called the statutory deductions, amount, as has been said already, to £225,000,000; but, in order to understand more fully their nature and their precise incidence, it is necessary to note that the "gross amount reviewed" is classified into five portions, in accordance with their respective sources.

The first of these (Schedule A) comprises the rent of agricultural land, of the sites of buildings, and of the buildings as such. The "gross amount reviewed" was £276,000,000. The deductions were £62,000,000 in respect of over-assessments, small incomes, income of charities, and insurances; and £42,000,000 in respect of upkeep.

The second portion (Schedule B) comprises the profits of farmers. The gross amount reviewed was £17,000,000. The deductions were £12,000,000, almost entirely in respect of small incomes.

The third portion (Schedule C) comprises interest on government stock, home and foreign. The gross amount reviewed was £49,000,000. The deductions, mainly in respect of small incomes and charities, were £3,600,000.

The fourth portion (Schedule D) comprises all gains arising from professions and busi-

nesses, other than the salaries of employees. The gross amount reviewed was £557,000,000. The deductions were £46,000,000 in respect of over-assessments; £21,000,000 in respect of small incomes, charities, and insurances; and £25,000,000 in respect of upkeep of trade premises, machinery, shipping, and industrial plant generally.

The fifth portion (Schedule E, and a small part of D) comprises the salaries of employees of private business houses, business companies and the State. The gross amount reviewed was £146,000,000. The deductions, mainly in respect of over-assessments and insurances, were £12,000,000.

Thus, if we take into account the statutory deductions only, it would appear that the aggregates of net private incomes in excess of £160 which are comprised respectively under each of the above headings were as follows:— (1) rents of all kinds, 172 million pounds; (2) farmers' profits, 5 million; (3) interest on government stock, 45 million; (4) profits or similar gains from all professions and businesses, 463 million; (5) salaries of employees, 135 million; the sum of all these items being 820 million.

The Census of Production, however, shows as has been said already, that the statutory deductions are deficient, being short by more than 30 per cent. of the actual amount required. The deficiency, which amounts to about

£100,000,000,[1] being wholly in respect of upkeep, it affects only the first of the above groups of incomes, namely, that comprising the rent of farms and of all buildings; and the fourth, which comprises the profits of all businesses involving the use of machinery, ships, railways, and industrial plant generally. So far as the first group is concerned, the Census of Production shows that the actual outgoings in respect of agricultural upkeep are about £15,000,000, or £8,000,000 in excess of the statutory allowances. Thus £8,000,000 out of the £100,000,000 is accounted for. The remainder, namely, £92,000,000, relates to the upkeep of manufacturing and carrying equipment of the Kingdom, and represents the excess of the actual cost of such upkeep over a statutory allowance of £25,000,000, the true total being £117,000,000. Let our figures, as previously given, be corrected in these two particulars, and our general analysis of the net total subject to income-tax will be as follows:

1. As against a total in respect of all kinds of upkeep, which is allowed by the Income Tax Commissioners, and which amounts to above £67,000,000, the actual upkeep costs, as shown in the Census of Production (see Final Report, p. 36), are as follows: Agricultural upkeep, £15,000,000; upkeep of buildings, £35,000,000, which is the official allowance; upkeep of shipping, £8,500,000; upkeep of railways, and public utility equipment, £38,000,000; and of manufacturing plant generally, £71,000,000; the total being about £167,000,000.

(1) Net rent of farm-lands, building-sites and buildings, £166,000,000.

(2) Farmers' profits, as before given, £5,000,000.

(3) Interest on government stock, as before given, £45,000,000.

(4) Gains from professions and businesses other than agriculture, £370,000,000.

(5) Salaries of employees, as given before, £134,000,000.

The total of which items is £720,000,000.

Here we have a synopsis of net private incomes in excess of £160 a year, as analysed in accordance with the methods of the Commissioners of Inland Revenue. In two cases the figures have been revised, but the general arrangement is the same. Certain of the figures, namely, those relating to rent, to interest on government stock, and gains from professions and businesses, may be readily analysed farther.

The sum total of rent going to persons whose incomes exceed £160 a year can be shown to resolve itself into the four following portions: (1) rent of farm-lands (including all landlords' improvements), £33,000,000;[1] (2) rent of building-sites, commonly called ground-rent, as dis-

1. The "gross amount reviewed" in 1910 was £52,000,000. From this (according to Census of Production) £15,000,000 must be deducted in respect of agricultural upkeep; and from the remaining £37,000,000 about £4,000,000 consists of certain over-assessments, and rent going to owners whose incomes from all sources do not exceed £160.

tinct from the rent of buildings, £35,000,000;[1] (3) rent of private dwellings, as distinct from the rent of sites, £62,000,000; (4) rent of premises used for manufacture or trade, as distinct from the rent of sites, £34,000,000.[2]

Interest on government stock can be shown to resolve itself into £15,000,000 from home stock, and £30,000,000 from foreign.

Profits from professions and businesses may be divided by taking the former, in accordance with a current estimate, as £60,000,000. Thus, the total, as we have seen, being about £370,000,000, the profits from business—that is to say production and commercial distribution—will be about £310,000,000.

The attention of the reader is called to these sub-classifications, because they will enable us, with a clearness not otherwise possible, to realise what the composition of the whole amount here in question is. We will, therefore, for reasons which will appear presently, rearrange in the following order the portions

1. Of the "gross amount reviewed" in respect of buildings and sites (which, allowance being made for over-assessments, is a little over £200,000,000), ground rent accounts for about one-fifth, or £40,000,000. Of this about one-seventh goes to charities and persons whose incomes do not exceed £160.

2. Out of the "gross amount reviewed" in respect of buildings alone, £42,000,000 was in respect of factories and other trade premises, and £34,000,000 in respect of upkeep. Nearly one-sixth of the total rent of private houses goes to charities, and persons with incomes not exceeding £160.

which have thus been differentiated, and begin by placing certain of them in a group by themselves.

Professional earnings and the salaries of employees, the former estimated at £60,000,000, the latter known to be £134,000,000; total £194,000,000.

Interest on home government stock, £15,000,000.

Ground-rents of all buildings, £34,000,000.

Structure-rent, as distinct from ground-rent, of private houses, £63,000,000.

These portions, yielding a total of £306,000,000, have been thus grouped together, because the character of each is sufficiently intelligible to everybody, and the amount in each case can be in the main determined by reference to information provided by the Commissioners of Inland Revenue; whilst the remainder, amounting to £414,000,000, has only just become susceptible of anything like complete analysis. It consists entirely of profits or dividends arising from productive enterprises carried on or owned by British subjects, whether in this country or abroad, and from the commercial enterprises, including transport, by means of which the products become accessible to the final buyers. It includes, under these headings, the rent of agricultural land, and farmers' profits, these together being treated as agricultural profits: and also the rent of factory buildings and other business structures, these being treated as a

part of industrial and commercial capital. These amounts, which have been already stated, are ascertainable from the income-tax returns, but our information otherwise with regard to business profits has till lately been meagre in the extreme. The Census of Production supplies us with the information which before was wanting.

In order to utilise this for our present purpose, let us briefly review it as a whole.

In the year 1907 the total net value[1] of all the goods produced for final use or enjoyment in this country was, by the time they reached the final buyers, about £1,600,000,000. Goods of home manufacture accounted for about £960,000,000, goods imported as the property of British subjects from abroad for £240,000,000; total £1,200,000,000. A sum equal to one-third of this, that is to say about £400,000,000, was added to the value of the goods by those processes of commercial distribution which enabled the final buyers to acquire them. The whole of this £1,600,000,000, however, did not go, as personal gain, to the sellers. A sum equal to very nearly one-tenth of it was consumed in the maintenance of manufacturing and commercial capital:—£95,000,000 (to put the matter roughly) in the maintenance of the productive equipment of the United Kingdom,

1. It must always be noted that the term "net value" as used in the Census of Production means the total selling value minus the cost of raw-materials, which have to be defrayed by the producers, mainly in the form of expenses, out of the gross value.

and £60,000,000 in the maintenance of the commercial or distributive equipment. Thus the net receipts of the manufacturing classes (agriculturists included) were £865,000,000; and the net receipts of the commercial classes were £340,000,000; and the receipts as a whole, therefore, foreign profits included, would at first sight appear to be made up as follows: receipts from home manufactures (including both profits and wages), £865,000,000; receipts from commercial businesses (wages and profits included), £340,000,000; goods from abroad (profits only), £240,000,000.

Such however, is not precisely the case. The goods from abroad as soon as they reach these shores must, no less than those of home manufacture, become the subjects of commercial distribution; the costs of which, to the extent of about £60,000,000,[1] will ultimately be paid out of these goods themselves, as a man who distributed twenty-four pounds of tea might be paid by being

1. Sir R. Giffen estimated more than fifteen years ago that about £50,000,000 of the wages of the working classes of this country, employed in distribution, was in reality of foreign origin. This means that if it were not for goods imported from abroad, as the property of British owners (and not in exchange for exports), the British workers would not receive wages for handling them. It is possible that the amount earned, whether in the form of profits or wages, by the handling of such goods, may be somewhat underestimated in the text, in which case what we may call pure profits from abroad would be less than £180,000,000, and perhaps not be more than £160,000,000.

allowed to keep half a dozen for his own consumption. This £60,000,000 therefore, though in a certain sense imported, may more properly be regarded as the earnings of the commercial classes at home; and pure profits from abroad, as the phrase would be commonly understood, will not have been more than £180,000,000. The total profits and dividends, therefore, of the United Kingdom, which arise from the production and distribution of goods, amounting in all to about £414,000,000, are in reality made up as follows:—

Profits (subject to income-tax) derived from home manufactures and agriculture, about £164,000,000.

Profits (subject to income-tax) from distributive businesses, including those of businesses dealing with goods-income of foreign origin, about £70,000,000.

Profits (*i.e.*, goods owned by British subjects) from abroad, about £180,000,000.

We may here revert for a moment to a fact which has been already mentioned, namely that about one-fifth of the total income of the nation, or £400,000,000, according to the census of production, represents neither goods nor the distribution of goods, but services. This fact requires some explanation. The word "services" as thus employed includes not only services of a non-material character, such as those rendered by a domestic servant, or by a teacher, but also the consignment by one party to another, not of the possession of goods,

but the temporary use of certain of them, such as a dwelling-house, a building-site, a railway carriage, a berth on a steamer, or the appliances employed by the post-office for the transmission of letters. Such being the case, the income representing services will, in so far as it consists of profits subject to income-tax, consist of rent of private houses (as already given) £62,000,000; rent of building-sites (as already given), £34,000,000; professional earnings (as already estimated), £60,000,000; to which must be added £24,000,000 out of the total of employees' salaries, this being the amount earned by state officials, and other kindred functionaries; and also (though here is a sum which might no doubt be classified otherwise) interest on money lent to the British Government, the amount, as already stated, being about £15,000,000. These sums together make up nearly £200,000,000. The remainder, not subject to income-tax, will consist of the wages of domestic servants and certain other workers, and the earnings (whether as salaries or otherwise) of officials, teachers, agents, and professional or quasi-professional persons belonging to the lower middle class.

To some readers, no doubt, these details may seem wearisome. They are, however, worthy of close attention, and all of them bear directly on the social controversies of to-day. The various groups of taxable profits dealt with may, however, according to the point of view from which we happen to be regarding them, be

classified in many ways without disturbing individually any details of the foregoing analyses.[1] The whole of them shall now be once more taken together, and presented in the way most consonant with customary habits of thought.

It is customary with most persons when considering the incomes of the rich and the relatively rich, and especially when considering them for purposes of social agitation, to divide the recipients into classes which are recognised as at once familiar and distinct, not by a strict logic, but by common experience and by the imagination. The imagination, indeed, personifies them as so many typical figures, of which as many as nine may without difficulty, be distinguished: (1) the country landlord; (2) the urban ground-landlord; (3) the owner of house property; (4) the capitalist who is a direct employer of labour in this country, such as the manufacturer, the large farmer, and the merchant; (5) the capitalist who, not being a direct employer himself, lives on the interest of capital which the direct employer uses; (6) the professional man; (7) the government functionary; (8) the business employee, such as the manager,

1. Thus the salaries of business employees exceeding £160 a year might be grouped with the profits of both manufacture and distribution; in which case the business profits of the nation would not be £234,000,000, but £334,000,000: and if foreign profits be added, the profits having material goods as their basis, would be at least £500,000,000.

the cashier, or the clerk; (9) the man whose fortune is derived from South Africa, from Mexico, from the Argentine Republic, or from any country other than the United Kingdom.

For our present purposes, however, these types may be reduced to five, namely (1) the owner of land of whatever kind, whether agricultural or urban; (2) the owner of house property; (3) the professional man or the functionary, living on fees, stipend or salary; (4) the capitalist who, whether as an active business man or a shareholder, employs labour in the United Kingdom with a view to business profit; (5) the man who, whether as a principal or shareholder, derives his income from the employment of labour in other countries.

The aggregate amount, and also the amount per £ of the taxable income of the country, going to persons of each of these five types respectively, will be as follows:—

	Amount of Income	Amount per £ of total subject to income tax s.	d.
Owners of land, rural and urban	68,000,000 ...	1	10
Owners of house property	62,000,000 ...	1	9
Professional men and employees	194,000,000 ...	5	5
Capitalists employing labour in this country	216,000,000 ...	6	0
Capitalists employing labour abroad ...	180,000,000 ...	5	0
	£720,000,000	20	0

It must, of course, be remembered that these types are in actual life not mutually exclusive. The same individual may figure in various characters. An owner of land may be also an owner of houses, or of shares in a manufacturing business. A doctor, or a clergyman, or a manufacturer may be also an owner of land. Thus the coincidence of the several amounts in question with the actual incomes of persons of the types severally corresponding to them will be more or less imperfect; but, as the sources of the incomes received by various persons are no less the subject of current controversy than the amounts, and as many of the proposals urged by the most vehement reformers turn on them, the above general analysis of the sources of the taxable income—the net amount of this being £720,000,000—has, as will be seen presently, a most important bearing on the concrete facts of the situation.

Having thus dealt with the sources of that income and its amount, we will now consider the number of those amongst whom it is distributed, and also the numbers of those whose individual incomes lie within different limits.

CHAPTER IV.

THE number of persons whose incomes exceeded £160 a year would, according to estimates submitted to the Select Committee on Income-tax, appear to have been in the year 1904 or 1905 something in excess of 1,100,000, which we may take roughly as meaning 1,150,000. In a previous chapter the number at the present time has here been given as 1,400,000. With regard to this larger figure it may, therefore, be observed at starting, that even had the lower one been correct at the time when it was put forward, we know as a fact from the income-tax returns that one group of taxpayers alone—that is to say the salaried employees—has increased since then by about 140,000; so that, according to the most moderate computations, the total to-day would be nearly 1,300,000. The reasons for concluding that the true number is not less than 1,400,000, shall now be explained in detail.

If income-tax were assessed to-day as it was in the year 1801, no disagreements as to the present question would be possible; for in that year every assessed person was called on to make a declaration of what his total income from all sources came to. The number of such persons could therefore be directly ascertained and stated, and they and their incomes were, in

the Report of the Commissioners, divided into more than thirty minutely graduated groups.

But the total amount subject to income-tax, as we have seen in the last chapter, is primarily classified to-day with a view to its sources, rather than to the individual recipients. The sources—to re-state with certain added particulars what has been said already—are ownership of lands and houses, professional work, businesses carried on by companies, by individual persons, and by private firms, and finally salaried employments. With one notable exception it is in respect of incomes derived from these last three sources only (the net total of which is less than £300,000,000), that any enumeration is given of individual assessments whatsoever. The exception relates to incomes in excess of £5,000. To these we shall return hereafter; but their number is small, and for the moment it is not important. For the moment it is enough to observe that, of the total amount to be accounted for the individual assessments enumerated relate to far less than a half. Thus whilst we are, for example, told with the utmost exactitude the number and the individual earnings of the whole army of salaried employees, no similar information is provided as to the owners of real property, or the principal partners or the shareholders in any business of any kind which is carried on as a company. Hence with regard to the larger portion of the taxable income of the country it might seem that any computation of the number of separate individuals receiving

it would be little more than guess-work. Such, however, is not the case. Let us begin with the enumerated assessments and see how far they will carry us.

The total number of these in the year 1910 was 1,310,000. But even this figure cannot, without farther consideration, be accepted at its face-value; for one individual may be assessed under more than one heading—as a government clerk, for example, in which case he is assessed as an employee; and also as an author, in which case he is assessed as a "person." It is therefore obvious that the number of individual assessments is greater than the number of separate individuals represented by them. On the other hand we have more than £400,000,000 which is not accounted for in the form of individual assessments at all; and if we consider these two facts together, it may seem at first sight that we are as far from any definite conclusion as we should have been had the enumeration been altogether suppressed.

But such a conclusion would be, even on the face of it, incorrect. In the first place, of these enumerated assessments, there are very nearly 800,000—namely, those relating to employees and partners in private firms—which really do what they seem to do, and represent the same number of separate individuals; and what we know from the census of the population with regard to the occupations of the people will enable us to add roughly some 430,000 separate individuals more, consisting of professional

men, shop-keepers, factory-owners and large farmers. A farther addition may be made of some 100,000 men and a considerable number of women, describable, in the language of the census returns, as "living on their means"; and we thus approach a total of separate incomes which is not very different from that of the assessments separately enumerated.

It is true that such a coincidence, in so far as it really exists, is literally a coincidence in the ordinary sense of the word; for it is not a result which is referable to any known and calculable causes. That it is, however, a reality, and is more or less constant in character, is suggested by the curious fact that it, or something very like it, was observed and brought to the notice of Professor Leone Levi by a prominent official of the income-tax department about thirty years ago. It was stated by this official that the separate assessments of "persons" disclosed, in respect of their amounts, a close similarity to that which is known by the commissioners to prevail throughout the body of the taxpayers generally; and farther that the total number of those subject to income-tax was from year to year about three times the number of the assessments enumerated in this special group. In the year 1910 the number of the assessments of "persons" was 436,000. Hence the total number of those subject to income-tax to-day would by parity of reasoning be about 1,300,000; and though the great and disproportionate increase which, during the last thirty

years, has taken place in the class of salaried employees would lead one to expect that the figure thus reached would be too low, we should not be reasoning without some grounds if we adopted it.

Nevertheless it may be admitted that any estimates thus formed would be not very precise and not very convincing if we were not able at once to correct and corroborate them by means of evidence of a different kind altogether, to which reference has been made already, namely that supplied by houses.

It is commonly recognised that the annual value of a house bears a fairly general ratio to the income of its responsible occupier. Many people are content with the rough assumption (correct within certain limits) that the ratio of house-rent to income on an average is as 1 to 10. A farther assumption is general of a more precise kind, that persons whose incomes are not more than £160 a year are unlikely to spend more than £20 a year in house-rent, which, rates being added, would mean an outlay of £26, or, in some cases, of £30. This assumption, which is the outcome of common experience, has received the sanction of legislation; for just as the incomes not exceeding £160 are exempt from income-tax, so houses whose annual value is not in excess of £20 are correspondingly exempt from house-duty. The number of houses, therefore, whose value exceeds the sum in question, and the number of incomes exceeding £160 would,

according to this assumption, be identical; and the number of such houses having in the year 1910 been very considerably more than 1,600,000,[1] such would be the number of the persons subject to income-tax also. But this argument, it is obvious, must not be pushed too far. A large number of houses worth more than £20 a year are notoriously inhabited by two or more separate occupiers whose means would not permit of their renting such premises singly; and this fact is insisted on with much emphasis by statisticians who, with a view to accentuating their picture of the manner in which wealth is concentrated, are anxious to maintain that the rich, and the comparatively rich do not consist even by this time of very much more than 1,100,000 persons. The argument is correct in principle. The only question is, how far it will carry us; and this can only be determined by examining facts in detail.

We may begin, then, by observing that, on the admission of all parties, houses whose annual value is upwards of £40 may be taken

1. The number of ordinary private houses worth more than £20 a year was, in 1910, 1,534,000: but to this number must be added about 100,000 separate flats, residential suites or tenements, of an average rental value of £40. These are separately classified in the returns. The large number of them are situated over shops, the residential rent of which, according to expert enquiries, averages one-third of the total rent. Thus only those residences are here included which form part of premises whose total value is more than £60. See Statistical Monograph 23.

with substantial accuracy as the homes of single families, and as each representing an income which will not be less than £400 a year. The question, therefore, of the number of houses the rent of which is shared by two groups of occupants or by more, is a question which relates mainly to houses whose annual value is from £20 a year to £40.

In view of the information available, we can deal with the question most precisely if we confine our attention to England. The number of private dwellings in England worth more than £20 a year is 1,540,000. If the number of persons subject to income-tax in the United Kingdom is not more than 1,150,000, the number in England alone will be approximately 1,000,000; and, having assigned to these the same number of the most valuable houses in the country, we shall be left with 540,000 houses worth from £20 a year to £40, each of which, according to our present hypothesis, would be necessarily divided into at least two tenements, and let to occupiers who were not subject to income-tax, or who were not (in other words) rich enough to rent the whole of it. Is this possible?

In order to see whether it is, let us consider what is definitely known as to the housing of the population as a whole. If we deduct the 1,000,000 houses assignable without dispute to persons subject to income-tax, the remaining private dwellings in England number 6,320,000, and the number of separate occupiers, or

occupying groups, is 6,988,000. This means that there are in England 668,000 separate lodgers or lodging families; and if no householder took in more than one of these, there would be 668,000 separate dwellings each of which was sub-divided, and shared by two occupiers between them. It is, however, known from the reports relating to overcrowded tenements, that the lodging population of England comprises about 560,000 occupiers, who cannot share between them more than 130,000 separate houses or dwellings. As to the 108,000 lodging occupiers who remain, and who are not in the overcrowded class, even if in no case there were more than one lodger or lodging family to a house, the number of houses receiving them could not be more than 108,000. It would thus appear that the number of houses which are inhabited by more families or separate occupiers than one, cannot exceed some 240,000. In any case they cannot be as many as 300,000; whereas, according to what we have seen already, they could not be fewer than 550,000, if only a million houses worth more than £20 a year were inhabited by persons who, being rich enough to occupy them singly, would (by common admission) presumably be subject to income-tax. In short, if we consider what we know as to the housing of the population as a whole, without any reference to evidence of any other kind, it appears that the number of persons subject to income-tax in England, and so distinguished by their single

and undivided occupancy of houses or dwellings worth more than £20 a year, cannot be less than 1,250,000; and that the total number of such persons in the United Kingdom cannot, according to similar evidence, be less than 1,400,000.

We will not, however, dwell longer on such evidence considered by itself. A certain crucial portion of it shall now be re-examined more minutely, in connection with evidence of an independent kind, the significance of which appears thus far to have escaped the notice of statisticians. The only point at issue with regard to the occupancy of houses as evidence that the income of the occupiers exceeds £160 a year, relates to houses worth between £20 a year and £40, and costing, if rates be included, from £26 a year to £50. Attention has been called to the fact that a remarkable correspondence discloses itself, however indirect may be its origin, between the number of enumerated assessments and the total number of persons presumably subject to income-tax; and when we come to collate these assessments with the number of houses which appear to represent such persons, the correspondence becomes more remarkable still. The number of houses worth more than £40 a year, and presumably occupied by persons whose incomes exceed £400, is indeed much greater than the number of similar separately enumerated assessments; but between the number of houses worth from £20 a year to £40, and the number of assessments

between £160 a year and £400, there is a parallelism if not an identity of the closest and most striking kind. Thus in the year 1910 the assessments between these limits in Great Britain numbered 970,000. The number of houses worth from £20 a year to £40 was 1,100,000—a difference of 13 per cent. This fact, if it stood alone, might have no special significance; but if we look back over a period of nine years we shall find that it is continuous. In the year 1901 the number of enumerated assessments between £160 and £400 was 767,000; the number of houses worth from £20 a year to £40 was 865,000—a difference of 12 per cent. The year 1902 was a year of notorious over-building; and from 1903 to 1906 the number of houses exceeded that of assessments by as much as 15 per cent; but this abnormal excess having exhausted itself, the difference between houses and assessments sank back to its former proportions; and from 1906 to 1910 it was once more about 12 per cent.[1]

1. If we express the number of assessments, and the number of houses in the year 1901 by the index number 100, the rate of increase for each during the years specified will be as follows:

Year	Number of assessments between £160 & £400	Number of houses worth from £20 to £40	Year	Number of assessments between £160 & £400	Number of houses worth from £20 to £40
1901	100	100	1905	110	116
1902	103	103	1908	120	124
1903	106	110	1909	122	125
1904	109	113	1910	126	126

A correspondence so sustained and close cannot be the result of chance. The number of the houses exceeds that of the assessments throughout; but (one year being taken with another) it exceeds it in a regular ratio, the actual average excess being something like 120,000, exclusive of flats, and the residential portions of various premises otherwise used for business, the number of which is about 100,000. It appears, then, all things being considered, that the number of incomes between £160 a year and £400 will account for and correspond to 970,000 houses worth from £20 a year to £40. To these, in respect of Ireland, must be added about 30,000 more, so that the total number of incomes between £160 a year and £400 will be about 1,000,000.

We are thus left with 430,000 houses worth more than £40 a year, which will all be occupied, on the admission of all parties alike, by persons whose incomes are in excess of £400. Now as to these houses there is one thing which we know directly, that amongst their occupants in the year 1910 were about 11,000 persons whose incomes were in excess of £5,000, and not only probability but specific evidence assures us that each of such persons will be the possessors of more houses than one. We may assume that they will have occupied between them something like 30,000. There will thus remain about 400,000 houses worth more than £40 a year, and about 390,000 persons as their occupants, whose incomes will range from £400 a year to £5,000.

Thus the houses will outnumber the occupants by something like 10,000, and these 10,000 extra houses we take to be secondary residences of persons whose incomes, though short of £5,000, are at all events not less than £1,000. In what proportions, then, is the aggregate income of the entire body of 390,000 persons divided? There are various data by means of which an answer to this question may be reached.

One of these consists of the rental value of the houses taken in groups, and the presumed general ratio borne by rent to income. Another consists of the known total of income with which we can compare a known total of rent. The aggregate of incomes exceeding £5,000 is definitely known to be about £135,000,000; and if the recipients of this sum occupy the 30,000 houses which stand first in the scale of values, their house-rent will in the aggregate amount to about £10,000,000. Of the whole of the remaining houses worth more than £20 a year the aggregate rental value is £56,000,000;[1] and the aggregate income of all persons subject to income-tax, other than those whose incomes are more than £5,000, is about £585,000,000. With regard, therefore, to these persons as a whole, the ratio of rent to income as approximately 1 to 10 is established as an actual fact.

1. The actual total rent of all private houses worth more than £20 a year is £68,000,000: but £2,000,000 is here deducted in respect of houses assumed to be occupied by persons not subject to income-tax.

In addition to these data are the following, of a quite independent kind, which relate specially to incomes between £160 a year and £400. The enumerated assessments of individuals, as given in the official returns, are so given as to be susceptible of sixteen different analyses;[1] and the result of these is to show that of incomes lying between £160 a year and £400 the general average is £260. Thus, if there are 1,000,000 persons whose incomes are of this magnitude, the total income of the group will be £260,000,000. And there are two other sets of data by which such a conclusion is corroborated. Incomes of this class are subject to certain "abatements." That is to say, a part of them is relieved from income-tax; and it appears from an examination of the assessments of salaried employees—a case with regard to which a direct comparison is possible—that the amount "abated" is a little less than a half of the total income dealt with. If this fact be taken in connection with the total amount abated under all schedules, it will appear that the estimate of £260,000,000 as the aggregate income of the 1,000,000 persons here in question, is too small rather than too large. Let us take it, however, as it stands. Adding this to the total of incomes in excess of

1. These are given under the headings of person, private firms, employers assessed under Schedule D, and employers assessed under Schedule E. Each of these groups is dealt with in four Tables, relating to the United Kingdom, England, Scotland, and Ireland.

£5,000, we have a sum of £395,000,000 which, being deducted from £720,000,000, leaves us with £325,000,000 as the aggregate income of 390,000 persons, whose incomes range presumably from £400 to £5,000, and who occupy between them 400,000 houses worth from £40 a year to £200. Of these houses, 336,000 are worth from £40 a year to £100; and 64,000 are worth from £100 a year to £200. It appears, therefore, reasonable, in view of what we have just seen, to assume that 326,000 of the former will be occupied by the same number of persons, having incomes exceeding £400 but not exceeding £1,000; the extra 10,000 of them being occupied as secondary residences by persons whose means are larger; and that these last, having incomes between £1,000 a year and £5,000, will occupy, as their principal residences, the 64,000 houses worth from £100 a year to £200.

Now just as there is evidence to show that of incomes between £160 and £400 the average is £260, so also is there similar evidence to show that of incomes between £400 a year and £1,000 the average is £630. If then, the number of incomes in this group has been correctly given, the aggregate income will be £205,000,000. The aggregate of incomes between £1,000 a year and £5,000 will be £120,000,000.[1] But before these suppositions

1. The enumerated assessments exceeding £1,000 a year are too few to yield a trustworthy average, the reason being that a far larger proportion of them are derived from

are accepted it is necessary to test them by considering how far they harmonise in detail with one of the principal data on which they are all founded, namely, the common working assumption that house-rent bears to income an average ratio of approximately 1 to 10. That this is not an assumption merely, but a verifiable fact in such cases as are here in question, we have already seen by taking facts in the mass, and comparing the total of incomes in excess of £160 with the total rent of the houses which the recipients of such incomes occupy. The ratio of rent as a whole to income as a whole was, we have seen, as 1 to about 10½; whilst, if incomes exceeding £5,000 with the houses corresponding to them are deducted, the ratio for the remainder is almost exactly 1 to 10. The remainder of houses and incomes, however, being divided into three groups, it will be obvious that this precise ratio will not prevail for each of them; for a number of incomes comprised in the lowest group will be certainly not far from the minimum of £160, and cannot therefore by any possibility be ten times as great as the minimum rent which is £21. The ratio, therefore, in this group will be less than the general average; and in each of two others it is bound to be somewhat greater. Let us, then,

real estate, and other sources not analysed in the returns. Those, however, given under the heading of "private firms" yield, in the case of incomes between £1,000 and £5,000 a year an average which approaches £2,000.

in respect of each group of houses take the average rent per house as ascertainable from the official returns; let us also, in respect of each corresponding group of incomes, take the average income per person, as deducible, in accordance with the figures already given, from the aggregate income of the group and the number of persons comprised in it; and let us consider the results.

These can best be shown by means of a short table :—

	Range of income £160-£400	Range of income £400-£1000	Range of income £1000-£5000	Range of income over £5000
Number of persons as estimated above ...	1,000,000	326,000	64,000	11,000
Average income ...	£260	£630	£1,980	£12,000
Range of rent per house	£20-£40	£40-£100	£100-£200	over £200
Average rent per house	£28	£60	£150	£900[1]
Ratio of rent to income	1 to 9⅓	1 to 10½	1 to 12½	1 to 13⅓

It will be seen that, according to this scheme, the ratio of rent to income distributes itself in the precise manner which antecedently will have seemed most probable, the former relatively to the latter being largest when the latter is small, and gradually growing less and less in proportion as the latter increases. Except in respect of incomes exceeding £5,000 a year (with regard to which our information is direct) it cannot of course be pretended that the foregoing figures have any mathematical accuracy;

1. This is the average for more houses than one. The average for such houses singly would be about £330. There are about 1,000 houses in the United Kingdom worth more than £900 a year.

but so many items of evidence wholly independent of one another combine to support them, that they may be taken as representing correctly the general facts of the situation.[1]

And now the main results of the survey of national income as a whole, which has formed the substance of this and the three preceding chapters, shall be briefly recapitulated, before we go on to a detailed examination of their significance.

The income of the United Kingdom being, by common admission, 2,000 million pounds, or a very little more, it appears that about 1,300 million is made up of individual incomes or earnings none of which exceeds £160 a year,

1. As to the figures given in the text relating to incomes from £160 to £400, and £400 to £1,000, and their respective correspondence to houses worth from £20 to £40, and from £40 to £100, the aggregate of incomes in each group, and the aggregate house rental for each group, will naturally form parallel percentages respectively of the aggregate of incomes up to £1,000, and the aggregate of house rentals up to £100. The substantial correctness of the estimates given in the text will be corroborated by an examination of the complete assessment (for they are not all complete) of employees (Schedule E) from £160 a year up to £1,000. The total is £97,000,000. The total of those up to £400 is £55,000,000, or about 57 per cent. of the total up to £1,000. The total rent of all the private houses in Great Britain from £20 to £100 is £50,000,000. The total rent of those worth from £20 up to £40 is £31,000,000. In other words, it is 60 per cent. of the total up to £100. The correspondence of house rent to increase in the approximate ratio of 1 to 10 is thus illustrated by five sets of directly ascertainable facts.

the average income per recipient being just short of £70; that about 460 millions is divided amongst 1,330,000 recipients, these consisting of two groups—a million persons with an average of £260 a year, and less than a third of a million with an average of £630 a year; whilst the average for both would be £330; and that a sum of 260 millions remains, which is divided amongst about 74,000 recipients, and would, if divided equally, yield an income per head of £3,600, but which is as a fact divided between two groups into more than 60,000 incomes averaging nearly £2,000, and about 11,000 incomes averaging £12,000.

It has been farther shown that, from certain points of view, the significance of the distribution of incomes as thus generally stated, is largely modified by the fact that about one-eighth of the total income, and about a quarter of the total subject to income-tax is imported into this country from abroad, that its production involves the employment of no home labour whatsoever, and that it is therefore in no way comparable with any wages paid in the United Kingdom.

Many of these facts, if taken one by one, coincide substantially with what is admitted by social reformers themselves; but how widely they differ, if taken as a whole, from the general picture which social reformers draw, will be seen from the examination of them with which the following Book will be occupied.

BOOK IV.

Increase and Distribution of Wealth from the Year 1801 up to the Present Time. The Actual Facts as Compared with Current Misconceptions.

CHAPTER I.

THE opening chapters of this work were devoted to showing, with the aid of certain historical illustrations, how social grievances, regarded as the subject-matter of theories or projects of reform, are made up of one or of another, or of both, of two distinct elements; the one being a consciousness of fact directly experienced, the other being beliefs about fact which multitudes come to entertain, but which are often altogether fallacious. It was further shown that the element of belief becomes more and more important, and at the same time more liable to error, in proportion as the facts involved become more complex and numerous. Book II was devoted to showing how, in the case of our own country, belief as to social conditions has actually during recent times been vitiated by errors so monstrous and so profound that no sane judgment as to theories or projects of reform is possible for those by whom such errors are accepted. Certain typical generalisations, constantly repeated by reformers as essential elements of their position, were examined one by one; they were contrasted with ascertainable facts of an equally comprehensive character. But this survey was of a general and preliminary kind only. It was concerned with the exposure of fallacies rather than with the exposition of

truths. Accordingly in Book III a detailed examination of facts as they actually are to-day took the place of a mainly negative criticism; and, equipped with the results of this, we are now in a position to return to our former subject, and compare the realities of the present and a more or less recent past with popular delusions, in many precise ways which were not at first possible.

Let us, then, begin with considering once more the proposition which all modern reformers take as their common starting-point, and see what it means when translated into exact terms. This proposition in its general form is to the effect that, of the vast increase of wealth which for more than a hundred years has been the main characteristic of the progressive countries of the world, and of our own country in particular, the larger part has been appropriated by a very limited class, and that all outside this class have, relatively to their numbers, been actually growing not richer but poorer; whence it follows that all projects of reform must resolve themselves into some scheme whereby the supposed accumulations of the few may be broken up, and so distributed as to secure individual affluence for the many. Now the general idea thus expressed is, as we have seen already, by no means peculiar to reformers of the more extreme kind. The moral imagination of Carlyle and the political imagination of Disraeli were at one time profoundly affected by it. But it was for them a

general idea only. It was too indefinite to be tested, or to form the basis of any coherent policy. It only became influential when certain thinkers adopted it, who translated its implications into formulæ more or less exact, and presented these to the world, and induced multitudes to accept them, as the strictly scientific outcome of elaborate economic analysis. Of these thinkers there are two who, in virtue of the influence they have exercised, and in some respects of their remarkable talents, stand before all others. These thinkers are Marx and Henry George. In point of time at all events, the first of these is Marx. Let us then consider what was the precise form or significance with which Marx invested the doctrines here in question.

The whole secret, according to him, of modern wealth and poverty lies in the process by which material commodities are produced. Up to the close of the eighteenth century, he argued, the prevalent method of production was production by isolated labourers (such as the hand-loom weavers), or small groups of wage-earners working for small employers, a prominent feature of which system was that the labourers, to a great extent, owned the implements used by them, whilst even those owned by the masters were comparatively few and simple. But by the end of the eighteenth century a change, which had been gradually maturing, rapidly became general, and became so first in England. Not only the tools of the individual

but the simple plant of the small workshop also, gave place to vast mechanisms actuated by steam or water. Workshops disappeared by the dozen, and were supplanted by single factories. The independent craftsman, the little brotherhood of employees, and the small master himself (their implements or their plant being superseded), alike became members of larger wage-paid groups, using means of production which were no longer their own property. But, so Marx continued, there was no finality here. Just as during the early years of the nineteenth century the first generation of factories, relatively large and few, swallowed up the independent workers and the last generation of workshops, so, shortly afterwards, did the second generation of factories, fewer and larger still, begin to swallow up the second. This process, said Marx, had been continuous since the beginning of the nineteenth century, and was, at the time when he wrote—that is to say about sixty-five years later—daily becoming more rapid and general; so that all the productive businesses in this country at all events would soon be in the hands of a few "great factory lords," who owning the means or mechanisms of all effective production whatsoever could dictate to the nation the terms on which the nation should be allowed to use them. These terms, said Marx, are at once simple and inevitable. In return for allowing the nation to produce anything, "the great factory lords" will demand and retain everything, except so

much of the product, given back in the form of wages, as will enable the nation to keep body and soul together, and render life by one degree more tolerable than suicide. Wages, indeed, though for two generations they had been declining, had not yet reached their absolutely irreducible minimum, nor had the rich secured as yet the whole surplus wealth of the Kingdom; but, writing in the year 1865, the hour, he said, was fast approaching when such a situation would be realised; and then, but not till then, would their great revolution come. It would come then, but it would not come before, because in order that multitudes may produce any great result, all must be compelled to act by some common and equal pressure, and this pressure must be such that inaction is no longer tolerable.

Here we see the meaning of those three general propositions, that the rich are becoming ever richer, the poor are becoming ever poorer, and that the middle classes are being crushed out, which for thirty years were accepted by socialists as indubitable. Latterly even socialists, in so far as they are serious thinkers, have been driven to admit that, if taken in their original form, these propositions are greatly, perhaps grossly, exaggerated; but, subject to certain modifications, they are still regarded as summaries of actual facts and tendencies, not only by socialists but by radical reformers also. "All the new wealth that is year by year created," said Mr. Snowden on one occasion,

speaking in the House of Commons, "goes to-day, as it has always gone, to swell the riches of those who were enormously rich already"; whilst the lot of the poor, with the exception of a favoured minority, is, in consequence, year by year growing harder. The gap in Mr. Snowden's argument on that special occasion was subsequently filled up by Mr. G. B. Shaw, who declared that the appropriations of the rich have now become so inordinate that even the middle classes are ceasing to be as much as barely "comfortable"; and the moral of both these alleged facts has been summed up by Mr. Snowden in the assertion that "there is but one way under heaven by which the poor may be made richer, and that is by making the very rich few poorer." The language used by radicals is essentially the same in purport. Of the radical attitude of mind with regard to these particular questions, there is no more typical, and no more elaborate example, than that provided by a book to which reference has been made already—"The Condition of England," by Mr. Masterman. Mr. Masterman indeed admits, though in somewhat hesitating accents, that modern wealth in this country during the last hundred years or so, has by no means been concentrated to such an extent as Mr. Snowden supposes; but from the beginning of his book to the end of it his principal thesis is that "superwealth" has been concentrated in the hands of one small and emphatically novel class to an extent so unex-

ampled, so preposterous and overwhelming, that a relative if not absolute poverty, equally unexampled, is the consequence.

Now if statements of this kind have any meaning at all, their meaning must be one which is, from its very nature, susceptible of translation into more or less precise terms; and the first thing to do is to consider the precise meaning which the persons by whom such statements are made attach to the term "rich." Who are the individuals rich enough to produce such results as these?

A statistician, who has made himself the mouth-piece of the extreme school of reformers, was questioned as to this very point by the Select Committee on Income-tax; and he answered that any man had reached the beginning of "riches" when his income amounted to "a few thousands a year"—a definition which harmonised with the view then under discussion, that all incomes in excess of £5,000 a year might fairly be made subject to a super-tax; but the persons whose riches were distinctive of the modern world, and of this country in particular—the persons whose riches were the prime cause of poverty—were persons, he said, whose incomes were of incomparably greater magnitude, and had indeed never been paralleled in any previous period.

Similarly, Mr. Masterman, in spite of certain vacillations of language, ties himself down to the assertion that "the superwealthy," or the rich in the typically modern

sense, are numerically "a tiny body," whose incomes are counted, not in thousands of pounds, but in tens of thousands. The typical "rich," as they figure in Mr. Snowden's rhetoric, are described by him as men who can afford to give their wives, if their wives are silly enough to want it, £10,000 a year to spend on the ornamentation of their own persons.

"The great factory lords," as they figure in the "scientific" argument of Marx, who were eating up, not the poor only, but the lesser "lords" as well, were certainly no less affluent than the plutocrats of Mr. Snowden's vision; as we may see by the description which Mr. Hyndman—Marx's faithful disciple—gives of the outward signs by which we may know the breed. According to Mr. Hyndman, the modern factory lord is almost too genteel to be sure as to where his own factory is situated; or if he does condescend now and then to have a cursory look at it, he merely "sits in a chair, and watches the machine go." During the summer months he is to be found in Grosvenor Square, or some similarly desirable neighbourhood, where his huge dining-room is full of gold plate and powdered footmen. In the autumn he is to be found catching salmon in Norway at a probable cost of £100 per fish; or, incurring an expense still greater, he is lounging dressed up as a yachtsman, and smoking a huge cigar, on a floating palace which rocks itself on the smooth waters of the Solent.

Such descriptions make it perfectly evident

that the men who, according to the doctrine of modern reformers, from Marx down to Mr. Masterman and Mr. Snowden, are so rich that their riches are the sole or the principal causes of the poverty of everybody else, cannot—to put the matter in a very moderate way—be persons whose incomes are less than £20,000 a year.

Let us, then, take this doctrine as to the distribution of modern wealth in the form in which Marx stated it, and test it by comparing conditions in this country to-day with the conditions corresponding to them at the beginning of the nineteenth century. We have made such a comparison in a rough way already. We are in a position to do so now in very much greater detail.

In the year 1801 the income of England—the richest (indeed then the only rich) portion of the United Kingdom—cannot, as we have seen already, have been more than £180,000,000. About eleven hundred persons, whom here we may call Class A, had incomes exceeding £5,000, their aggregate income being £11,000,000. This sum being deducted, something less than £170,000,000 remained for the rest of the population—about 9,000,000 persons. These we may divide into three groups, B, C and D; Group B, comprising half a million persons, supported on incomes ranging from £160 up to £5,000, their aggregate income being about £50,000,000; Group C, representing half a

million persons more,[1] who were supported on incomes ranging from £60 to £160, their aggregate income being about £24,000,000; and Group D, representing 8,000,000 persons, supported on incomes none of which exceeded £60 a year, their aggregate income being £96,000,000, and the average per head £12.

And now let us apply to these data the "scientific" propositions of Marx, which are reproduced in the reasoning of all subsequent reformers, and see what, after more than 100 years of capitalism, the condition of affairs must be in this country to-day, if those propositions are true.

Let us begin with Groups C and D, which will comprise the upper and the lower ranks of the then wage-earning population. According to Marxian "science," wages, as we have seen already, tend under capitalism to sink to a dead level, and that level itself gradually becomes lower and lower, till a point is reached below which any farther reduction would be literally inconsistent with the maintenance of the workers' lives. If such, then, be the case, it is obvious that after more than 100 years of capitalism two things will have happened in this country. The small minority of wage-earners—about 6 per cent. of the total—who in 1801 earned more than £60 a year, will have had their wages reduced to what then was the

1. This half million comprised, according to the income-tax returns for 1801, about 250,000 actual workers, earning from 22s. to 62s. a week.

general average amongst the vast majority; and that average, which was then £12 per head of the wage-earning population and their families, will by this time be appreciably less. We may safely say that it will not be more than £10.

Next, as to the persons comprehended in Group B, whose incomes, whilst greater than those of the best-paid wage-earners, were less than those of the poorest of the conspicuously rich; under the influence of capitalism the fate of such persons as these is, according to the "science" of Marx, "to be crushed out of existence." It is obvious, therefore, that after capitalism has been crushing them for more than a hundred years, they will at all events be not more numerous to-day than they were when the general process of "crushing them out" began.

And now let us apply these generalisations to the actual figures in question.

Groups C and D—namely the wage-earners of England and their families—formed together in the year 1801 a population of about 8,500,000 persons. The population of the United Kingdom to-day is five times as great as the population of England then. If, therefore (for such is our hypothesis), the middle classes have remained stationary, the wage-earning or the "expropriated" classes of the United Kingdom and their families will by this time have come to constitute very nearly the entire population: their present number will be about 44,000,000

persons, and their average income having sunk to £10 per head, their aggregate income will be about £440,000,000.

Group B, which we are here supposing to have been only "crushed out" in the sense that its numbers have not exhibited any actual increase, will to-day, if the theory of Marx be true, be no richer than it was in the year 1801, when its aggregate income was not quite so much as £50,000,000. It is therefore obvious that the wage-earning classes of the United Kingdom, together with the classes whose incomes, though greater than those of the wage-earners, do not exceed the sum of £5,000 a year, will to-day divide between them, if the theory of Marx be true, an aggregate income which may approach, but cannot possibly exceed, £500,000,000. Whatever may be the income of the country over and above this will be taken by the great "expropriators." Even if these be held to include everyone now subject to super-tax, the majority of them, and most of their aggregate income, must, according to the reformers (if their language means anything) be represented by the men whom Mr. Masterman describes as the "tiny body" of the "super-wealthy"—by the men who, according to Mr. Snowden, were "enormously rich already" a hundred years ago, and to whom "every increase of wealth" has continued to go since—by the men whom Mr. Hyndman describes as the "lords of palatial yachts"—by the men who,

as has here been very modestly stated—cannot have less than a trifle of £20,000 a year.

Now, however absurd such a conclusion might seem on the face of it, there would, unless there were some means of checking it, be a difficulty in proving its incorrectness in any precise way. But such means exist, and they consist of a reference to facts, very precise in kind, which are not disputed by the most extreme amongst the reformers themselves.

One of these is the fact that the income of the United Kingdom amounts to-day to something over £2,000,000,000. Now from this it follows that if, after more than a century of capitalism, the mass of the population has, relatively to its numbers, become poorer rather than richer than it was at the beginning of the nineteenth century, the total sum, which the men whose incomes run to tens of thousands of pounds, are year by year abstracting from the mass of their fellow countrymen, must amount by this time to considerably more than fifteen hundred millions. Here is a conclusion which at all events has the merit of being definite. Is such a conclusion, then, anywhere near the truth?

The question can be answered by another of the facts referred to. This is the fact that, after a prolonged and searching inquisition by the Commissioners of Inland Revenue, the actual total of all incomes exceeding £20,000 a year has been now definitely ascertained; and that total, according to the latest returns, is £56,200,000. Instead of being 1,500 millions,

it is very little more than one-thirtieth part of it. Here we have, on the one hand, the existing situation as it would be if the "scientific" reasoning of Marx, and of those whom he still influences, were correct; and here we have, on the other hand, the microscopic mouse of reality which the touch of frigid truth elicits from the labouring mountain.

To the future student of the history of popular beliefs, it may well seem astonishing that the Marxian estimate of the growth of the conspicuously rich should not only have commanded for years the unquestioning assent of millions, but should still in all its essentials dominate the minds of reformers who regard themselves as judicial thinkers, and proficients in social science. But before we allow ourselves to dwell upon this point farther, let us turn from Marx to that other thinker, Henry George, whose influence is more recent, and has perhaps been even more extensive.

Although it appears from letters published after his death that George knew nothing of Marx otherwise than by vague report, and had never read so much as a single page of his writings, his estimate of social tendencies in the modern world and the estimate of Marx are in certain respects identical, and expressed in almost the same language. What, George asked, are the two great facts by which all progressive countries, and England more than any other, have been distinguished under the capitalistic system? One, he said, was an enormous increase

of wealth; the other was a concurrent increase, no less enormous, of poverty. And what was the explanation of this appalling paradox? In its general form, his answer was precisely that of Marx. The explanation, he said, lay in the fact that as fast as wealth increased, indeed on the whole faster, it was appropriated by one small group of persons who constantly grew richer and richer whilst everybody else grew poorer. Up to this point his agreement with Marx was complete; but when it came to the question of who the plunderers were the answer of one sage, in the most sensational way, contradicted that of the other. According to Marx, these persons were the factory lords, or capitalists. According to George they were the owners of the prairie value of land. So far were the wicked capitalists from victimising the poor labourers, that the poor labourers, and the poor capitalists along with them, were victimised by the wicked landlords.

Stated in precise form, his fundamental proposition was this:—that in whatever ratio the income of any progressive country increases, the portion of it which is taken by landowners as the rent of crude land, or land-rent as distinct from interest on human improvements, constantly increases in a ratio greater still. If the total income within a given period doubles itself, land-rent will within the same period have trebled itself, and so the process will continue till "the earnings of capital" (as he put it) no less than "the wages of labour" are so far absorbed by

land-rent that the landowners appropriate the entire and increasing difference between the total of the national product, no matter how great, and the amount which is just sufficient to keep the rest of the population alive.

This doctrine, which he deduced from his observation of affairs in America, was, he said, exemplified to an extent still greater in England, where the process in question had been operative for a very much longer time; and early in the "eighties" he made his appearance in London for the purpose of informing Englishmen of this remarkable fact. The case in England, and indeed in the United Kingdom, was, he said, singularly simple. There was no need for statistics. The salient facts were matters of common knowledge. The whole soil of these islands was owned by a class which could be at once identified—that is to say, by the lords and the country gentlemen. They were enormously wealthy a hundred years ago; and every year that enormous wealth increases, not because they own more acres (for that would not be possible), but because relatively to the increasing wealth of the country, an ever increasing sum is exacted for each acre; the result being—such was the upshot of his reasoning thirty years ago—that the prairie rent appropriated by the great landlords already amounted to the overwhelming and unimaginable sum which, so far as the rest of the nation was concerned, divided increasing poverty from a general and increasing affluence.

Now as to the application of his doctrines to this country, George was in one way right. The questions raised by it are simple to an extreme degree. Although he himself was totally unaware of the fact, we know by direct evidence what, during a hundred years and more, the actual land-rent of this country at successive dates has been. We are also able to compare its amount and increase with the amount and increase of incomes derived from other sources; and the first fact which is disclosed by even the most cursory examination of the data is that the doctrine on which the whole fabric of George's reasoning rests is a fallacy so fantastic that its birth-place might have been a cell in Bedlam. If any fact of economic history is more indubitably demonstrable than another, this is the fact that land-rent in this country, relatively to the national income, is a fraction which, instead of increasing constantly grows less and less. In the year 1801 the land-rent of England and Wales amounted to 20 per cent. of a total income of £180,000,000. To-day, out of a total income of more than £2,000,000,000, it barely amounts to so much as 4 per cent.

But what principally concerns us here is not George's theory as such, but the actual state of affairs at the present time, as compared with that state as it would be were George's theory true. If we substitute great landlords for great owners of factories, it would be similar to that deducible from the rival

theorising of Marx. The bulk of the population of Great Britain and Ireland would to-day be subsisting on an income of about £500,000,000; and the peers and the country gentlemen—the only rich men in the Kingdom—would, as the owners of the crude or unimproved soil, be appropriating a rental of more than £1,500,000,000. What are the actual facts? If from the definitely known rental of the United Kingdom we deduct that portion only which consists of interest on buildings and other works of construction, and treat all interest on agricultural improvements as land-rent, the entire net rental of rural and urban land does not amount to so much as £80,000,000. Of this sum, as we have seen in a former chapter, about £12,000,000 goes to charitable bodies and to more than a million and a half of very small owners, none of whom have incomes in excess of £160; whilst about £8,000,000[1] goes to persons who have satisfied the Commissioners of Income-tax that their incomes from all sources are not in excess of £700. How much, then, remains for the great landowners, the peers and the country gentlemen, the monsters of George's imagination, whose exactions in the form of land-

1. The amount of abatements (Schedule A) granted on rent going to persons with not more than £700 a year, is about £11,500,000, which, from the interesting analogy afforded by abatements under Schedule E, appears to be rather less than half of the total, which would in this case be about £24,000,000. Of this one-third may be taken as land-rent, the remainder being the rent of buildings.

rent are so colossal that they have reduced the capitalists to poverty, and those employed by the capitalists to destitution? Even if everybody should be called a great landowner whose estate consists of more than 1,000 acres, the total land-rent going to such persons cannot by any possibility amount to as much as £40,000,000. The land-rent of all estates worth more than £10,000 a year cannot amount to more than £20,000,000,[1] of which about one-seventh is probably derived from London.[2] But, without insisting on these latter details, let us make George a present of the land-rent of all estates sufficient to support an owner in the leisure of even a struggling gentleman; and £40,000,000 a year is a greatly exaggerated estimate of the sum which he would find in his hands were he still alive to claim it. He would find £40,000,000, whereas if there were any truth in his one cardinal doctrine the least he would find to-day would be very nearly forty times as much.

Even the doctrine which persons like Mr.

1. According to the New Domesday Book, the gross rental value of estates of more than 10,000 acres (buildings included) was about one-sixth of the gross rental surveyed. The gross rental of estates exceeding 1,000 acres was about one-third of the total. The figures in the text, therefore, err on the side of excess. (See Statistical Monograph, 1.)

2. The current assertion of reformers is that the land of London is owned by eight persons. The number of owners who have been identified by the London County Council is about 35,000. (See Statistical Monograph, 1.)

Masterman and Mr. Snowden have, consciously or unconsciously, inherited from the "science" of Marx becomes reasonable, if judging it by its results, we compare it with this doctrine of George. If the doctrine of Marx be tested by actual facts, the great factory lords and other mammoths of superwealth, with their palaces and their huge yachts, with their wives who spend £10,000 a year on their petticoats, and whose very dogs, Mr. Snowden complains, look at him through motor-goggles—these superwealthy persons can at least be definitely shown to possess between them an income of £56,000,000. Indeed if we so far extend our definition of the superwealthy as to include everybody whose income is in excess of £5,000, which is only half of what, according to Mr. Snowden, the ladies of the class in question can afford to spend at their dressmakers, this class, whose wealth reduces the rest of the nation to poverty, can, exclusive of what it derives from abroad, be shown to possess an income of about £100,000,000: whereas if we include in the exactions of the great landowners the rental of every harassed squire who can barely make both ends meet, and is lucky if he can drive his wife to the train in a pony-trap, the Georgian superwealth of the country will not amount to one half of the Marxian;[1] and whilst

1. Even if we include the rent of buildings, rent has not increased in accordance with the monstrous theory of George. In the year 1862 the gross rent of lands and houses was £114,000,000. In 1906 it was £222,000,000—an

the income of the country has risen to more than £2,000,000,000, even the superwealth of the Marxian expropriators will barely be 5 per cent. of it.

Let us, then, put into its simplest form the doctrine preached to the nation by those who, like Mr. Masterman and Mr. Snowden, and other typical reformers, declare that contemporary poverty, whatever may be its character or extent, is due to the fact that the superwealthy are appropriating an increasing percentage of the income of the United Kingdom; and what will this doctrine come to when translated into terms of fact? In order to realise what it will come to, let us reconsider the following particulars. The income of the population of England (the richest portion of the United Kingdom) was £20 per head in the year 1801. The income per head of the population of the United Kingdom is £45 to-day. Thus if it were not for the appropriations of persons whose incomes exceed £5,000 or £20,000 a year, the average for the population at large would by this time have more than doubled itself. The population at large may, then, be compared to a long-lived individual, who a hundred years ago had an income of

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increase of 95 per cent. The income from "trades and professions" (Schedule D) increased during the same period by 455 per cent. Between 1885 and 1906, land-rent, apart from building-rent, increased by 5½ per cent. Income from trades and professions increased by 85 per cent.

£200 a year; and the superwealthy may be compared to an agent who collected this income for him, and charged a commission for doing so. The gross income of the former, according to the admission of everybody, will by this time have risen in the proportion of 24 to 45; and Marx, George, Mr. Masterman, Mr. Snowden, and their reforming kindred, are like persons who should inform him that, instead of being richer, he was now poorer than ever, because the agent, who had charged 6 per cent. for collecting £200 in the year 1801, now charges 5 per cent. for collecting £450.

Such is the childish and at the same time astounding absurdity to which, when translated into the disenchanting language of figures, that theory of superwealth as the cause of an increasing poverty reduces itself, which is the basis to-day of all projects of extreme reform, and determines not only the reasoning of reformers with regard to individual problems, but provides them in each case with the outlines of some foregone and usually wrong conclusion. In all human societies there have always been grave evils. The society of to-day may have evils peculiar to itself; but whatever these may be, and however grave they may be, one thing at least is certain. Their origin, and the means by which they may be cured or mitigated, are not those which the reformers of to-day suppose.

Radicals like Mr. Masterman, and socialists like Mr. Snowden, may no doubt say with

truth that they dissociate themselves from certain exaggerations of which Marx and George were guilty; but the fallacy of their position is thereby not radically altered. The error of Marx and George is not a mere exaggeration of facts. It is a positive and direct inversion of them. Marx and George were both of them like a passenger in a south-bound train, who with glaring eyes should announce to a couple of fellow travellers that they were hurrying north at a speed of two hundred miles an hour. Mr. Masterman, Mr. Snowden, and other reformers of to-day are like travellers who, looking with an air of great calm at their watches, should announce to their informant that their speed was considerably less than he thought it was; but who joined with him in yelling that they were being taken from York to Edinburgh, when all the while they were being taken from York to London.

It is not contended that, with regard to details here and there—many of them of grave importance—the most extreme reformers may not be perfectly correct; but such details as they see correctly are placed by them in a wrong setting, which prevents them from perceiving their significance as parts of a general system of things—whether a system of things as they are at any moment, or a system regarded as changing from one condition to another.

If social conditions, then, in the United Kingdom, are so radically different from what reformers declare them to be, in respect both of

their present character, and of their present character as compared with their character during the recent past, let us with the aid of the facts which are now before us, endeavour to summarise in a generally intelligible form what, with regard both to the production and distribution of wealth, has really taken place since the beginning of the nineteenth century.

CHAPTER II.

LET us once more review the general condition of things as it was in the year 1801; and follow so far as we can the very remarkable changes which each of its salient features has undergone between then and now.

The population of England and Wales was then 9,000,000. The direct recipients of incomes whether earned or otherwise, numbered slightly more than 4,000,000. Of incomes exceeding £160, each is commonly computed to represent a family of five persons. Of incomes below that limit, the number may with sufficient accuracy be taken as about one half of the number of the persons supported by them. The then number of incomes exceeding £160 a year was about 100,000, the population supported by them then amounting to half a million. The number of incomes between £80 and £160 was slightly but not much smaller, the population supported by them amounting to about a quarter of a million; whilst the rest of the nation, or more than 8,000,000 persons, were supported on incomes which did not exceed £80, and of which only one in every twenty amounted to more than £60.

And now, subdividing these groups, as we did in an earlier chapter, let us see what, according to the income-tax returns for the time, was the

aggregate income of each. The aggregate of incomes in excess of £5,000 a year was £11,000,000; that of incomes between £1,000 and £5,000 was about £21,000,000; that of incomes between £160 a year and £1,000 was about £28,000,000; that of incomes between £80 and £160, was about £10,000,000; whilst £110,000,000 was the income of the rest of the nation, and £180,000,000 the income of all these groups together.

Now the entire income of the United Kingdom to-day is nearly twelve times as great as the income of England and Wales in the year 1801, the excess of the latter sum over the former amounting to appreciably more than 1,800 million pounds. How, then, may these two sums be compared, so that the increase may disclose most clearly its true social significance? The question will be sufficiently simple if we assume roughly that conditions in England and Wales at the beginning of the nineteenth century were similar to those of the United Kingdom as a whole, and remember that the population of the United Kingdom to-day is to the population of England and Wales then, almost exactly in the proportion of five to one. For, these premises being given, one result is self-evident. If we suppose that the income of England and Wales as it then was, has in respect both of its total amount and the amount of each group of incomes into which it was then divided, been multiplied by five, we shall get a

condition of things as it would be at the present day, if the amount and distribution of wealth had changed in one way only; that is to say, if, its proportional distribution being constant, it had merely increased in the same ratio as the population. In that case, from the point of view of the individual, everything would be exactly as it was at the beginning of the nineteenth cenury. Every class would be larger; but, relatively to other classes, its magnitude would remain unaltered; and no individual, to whatever class he belonged, would have more to spend or less to spend on the necessaries and superfluities of life than his great-grandfather had a hundred and ten years ago.

Let us see in detail how, had the course of events been such, matters would stand to-day. For this purpose all that we have to do is to turn to the groups of incomes, as just now given, which in the year 1801 made up the total income of about 9,000,000 persons, and multiply the aggregate amount in the case of each group by five. The figures will be as follows:—

Range of Incomes.		Aggregate income per group, as it was in the year 1801.	Aggregate income per group as it would be to-day, had the increase been proportionate to the general increase of the population.
Exceeding £1,000	Over £5,000 ...	£11,000,000 ..	£55,000,000
	£1,000—£5,000 ...	21,000,000 ...	105,000,000
	£160—£1,000 ...	28,000,000 ...	140,000,000
Not exceeding ...	£160	120,000,000 ...	600,000,000
		180,000,000 ...	900,000,000

Now if such were all that "material progress" had accomplished, it would have accomplished one, miracle at all events. It would have enabled within the limits of a small geographical area a vastly greater number of human beings to live, than ever lived or could have possibly lived within them before; but no individual human being would be a penny the better or the worse for it than members of his class would be had there been no progress at all. What, however, are the actual facts? It will be seen from the above table that, if wealth had merely increased in proportion to the increase of the population, the entire income of the United Kingdom to-day would not, at the utmost, be more than £900,000,000. It is in reality more than double that sum, exceeding it by no less than £1,120,000,000; and here—in this additional sum—we see what, relatively to its numbers, the population has really gained.

The situation to-day is what it would be if Fate had found the population in respect of wealth and its distribution no richer and no poorer per head of its various classes than it was more than a century ago, and if, condensing the results of progress into a single dramatic moment, it had made the population a present of an additional income of £1,120,000,000, and allowed its members to divide it according to their own abilities. The practical question, therefore, virtually comes to this:—in what condition of things has the divi-

sion as a fact resulted? This shall be shown by means of another table. The income of each group shall, in the first place, again be given, as it would have been had the national total, in respect both of its amount and its distribution, merely kept pace with the increasing number of the population. Secondly in the case of each group shall be given its aggregate income as it actually is to-day; and thirdly, in each case, the excess shall be given of the latter sum over the former, which will show the proportion secured by each class of the population of the total increment of £1,120,000,000.

Range of Incomes comprised in each group.	Aggregate income of each group as it would be to-day, had wealth increased since 1801 in the same ratio as the population.	Aggregate income of each group as it actually is to-day.	Increases in aggregate income of each group:—*i.e.*, net gain relatively to the population.
Over £5,000	£55,000,000	£130,000,000	£75,000,000
£1,000—£5,000	105,000,000	130,000,000	25,000,000
£160—£1,000	140,000,000	460,000,000	320,000,000
Not over £160	600,000,000	1,300,000,000	700,000,000
	900,000,000	2,020,000,000	1,120,000,000

Here, then, we have an answer in substantially accurate detail to the stock question of the reformer—"Where has the increasing wealth due to modern progress gone?" The answer, given in tones of elegiac irony by persons like Mr. Masterman, is, "Most of it has gone to increase the piled-up aggregations of the superwealthy." The answer shouted by persons like Mr. Snowden is, "All of it is going, just as all of it has ever gone, to increase the

riches of those who were enormously rich already." In reality if "the enormously rich" and the "superwealthy" mean the persons with huge yachts and the wives who wear a fortune in their tiaras, the "all" or the "most" of the increment which is asserted to have gone to these, will not amount to so much as one thirty-third part of it. Even if we include in this class all persons whose incomes exceed £5,000 —a sum as to which we have the authority of Mr. Lloyd George for saying that it means "comparative poverty" instead of conspicuous wealth—the "rich" of Mr. Snowden's dreams will, instead of getting all of the increment, have got only one fifteenth; whilst if we reflect on the fact emphasised in previous chapters that a large part of their gains is imported from foreign countries (as, for instance, in the case of American Marconi Telegraphs) their share of the increment originating in the United Kingdom will certainly not be more than four-and-a-half per cent. of it. Of the remaining 1,050 millions, 95 per cent. has gone to persons with incomes not exceeding £1,000; and, even if no allowance be made for income imported from abroad, 86 per cent. has gone to persons with incomes not exceeding £400.

It will thus be evident to the reader that, from whatever point of view we regard the matter, the current doctrine of reformers as to modern conditions and tendencies, whether that doctrine be taken in its extremest or in its more modified forms, is not an exaggeration of realities; it is

(as has been said already) a downright and direct inversion of them.

But the actual facts of the situation have as yet been but half stated. However opposite to truth the ideas of reformers may be as to the manner in which wealth, as it continues to increase, distributes itself, the fact remains, as the foregoing figures show, that the portion which has gone to the richer classes is considerable. Thus whereas the aggregate of incomes not exceeding £160 a year has in absolute amount increased by about 1,200 million pounds, the aggregate of home-produced incomes exceeding £160 has at all events increased by some 480 millions.

Of what elements, then, let us ask, is this latter increment composed?

About £40,000,000, or 8 per cent., is the increased rental of agricultural lands and of building-sites. Here we have the one group of incomes which has failed to increase in a ratio which even approaches that of the increase of the population.

About 10 per cent, or £48,000,000,[1] is the

1. This estimate is based partly on the common estimate of the professional income, viz., £60,000,000, and partly on an examination of the assessments under Schedule D, relating to the year 1812, and issued in the year 1816. The total profits from professions and trades exceeding £160 a year amounted to no more than £22,000,000 : but there was a total of about £15,000,000, consisting of incomes between £160 and £600, which (allowance being made for a ten years increase in the national wealth since 1801) will allow us to estimate the professional income in that year at about £12,000,000.

increase in professional incomes—an increase which appears (for we cannot here speak exactly) to have been about the same as the increase of the population.

Of the remaining 82 per cent. of the increment here in question—a remainder amounting to about £392,000,000—the whole, except one-sixteenth, namely the salaries of Government employees—is derived from the production and commercial distribution of material things, whether as bought by those who enjoy them, or hired by them for temporary use. These things are broadly divisible into the structures of private dwelling-houses, and ordinary merchantable commodities, including use of the means of travel.

The increase derived from the production, the selling and the letting of such material things, amounts to nearly £370,000,000. Of this sum about £52,000,000 is accounted for by the increase in the structure-rent of private dwellings. This increase, owing to the increased cost of building, and the ampler accommodation demanded, is somewhat greater than the corresponding increase of the population; but the difference is comparatively small. The really important change, which colours the whole situation, is that which is due to the increase in the production of the mass of manufactured goods; and amounts approximately to £316,000,000.

The total of incomes exceeding £160 a year which have their origin in the production and

distribution of these has increased from about £28,000,000[1] in the year 1801 to £316,000,000 in the year 1910. In other words, whereas the population has increased five fold, this particular group of incomes has increased twelve fold; whilst it still remains for us to note an increase which is absolutely smaller, but which is in its own way by no means less remarkable. This is the increase in the aggregate of incomes exceeding £160 which goes to the officials of the governmental beaurocracy. The total of the corresponding incomes in the year 1812 was not so much as £1,000,000.[2] It amounts at the present time to about £24,000,000.

And now reverting to the increase in the income from the production and distribution of goods, which if rent of houses be excluded, is about £316,000,000, let us note one further fact—that this sum is essentially of a composite character. It comprises two distinct (indeed we may say of two contrasted) elements, the one consisting of ordinary profits and interest, which go to the heads of businesses and the persons who own shares in them; and the other consisting of salaries exceeding £160 a year, which go to a multitude of functionaries whom these persons employ; and out of a total business increase of nearly £320,000,000, profits and dividends,

1. It must be noted that these figures refer solely to incomes in excess of £160 a year.

2. The total assessed under Schedule E in the year 1812 was not as much as £6,000,000, or about one-twenty-fourth part of corresponding amount to-day.

in round figures, come to about £200,000,000, whilst £120,000,000 (or over one-third of the total) goes to persons who are in reality a superior class of wage-earners.

When these two groups are taken separately, the increase in income from the manufacture and distribution of goods presents itself in a new light. If the profit-incomes or share-incomes exceeding £160, which were derived from business in 1801, amounted to about £28,000,000, the total will by this time have increased about sevenfold, or not 50 per cent. faster than the population; but the salaried employees earning more than £160, are numerically a new creation; and from what has been said already it will be seen that the same observation applies to the class kindred to them, namely to the officials of our state bureaucracy.

Of these two salaried classes the number to-day is about 650,000. It represents a population equal to about half that of England in the reign of George II; and is more than six times as great as the entire number of persons whose incomes exceeded £160 in the year 1801. The number of these last, as we have seen already, was at that time about 100,000; and had such persons only multiplied in the same ratio as the population, their number to-day would be not more than half a million. It is, however, in reality, as we have already seen likewise, nearly three times as great, or about 1,400,000. That is to say, the absolute

increase exceeds the proportional increase by 900,000; and of this absolute increase of 900,000 persons, 72 per cent. consist of salaried employees of business houses and of the state. A similar phenomenon discloses itself if we turn our attention to the classes described as "the lower middle." These may be broadly taken as comprising all persons having incomes between £80 and £160 a year, who are engaged otherwise than in ordinary manual labour, or commercial or domestic service; and they do not, in respect of the kinds of work performed by them, differ greatly from the salaried classes whose earnings are on a higher scale. The number of such persons in the year 1801, as ascertainable from the income-tax returns, was nearly, though not quite, 100,000, or together with their families about 250,000, the average income per earner having been about £90. The number of persons in a corresponding position to-day is (as was shown in Book II, Chapter III) about 2,300,000; or together with their families certainly not less than 5,000,000, the average income per earner being rather more than £100.

Thus in the year 1801 the upper middle class, with incomes rising to £1,000 a year, and the lower middle class, with incomes rising from £80 to £160, represented, together with their families, 750,000 persons. To-day, they represent twelve millions. They form to-day about 27 per cent. of the population, whereas at the beginning of the nineteenth century they formed not so much as 9 per cent.

And this fact has a converse side which is no less important. The remainder of the population in the year 1801, which may roughly be taken to correspond to the manual workers, whether these be productive or distributive, numbered more than 8,000,000 out of a total population of 9,000,000. They formed, that is to say, about 92 per cent. of the whole. To-day, out of a total population of 45,000,000, they number about 33,000,000, and they thus form no more than 73 per cent. of the whole. The classes representing economic positions and activities other than those of the ordinary manual labourer have increased in the ratio of 1 to 16. The classes representing ordinary manual labour have increased in a ratio of barely more than 1 to 4.

Now to those who are inclined to believe in the general theory of Marx as to the enrichment of the few at the expense of the labouring many, it may seem that we have here at all events a modified confirmation of it; and attention shall be called to certain farther particulars by which such persons may be tempted at first sight to consider that their position is confirmed. The body consisting of persons other than manual labourers has already been divided into those respectively supported on incomes exceeding £5,000 a year, on incomes between £1,000 and £5,000, on incomes between £160 and £1,000, and on incomes between £80 and £160; and the aggregate income of each group has been given in respect of each date in ques-

tion. It now remains for us to observe that not only have the number and aggregate income of each of these groups increased, but the average income per head has in each case increased likewise, the increases ranging from 10 to 20 per cent.[1] Any platform orator with these figures before him might plausibly adduce them as proving at least as much as this:—that a minority consisting of less than one-third of the nation was eating up every increase that ought to have gone to the majority. We have, however, only to turn to the income of the majority itself; and the following fact will be apparent. It is precisely amongst the majority—amongst the mass of manual labourers—that the rate of increase in the average income per earner has been greatest. Let us consider how this is.

If all incomes other than those of the manual labourers be taken together as a whole, it will be found that, though for each sub-section the average income has increased, the general average has not increased, but declined. Such a result may at first sight seem a paradox; but the explanation is extremely simple. If one man has £40 a year and another £20, the average income per head of the two men is £30. If there are two men with incomes of £42, and eight men with incomes of £22, one class of

1. Thus the average of incomes exceeding £5,000 a year has risen from £10,000 to £12,000. The average of middle-class incomes between £80 and £160 appear to have risen by about 10 per cent.

income will have increased by 5 per cent., the other will have increased by 10; but whereas in the first case we had two men with an average income of £30, in the second we have 10 men with an average of only £26. Each class of income has increased both in average amount and number; but the numerical increase of the larger incomes has been small, and the numerical increase of the smaller incomes has been large. This is precisely what has happened in the case of the incomes here in question. Of incomes in excess of £160 a year, the number of those in excess of £1,000 has not increased in a century by as much as 70,000. The number of those ranging from £1,000 down to £160 has increased meanwhile by more than a million and a quarter. Hence it appears that, strange as some readers may think it, the average amount of incomes in excess of £160 was as much as £600 in the year 1801, whereas to-day it is only £500, additions from abroad included; whilst if these additions be excluded, as we have seen in an earlier chapter, the average does not exceed, if it indeed reaches, £400. And these facts become even more important when we consider, with regard to the increase of the non-labouring classes, how large a part of it is contributed by those called "the Lower Middle."

For, in proportion as the entire Middle Class has increased in a ratio greater than that of the increase of the mass of the population, certain persons who would, had all classes increased equally, have to-day been included in the class

of manual labourers, will have passed over into a class the earnings of which are larger, and whose functions, though not less valuable, are yet of a different character. It is necessary to grasp this fact if we wish to form any clear picture of what, during modern times, has really happened with regard to the distribution of wealth; and to the outlining of such a picture we are now in a position to proceed.

Let us begin, then, with a few words as to incomes in excess of £1,000. The number of these in the year 1801 was, as we have seen, not more than 11,000. In the year 1910 it was approximately 75,000; but this merely numerical increase is too small to be important; and though this aggregate income has risen in the ratio of 1 to $8\frac{1}{2}$, the income of the nation has risen in the ratio of 1 to 12. Thus relatively to the whole, the income of this group has declined. We will, therefore, confine our attention to the mass of incomes remaining.

The aggregate of incomes not exceeding £1,000 in the year 1801 was £150,000,000. In the year 1910 it was £1,760,000,000. The former sum was divided between nearly 9,000,000 persons, of whom barely three-quarters of a million belonged to the middle class, and eight millions and a quarter to the labour class. The latter sum was divided between nearly 45,000,000 persons, of whom nearly 12,000,000 belonged to the middle class, and 33,000,000 to the labour class; whereas if both these parts had increased in the

same ratio as the whole, the labour class would have numbered more than 41,000,000, and the middle class would have fallen appreciably short of 4,000,000. This means that there are in the United Kingdom to-day more than 8,000,000 persons who, had no changes resulted from the modern capitalistic system other than an increase of wealth proportionate to the increase of the population, would have been members of the class that lives by manual labour, but who have in reality, through the workings of that system, been raised out of the ranks of manual labour altogether, thus practically constituting a labour class of a new kind.

And now let us turn to the mass of the manual labourers themselves. Just as relatively to the number of the population as a whole the number of workers of other kinds has increased, so, in the same relative sense, the number of the labourers has decreased. But between these two bodies this is not the only contrast. The average income per earner or per head in the case of both bodies has increased; but in the case of the body which has relatively declined in number—namely the labourers—the increase in average income has beyond all comparison been greatest. Middle class workers of various grades, who a hundred years ago were earning £80, £200, £300 or £600, would to-day be earning from £100 to £660. Such incomes will have increased by 10, or in some cases by 20

per cent. But how do matters stand with regard to the manual labourers? Had the entire income of the country in the year 1801 been divided equally amongst all, the share per head of the population would have only been £20. The share per worker would have been not more than £45. The actual average for all manual labourers, from the highest grade to the lowest, was, as may be seen from the figures quoted in previous chapters, not more than £29.[1] The corresponding average for to-day—the average independent of skill, age and sex—is, as has likewise been shown in a previous chapter, more than £60. Thus, whilst the remuneration of work other than manual has risen on the whole (we may say roughly) by 15 per cent., the remuneration of manual work has risen by no less than 120 per cent.

In other words, if we exclude only those employers, heads of enterprises, administrators, and owners of property, whose incomes exceed £1000—the total of these incomes, in so far as it is of home origin, being not more than 9 per cent. of the entire income of the nation—and if we take all other kinds of workers together, scientific, administrative, clerical, manual and educational, by whom the wealth of the country is produced, and the workers prepared for the production of it, the history of the production

1. The middle class workers being deducted, there was in 1801 an income of £110,000,000 on a maximum to be divided amongst a population of more than 8,000,000 persons, of whom about 3,800,000 were workers.

and the distribution of wealth from the beginning of the nineteenth century up to the present time, may be broadly summed up as follows.

After all allowance has been made for the increase of the population, the financial increment resulting from the progress of more than a century is an additional income amounting to 1,120 millions, of which about one-eleventh goes to persons having more than £1,000 a year. The total left for distribution amongst the rest of the nation amounts thus to 1,020 millions; and if (examining somewhat more minutely the specific evidence at our disposal[1]) we add certain farther details to the analysis already given, the result may be summarised in the following amended statement.

Of the total sum, amounting to 1,020 million pounds, by which, as compared with conditions in 1801, the increase in the income of the labouring and middle classes exceeds the increase in their number,

13 per cent. has gone in increasing the number of incomes between £400 a year and £1,000, and slightly raising at the same time their average amount, which is now about £630.

1. In the returns for 1801, incomes between £160 and £1,000 are divided into those exceeding and not exceeding £500. The numbers exceeding and not exceeding £400 have, for the purposes of the tabular statement in the text, been arrived at by reference to current assessments, Schedule E, which may be taken as indicating the proportion of incomes between £400 and £500 to the rest, in 1801.

17 per cent. has gone in increasing the number of incomes between £160 and £400, and slightly raising at the same time their average amount, which is now about £260.

20 per cent. has gone in increasing the number of incomes between £90 and £160, not earned by wage-paid manual labour, and in slightly raising at the same time their average amount, which is now about £100.

50 per cent. has gone to manual labourers, not in increasing their number (for this, relatively to the population has declined by 20 per cent.) but in more than doubling the average per head earned by them, this having been raised in the ratio of 100 to 220.

With regard to the labourers, certain special observations must be added. Had their number increased in the same ratio as the population, and not been diminished by the elevation of a large proportion of them to the ranks of what is really a labour class of a new kind, they would have appropriated of the increment in question, not 50 per cent. but 70; but the fact that they alone have, relatively to their number, more than doubled their earnings, whilst no middle class incomes have even approached such an increase, must be taken in connection with a farther fact, which has already

been discussed at length. To say with regard to the labourers that the average income per earner (irrespective of skill, age, and sex) is now over £60 as compared with £29 in the year 1801 is not in itself sufficient to indicate what has really happened. Unlike all middle class incomes, each of which has a definite lower limit, the earnings of labour may in many cases sink to an indeterminate minimum which, if not supplemented by poor-relief, would be insufficient to support life. It has, however, been pointed out that, whereas in the year 1801 only 10 per cent. of all incomes not exceeding £160 a year were above what reformers to-day quote as the poverty limit, only 20 per cent., if so much, now fall below it. It is therefore obvious that the increase in the remuneration of labour has affected all groups except one, which is at once small and exceptional. This group, precisely because it is exceptional, will presently be considered by itself. The groups of persons at the other end of the scale, whose incomes exceed £1,000, £5,000 or £20,000 (relatively insignificant though their aggregate income be), will for the same reason be considered separately also.

Meanwhile, confining ourselves to the great body of the population, who represent at least 90 per cent. of the home-produced income of the country, we may again observe with regard to them that 86 per cent. of it has gone in doubling the income of the majority of the labouring classes, and in multiplying the

incomes of middle class workers, none of which exceed £400 a year; whilst 14 per cent. has gone to a group comparatively small, none of whose members have more than £1,000 a year, their average income being not so much as £650.

Everything, in short, has happened which, according to the reformers, has not happened. And now it must be observed that this fundamental misconception on their part does not merely affect them and their followers by influencing their general judgment of things, and their general temper and attitude of mind towards them. It vitiates their treatment and conception of each single question or problem on which, as the subject-matter of reform, public attention from time to time is concentrated. The chief of these questions or problems shall be reviewed in the next two chapters; and some of the ludicrous and contradictory errors of judgment shall be signalised, which reformers, whether radical or socialist, are accustomed to bring to the solution of them.

CHAPTER III.

A DISTINGUISHED American writer, in his annals of "A Tramp Abroad," describes how a traveller on arriving at a mountain hotel in Switzerland, slept so long that, intending to see the sunrise, he found himself watching what he subsequently discovered to be the sunset. This misconception, among other effects on his conduct, caused him to sally from his bedroom with nothing on but a dressing-gown, and encounter a congregation of guests elaborately costumed for dinner. The profound misconception of social actualities as a whole, which is distinctive of the reformers of to-day, affects in a similar manner their judgment in respect of the various particular questions with which all politics, in so far as they are practical, are concerned.

The most striking illustration of this is the case, described already of Marx and Henry George. Both started with the same general theory that one class was growing so inordinately rich that every other class was the victim of increasing poverty. Both maintained that this movement was exemplified in the British Islands on a scale more appalling than in any other country of the world: and each realised that if this theory was to be invested with any practical meaning, the particular class of Britons which was seizing on everything must be iden-

tified, and some explanation given of the why and how of its depredations. Marx identified this class with the great modern manufacturers, George with the great landlords. Thus all reform for Marx reduced itself to an industrial question; for George all reform reduced itself to a rent-question, or a land-question. Each of these questions relates to a multitude of detailed facts; and we have seen already to what an astonishing extent the general theory with which both reformers started reproduced its errors, when applied by each to the group of particular facts selected by him.

The same mental process is in operation amongst reformers still. But to-day each of the two original questions is broken up into several, according to the varieties of intelligence, education and temper, which reformers have, since the days of George and Marx, brought to bear on the teachings of those who are still their masters. Thus the land-question resolves itself into one thing for the single-taxer, into another for the socialist, and again into another for the radical; whilst the industrial question, with which socialists are mainly preoccupied, resolves itself, according as it is approached by socialist reformers or radical, into "questions" which point to the extinction of the private capitalist altogether, or to "questions" which imply his perpetuation by enabling his opponents to endure him.

In the present and the following chapters certain of the most important of these separate

"questions" shall be dealt with one by one; and in each case it shall be shown how the general theory which all the reformers adopt as the explanation of all social evils, vitiates their estimates of the actualities with which they propose to deal. These "questions" are as follows:—

The land-question as understood by the single-taxers.

The land-question as understood by the mass of radicals.

The land-question as it appears under the form of the "agricultural question."

The industrial question as a question of wages.

The industrial question as a question of profits.

In the present chapter we will deal with the questions that relate to land.

With regard to the single-taxers, it is needless to say more than a word or two. Like dunces put in a corner, they form a class by themselves, scouted by all the others. The conservative rejects them, because the essence of their programme is robbery. The socialist rejects them because their robbery would not go far enough. The radical rejects them for another reason, which he shares with the conservative, and with most socialists also, but which, in the case of the radical is deserving of special notice, and which will be stated presently. The single-taxers, who would confiscate all land-rent under the guise of a tax which should supersede all

others, represent in its childish integrity the fundamental doctrine of George, that the rent of crude land, in every progressive country, eats up most of the wealth created by capital, as well as that created by labour, and that it is making its largest meal in Great Britain and Ireland. They accordingly maintain, as the basis of their practical proposals, that no matter how many millions or hundreds of millions of pounds the public expenditure of this country amounts, or may one day amount to, land-rent does and will amount to a sum still greater. But, plausible as their scheme may sound, the radicals of to-day reject it. And why? The reason why they reject it is this. They realise that the one proposition as to fact on which the single-taxers take their stand is a piece of grotesque nonsense, and that any policy based on it would end in ruin and ridicule.

Let us now, in the searchlight of exceedingly recent history, consider the "land-question" as understood by the radicals themselves. Having rejected one fiction with regard to the rent of land, they have at once adopted another, which in some ways is even more preposterous. Their reasoning has been virtually as follows. "The landlords have not yet succeeded in robbing the nation to the extent, or nearly to the extent, which certain persons suppose; but, since all poverty is due to the increasing accumulations of the superwealthy, the landlords must be obviously amongst the first offenders somehow. How, then, in their case is the trick of accumu-

lation done?" Armed with the major premiss that the trick is being brought off somehow, the radicals were quick in agreeing as to what the operation was. "It may be true," they said in effect, "that the rent of land to-day is not as a whole greater than the income from other securities; but in one respect stands alone. It stands alone in the fact that, unlike income from shares in any kind of commercial enterprise, it exhibits an automatic increase—a portent unknown to stockbrokers; and here, in this 'unearned increment,' and not in land-rent as such, we identify those thefts on which the landlords thrive, and which leave the homes of the people defenceless against 'the wolves of hunger.' It is useless to object," the argument thus continued, "that the land-rent of the country even now is not more than so much. What the people must be made to realise is its daily and hourly increase, and the fact that every year this increase is itself increasing. Let this be compared with the increases of income from other sources, and it leaves them all behind. Does anybody doubt this? We can open his eyes by instances."

The train of powder having been laid, the match was forthwith applied to it. From radical platforms everywhere cases were cited (or let off, like school-boys' crackers) of diminutive plots of land, which only yesterday were let for £3 an acre, and had just been re-leased for £300, or had been bought by the father of some noble duke for £5,000, and had just been

resold by the son for something like £50,000; and each exhibition of instances was wound up with the moral that "this sort of thing is in progress all over the country." Such arguments, as emanating from the leaders of radical opinion, are remarkable; but what is still more remarkable is the instant and eager acceptance of them by the whole radical public. New instances of the sensational gains of landlords crowded the columns of the ministerial journals; and the image of the "unearned increment" grew to such vast proportions that multitudes saw in a tax of 10 per cent. on it the promise of pounds of salmon on the table of the poorest worker, and the rarest of refreshing fruits from thousands of miles of hot-houses.

And meanwhile what were the actual facts of the situation? The radicals professed to arrive at these by an examination of specific instances, to each of which they drew attention as being at once startling and representative. These instances may have been startling, and a large number of them may have been true; but what the radicals omitted to detect, or to admit, was, that each was only startling because, instead of being representative, it was exceptional. The radicals might just as reasonably pick out five famous artists, each of whom gets for a picture ten hundred pounds to-day, whereas not many years ago he was getting no more than ten; and then invite us to conclude that the earnings of artists as a whole—good, bad and indifferent—are a hundred times greater to-day than in

the reign of the late King Edward. The actual facts can be ascertained by a very simple method. Year by year the Department of which the Chancellor of the Exchequer is the head, issues a statement of the rent derived both from land and buildings; the gross increment in respect of both these sums is for each year ascertainable by the simplest of arithmetical processes; and, if we concede, in accordance with the common computation, that the ground-rent of a building, on an average, is as much as one fifth of the gross rent, we can determine with an accuracy sufficient for all general purposes, what year by year has been the increase in the rent of land itself. We can also, by reference to similar official records, compare the increase in land-rent with the contemporaneous increase in incomes from other sources. Let us then see what, according to the Commissioners of Inland Revenue, has actually taken place in the course of the last fifteen years. In each case we will content ourselves with the gross amounts as given, which, though greater than the true totals will be all that we require for a comparison.

In the year 1895 the gross agricultural rental of the United Kingdom (over-assessments and outgoings included) was £55,000,000; the ground-rental (urban and suburban) was £31,000,000; the rental as a whole being £86,000,000. The corresponding figures in the year 1910 were, agricultural rental, £52,000,000; ground-rental, £44,000,000; the

rental as a whole being £96,000,000. Let us now compare the rent of land with incomes from two other sources only—the rent of buildings as distinct from the ground they stand on, and interest derived from shares in foreign railways and loans to foreign governments. In the year 1895, the building-rental was £123,000,000; the income derived from foreign loans and railways was £54,000,000; the total of the two revenues being £177,000,000. In the year 1910 the corresponding figures were, building-rental £178,000,000; interest from foreign railways and foreign government loans, £101,000,000; the total of the two revenues being £279,000,000. It will thus be seen that whilst incomes other than land-rent have increased, during the period in question, by more than £100,000,000, land-rent has been so untrue to its reputation that it has managed to increase by one tenth of that total only. But not only is its increase, compared with that of the other incomes from property, negligible in absolute amount. This amount, small as it is, has for some time past, been annually growing less and less. The agricultural rental has not increased at all. It has on the contrary dwindled at an average annual rate of £400,000. The only increase has been an increase in the total of urban ground-rents; and this on a yearly average has amounted approximately to £870,000. If, however, the fifteen years we are dealing with be divided into three quinquenniums, we shall find that between the years

1895 and 1900 the annual increase averaged about £850,000, that between the years 1900 and 1905 it rose, nominally at all events, to more than £900,000 ;[1] and that between the years 1905 and 1910 it was not more than £600,000.[2] Finally, if we compare these increases with the increase of the national income as a whole, the largest of them as well as the smallest represent a relative decrease.

Thus, to sum the matter up, the "unearned increment" of land-rent not only possesses none of the qualities which the radical imagination ascribes to it, but is remarkable for others of a kind precisely opposite. It is a signal illustration (if we look at it from a speculative standpoint) of what economists call the law of "diminishing returns"; and what is far more important for all practical purposes, its absolute amount, as compared with the wealth of the nation, is insignificant. The reformers of to-day who announced that, by placing a special tax on it, they were taking some seven-leagued step towards the abolition of poverty, are like

1. This high average for the years 1900-1905 is mainly due to overbuilding in the year 1903. The nominal increase in house-and-site values thus caused, was double the average; but, as appears from the Deductions (Schedule A of the Income-Tax Returns), there resulted a greater increase in the amount deducted in respect of unoccupied premises.

2. During this last quinquennium there has been a continual decline from the higher level of previous years down to about £300,000.

a sportsman of the type of Tartarin, who should organise a vast expedition against a supposed man-eating tiger, and at the end of the day come back with a dormouse. So grotesque a misconception of the actualities of this particular question could hardly have arisen in the minds of the radical leaders themselves, and would certainly have been never accepted by multitudes with acclamations of unhesitating belief, had it not been a part of, or a deduction from, that wider misconception of the general trend of affairs, which has in the preceding pages been the main subject of our enquiry.

The treatment of the "land-question," under the form of "the Agricultural Problem," by reformers of all kinds (who in this connection comprise certain conservatives) is in some respects yet more interesting as an illustration of similar results arising from the same cause. It is more interesting because, in the way of actual facts, there is more for the reformer to go upon. With regard to agriculture in this country, the following facts are admitted by all parties:—

In the first place it is politically desirable that the maximum amount of food should be produced within our own borders; in the second place, for reasons other than those of insular self-support, a rural population is an important national asset; in the third place, the amount of bread-stuffs produced in the United Kingdom has, throughout the lifetime of the present generation, been declining; and lastly, the

number of persons engaged in the business of agriculture has, throughout the same period, been steadily declining also. All these points are deserving of serious consideration; but the moment they are interpreted in the light of the current theory of reformers, they are so disguised, perverted or inverted, that no sane judgement with regard to them is, so long as they are presented in such forms, possible.

Let us see how this feat of perversion is accomplished by Mr. Masterman. In his book, "The Condition of England," he professes to give, for the guidance of the conscientious radical, a survey of English agriculture, and what he calls "the life of the countryside" from the beginning of the nineteenth century up to the present time. According to him in the days of our great grandfathers, when modern superwealth was as yet in the germ only, English agriculture was in a state of ideal prosperity; the English peasantry were the backbone of the population; the individual peasant or labourer was a comparatively free man, and, though not without its hardships, "his lot was no ignoble one." But now in the course of little more than a hundred years every one of these features has undergone a disastrous change. The villages, once the centre of England's life, have been depopulated. Out of every ten village families nine have disappeared for ever. The few men who are left, although they have now got votes, have lost that sense of independence, which was, when they were voteless, their very

remarkable characteristic. To-day, says Mr. Masterman, they "are still as slaves before their lords"; they are moreover by this time so sunk in poverty that "the wonder of the case is not that so many go; the wonder is that any remain"; whilst, to crown the miserable story, the business of agriculture itself (if not exactly dead) is dying.

Mr. Masterman's statement, if it does not represent facts, is an excellent representation of the representations of them made by modern reformers. Plutarch was said by a critic to be so much the slave of style that, if it had been necessary for the literary perfection of a sentence, he would have made Caesar kill Brutus instead of Brutus killing Caesar. The reformers in the same way are the slaves of their general theory, which constrains them so to represent the history of British agriculture that it may form an indictment against the present system of landowning, because that system is associated with a certain class of landowners, to whose avenues and great houses, to whose pheasants, to whose foxes, and to whose deer, and indeed to whose vermin generally, the life of the agricultural worker and the powers of the soil have been immolated.

Now without discussing how far the present system of landowning may be responsible for the main facts of our modern agricultural history, let us take these facts as Mr. Masterman and his friends represent them, and

compare them with the corresponding facts which are attested by statistical evidence.

The primary propositions of Mr. Masterman and his friends (which a good many conservatives have been induced to accept) are these :—

(1) Agriculture, regarded as a productive business, has been declining for more than a hundred years.

(2) The number of persons engaged in agriculture has been declining for more than a hundred years.

(3) The wages of the agricultural labourer have been declining for more than a hundred years :—all these results being due to the general fact that this country is a country of "avenues" leading up to the houses of the "superwealthy."

The first and the third of these propositions are the exact reverse of the truth. The second has an element of truth in it, but omits, obscures, shuffles out of sight, buries, the one part which alone can render the whole intelligible.

With regard to agriculture considered as a productive business, its prosperity, like that of any other business whatsoever, must, as Mr. Masterman and all other reformers will admit, be measurable by the volume together with the value of its products. They not only admit this, but as agitators they argue on the admission. Thus, the current annual value of the agricultural output of Great Britain has been lately quoted by them, on the authority of the Census of Production, as £220,000,000 :

and this total, by a reformer of Mr. Masterman's school, is cited as evidence of a "decline" in our agricultural products which only just fails to fill reasonable men with "despair." [1] Now without going into details, it will be enough for our immediate purpose to compare this admitted figure with another which is no less indubitable. In the year 1798 it was computed by Pitt and his advisers that the income of Scotland was about one eighth of that of England and Wales. Hence, the latter having, at the beginning of the nineteenth century, been certainly not more than £180,000,000, the entire income of Great Britain cannot by any possibility have much exceeded, if indeed it reached, a total of £200,000,000. In other words, the present value of the agricultural output alone—the output of that industry which reformers describe as "dying"—is actually greater to-day than the entire income of the country from all sources whatsoever at the time when this industry, according to the doctrine of the reformers, was enjoying a prosperity which it has now lamentably lost.[2]

With regard to the alleged decline in the

1. See Report on the Rural Problem, by Mr. Harben, issued on behalf of the Fabian Society, 1913.

2. The wheat-supply of England in 1801 was sufficient for nearly the whole population, and was about equal to the home-grown supply to-day. The meat-supply and the supply of dairy and garden produce has increased by 70 per cent. since the years 1835-40, if we may judge by the figures for those years given by McCullock, as compared with those given in the Census of Agricultural Production for the year 1907.

number of the agricultural population, the reformers are perfectly correct in declaring that a decline has occurred, and that it is one of the most remarkable occurrences of the period here in question. Their error, whether this arises from intention or helpless ignorance, relates to the date at which the decline began. That date which, according to their own assertions, was the beginning of the nineteenth century, was not the beginning of the nineteenth century, but the middle of it. So far as the Census Returns enable us to speak with accuracy, up to the year 1851 the agricultural population, instead of declining in number, continued steadily to increase. Then, but not till then, did any general decline begin; and the present results of this downward movement have been what? That the agricultural population of Great Britain to-day is so far from being (as Mr. Masterman suggests) very nearly extinguished, that its number is not less, indeed appears to be slightly larger, than it was in what Mr. Masterman represents as its golden age;[1] whilst, relatively to the persons employed, the value of the product has, to say the least of it, doubled itself.

Finally, with regard to the hopeless and

1. The approximate figures for England and Wales, as discoverable from a careful examination of the Census Returns, and the difference they exhibit in respect of classification, are as follows: Number of persons directly engaged in Agriculture: 1801, 1,500,000—1,600,000; 1851, 1,900,000—2,000,000; 1907—1910, 1,500,000—1,600,000.

increasing poverty which is alleged by reformers to be the lot of the agricultural labourer, it may be admitted for the sake of argument, or even without any such reservation, that his wages are lower than they should be, and that means exist for augmenting them; but the truth of these contentions being assumed, the point to be noted is, that the reformers cannot express it without converting it into a falsehood. Whatever may be the average wages of agricultural labour to-day, there is one thing which they are not. They are not lower than they were at that particular period whence, according to the reformers, their tragic decline dates. On the contrary they are incomparably greater; and their rise since then, even if slow at first, has been continuous. The annual earnings of an English agricultural labourer were in the year 1801 commonly computed at £21 a year. Their average fifty years later had risen to £28; at the present time, according to the latest information, it is slightly over £45.[1]

It is outside the scope of the present volume to discuss the agricultural question in relation to any special policy. The point here insisted on with regard to the three propositions just examined, which reformers enumerate as indicating the essential facts of the situation, is not only that they happen to be false, but that no sound policy which has these for its basis is possible.

All parties alike would desire that our

1. See Blue-book, Cd. 4671 of 1909, p. 36.

agriculture as a whole should in point of productive efficiency be very greatly increased; but the question really at issue being how to make it greater than it is, those persons are merely darkening counsel, and turning the attention of the public in a totally wrong direction, who popularise a belief that it is indefinitely less than it was before the "superwealthy" had crippled it in some fabulous though recent past.

Similarly the decline in the number of the agricultural workers, is by all parties alike regarded as in itself a misfortune; but to represent the decline as dating from the beginning of the nineteenth century, when the actual date was the middle of it, is to obscure the only causes which can render the event intelligible. The beginnings of the decline coincided with the triumph of free-trade principles; and little though the early free-traders may have realised this themselves, to produce this precise decline was their logical if not their conscious object. Their reasoning was the reasoning of all business men. It was mainly peculiar and efficacious because specially applied to corn—the main food of the people, specially the food of the poor. If ten men in Russia can provide us with twenty loaves of bread, why should the poor—such was the gist of their argument—pay fifteen men in England to provide them with the same quantity? The primary effect of their free-trade policy on agriculture was a great development of labour-saving machinery—of machinery designed to

enable ten English bread-producers to perform the work which had previously required fifteen. The second result was a development, gradual at first, then rapid, the purpose of which was similar, namely the saving of labour without diminution of the product; and this second result was the transference of agricultural enterprise from the production of one kind of staple food, namely bread, which relatively to the requisite area requires most labour, to the production of another kind, namely meat, which relatively requires least. The farmers, in adopting this policy, merely followed the course which the adoption of free-trade principles by the nation at large imposed on them. A decline in the number of the agricultural workers relatively to the product of agricultural work, was not merely a result of free-trade in food-stuffs. It was the crucial result at which the free-trade movement aimed. These observations are not made with the intention of advocating a return to agricultural protection. Their intention is merely to indicate the complicated nature of the questions which the decline in the number of the agricultural workers raises, and to show how, if the date at which the decline began is hidden, as reformers hide it, under a flood of historical fallacies, all discussion of these questions is a wrangling in the dark, and all attempts to deal with them are leaps in the dark.

The same thing remains to be said as to the third proposition of the reformers, which con-

verts the contention, deserving of all respect, that the agricultural labourers should be better paid than they are, into the sensational fable that they are worse paid than they were, and that the sinister diminution in their number has been accompanied by a diminution no less sinister in their wages. This is not merely an intrusion of fable into the domain of fact. It is the intrusion of a fable so pernicious in kind that, of all the facts involved, the fact which is most vital to the problem at issue is hidden by it. The vital fact is that, as the number of the workers has diminished, their wages, instead of diminishing, have increased in almost the same proportion; the remarkable result being (as can easily be shown by a careful examination of the figures),[1] that two agricultural labourers on an average, at the present day, divide between them a sum which is slightly in excess of that which was divided between three in the year 1850. The conclusions which may be drawn from this fact are various and far-reaching. What is here urged is merely that they are of such profound importance that, unless the fact in question is fully and fairly recognised, the future of agricultural wages and the agricultural

1. It appears that there has been no appreciable, if any, decline in the number of agricultural "occupiers," *i.e.*, farmers of various grades; the class which has declined, consisting of wage-paid labourers. The diminution of these (as compiled by all parties) has, since the year 1850, been in the ratio of about 150 to 100. The increase in average wage-rates since 1850, has been in the ratio of 100 to 158. See Cd. 4671, as above.

question generally cannot be profitably dealt with by any reformer whatsoever, whether he be a radical restraining a socialist, a socialist outbidding a radical, or a conservative who, borrowing his premises from one of these or the other, is tempted to outbid both.

Such, then, are some of the particular errors—errors relating to land—which result from the general theory common to all reformers that the clue to every social grievance is the disproportionate "piling up of the aggregations" of some small and "superwealthy" class at the growing expense of all the rest of the community.

In the following chapter we will turn to the "industrial question"; and it shall be shown how, in connection with this, the same fallacious theory has resulted in errors of an even greater magnitude.

CHAPTER IV.

In so far as it relates to immediate demands and hopes, the "industrial question" resolves itself, as has been said already, into a wages question on the one hand, and a profits question on the other, the second of these being the converse side of the first.

The wages question, from the point of view of the wage-earners, has its origin in two very natural desires, one being to maintain their earnings the other being to increase them: and the latter, as experience shows, is no less reasonable than the former. The industrial history of this country for more than a hundred years has been a history, not only of an increase in the production of wealth generally, but of an increase in the wages of the individual labourer also, and though reformers do their utmost to hide, and actually to invert, this fact, a large number of the wage-earners more or less clearly recognise it. Hence the portion of their general thesis which reformers at the present time—whether strike-leaders, professional politicians, or other apostles of discontent—find most efficacious, in many quarters at all events, is the contention that, even if absolutely rates of wages have risen, they have risen in a far smaller ratio than the value of the total product; and that, thus considered in the light of what at once is just and possible, the

wage-earners as a body are the victims of an ever-increasing wrong. Here is the old story again of "the piled-up aggregations of the superwealthy," carrying with it the inference that the only problem for the wage-earners is how to make new inroads on a practically inexhaustible hoard.

This contention, as applied more particularly to manufacturing industry, has now resolved itself into a demand for a universal minimum wage. For such a demand in the abstract there is much which may be reasonably said: but even in the abstract, the question of whether it is reasonable or otherwise implies a reference to something like actual facts. For example, if, relatively to the population to-day, industrial productivity to-day were no greater than it was at the time of the battle of Waterloo, the most moderate of the present demands now made in relation to wages generally would have no more meaning than the baying of a dog at the moon; for the entire wealth of the country would be insufficient to satisfy them. Practically, therefore, a minimum wage means nothing unless it means a certain specific amount which can be compared with that of the entire distributable product.

Let us then consider the most recent of the definitely formulated proposals which have been put forward, in connection with this question, by prominent leaders of strikes and of other reforming movements. Such proposals are all of a double character. They comprise,

in addition to a great increase in wages, a great reduction in the length of the working day. This, reduction has, by advanced reformers, been long defined as a substitution of six daily hours for nine; but the minimum wage to be paid for these six hours has not till lately been defined with the same precision. Precision began—and it is interesting to note this—as the result of the preliminary issue of certain portions of the Census of Production, according to which the value of this country's manufacturing output, if divided by the number of the persons employed in producing it, would work out at something like £100 per head. Hence it was at once argued on labour platforms that, since nothing produces wealth but ordinary manual labour, the lowest wage which is due to the operatives of this country cannot be less than a matter of forty shillings a week.

A minimum wage, then, of forty shillings a week, the hours of daily labour per day being reduced from nine to six, represents the kind of arrangement which, according to contemporary reformers, is the least that labour should aim at as a full satisfaction of its claims. The calculation is exceedingly interesting, because its bases can be at once identified; and, by examining these, we can detect the manner in which reformers reason. These bases are to be found in the elaborate summary which the Census of Production gives of the entire selling value of the products of all, and of each separate group, of the chief manufacturing

industries of Great Britain and Ireland, and of the number of persons employed in each of them and in all together. And the results, so far as they go, are given by the reformers accurately. The entire selling value of the output is, in round figures, 700 million pounds.[1] The number of persons employed is, in round figures, seven millions. But the meaning of these two sums is very far from being what, at first sight, it appears to be. There are various facts which the agitating reformers overlook.

In the first place the production of the total values in question involves the use of a vast mass of capital, which is embodied mainly in buildings and endlessly elaborated mechanisms. These buildings and mechanisms would soon be a useless scrap-heap unless they were subject to a process of constant renewal and repair. The cost of this process, as the Final Report on the Census of Production shows, and as has also been explained elsewhere in the present volume, comes out of the product-value—that is to say, 700 million pounds; and amounts on a yearly average to £11 per worker. Of those workers whose earnings are less than £160 a year, the average actually earned per head is

1. This does not include the value added by commercial transport and distribution, nor does it include the value of the output of a number of minor industries. The workers involved represent approximately one-half of the wage-earning population.

£66.[1] If the salaried staff be included, many members of which earn more than £160, the average earned per head of the whole employed body is £72. It will thus be seen, in the first place, that out of the £100 per head, which presents itself to the fancy of the reformers as available for distribution amongst the wage-earners, the theoretical maximum is not more than £89; in the second place, of this £89, more than 80 per cent. goes as wages already; and farther, that of every £100 of the value of the products sold, what remains with the employers for distribution as profits and dividends, is £17, or little more than a sixth; whilst even this, as the Census of Production indicates, is considerably diminished by rates, and other less important charges.

But this is the beginning, not the end of the matter.

These calculations assume that, except in respect of wages, the productive process will remain what it is to-day, and that the volume and the value of its products will be, at all events, not less than they are. It remains for us to take account of the fact that, concurrently with a rise of wages, the reformers demand a reduction in the hours of labour. Now from every point of view this demand is of the first importance, but more especially from that of

1. The average for all such workers, if domestic servants, and agricultural labourers be included, is, as has been shown in a former chapter, about £62 per head. For other workers alone it is slightly more.

the reformers themselves. The very nature of the claims which they advance on behalf of wage-paid labour shows them to be possessed by the old socialist idea that such labour is the sole producer of wealth, and that the amount of wealth produced by a given number of labourers rises and falls with the number of the hours for which they labour.[1] And if other conditions all remain unchanged—such as the knowledge and intellectual energy by which the details of labour are determined, and if the hours devoted to labour are the quantity which alone varies, this theory is plainly true. It is obvious, therefore, that if, other things being equal, the quantity of labour, as measured by time, diminishes, the value of the total product will be diminished in like proportion. The proposed reduction of labour-hours, being a substitution of six per day for nine, or of eight working months in the year for the present number of twelve, will reflect itself in the value of the product, which, from its present total of some 700 million pounds will be reduced accordingly to no more than 470 millions. If from this sum we deduct the costs of upkeep

1. This is one of the cardinal doctrines of the "economic science" of Marx. It is of course subject to this qualification, that the number of labour-hours regarded as possible per day does not exceed that for which the physical strength of the worker can be maintained. Thus, though a reduction of nine hours to six means a reduction in the output, a reduction of 16 hours to nine might mean an increase.

of capital, the total left for distribution amongst seven million wage-earners would work out, should the wage-earners get the whole of it, at something slightly less than £60 per head, or £12 less than the average which they earn now.

If, however, instead of being content with mere general conclusions such as these, we examine the industries individually to which these conclusions refer, the facts of the case will reveal themselves in a yet more instructive light. We shall find that the value of the products as related to the number of the workers, though amounting to a general average of £100 per head, conforms to this average in a few of the individual cases only, diverging from it otherwise in various and most remarkable ways.

Of this the most prominent example is provided by a group of industries which include the supplies of electricity, gas, and water, but which are for the most part of a chemical or quasi-chemical character.[1] These account for an output of 130 million pounds out of a total of 700 millions—that is to say, nearly one-fifth of the whole; but they employ between them only one fourteenth of the workers—that is to say, about 500,000. The output per head ranges from £150 up to £330, the average for the group being £260, as against the average

1. These comprise oils, paints, varnishes, drugs and all kinds of chamicals, ink, artificial ice, sugar, and the brewing or distillation of alcoholic beverages. This group also comprises publishers.

of £100 for the productive industries generally. The causes of this phenomenon have been much discussed by experts. At all events the group is an exception; and its importance, as measured by the number of the workers, is negligible.

If for these reasons, then, we set this group aside, and deal only with the great mass of the manufacturing industries of the country, we are left with an output value of 570 million pounds, and a working population of six-and-a-half millions. Of these workers collectively, the output value per head is £88. They are, however, as a fact, divisible into three great sections, the output value per head being in each case as follows. In one section, comprising less than one-sixth of the whole, it is £126;[1] in a second section, comprising less than one-quarter of the whole, it is £87;[2] whilst in the third section, comprising far more than one-half, it does not exceed £78.[3] If, in respect of the cost of upkeep of capital, we deduct from these sums severally no more than a tenth, the sums actually distributable will be, about £114 in the case of one-sixth of the workers; in the case of

1. Of the 1,000,000 workers comprised in this section by far the larger number are coal-miners. Most of the others are engaged in public works, cheese-making, bacon-curing the preparation of preserved meats and pickles, and the making of aerated waters.

2. This section comprises all the great metal trades.

3. This section comprises all the textile trades except lace-making; also the clothing trades.

a quarter, about £78; and in the case of more than a half, it will not exceed £70.

Here we see what is the real nature of the problem involved in the demand, based as it generally is on the equality of human needs, for a minimum wage which shall somehow be secured to everybody. It is obvious that, in the case of no industry whatsoever, can such a minimum be greater than the total value of the products divided by the number of the workers; and, if in any industry, a greater sum is demanded, such an industry can no longer exist. It will have to be abandoned, like a plot of land so barren that an occupier, paying no rent, cannot extract enough from it to keep body and soul together. Thus, though, in the case of one-sixth of the workers—namely those employed in the industries yielding an output of £114 per head, a minimum wage of £100 would at all events be theoretically possible, yet if this were demanded on behalf of the great mass of their fellows, the whole of the industries on which these depend for their living, would be hopelessly bankrupt before a year was over. The highest minimum which, even in theory, could possibly be made general, would not be more than £70: and even this would be possible on one condition only—that the number of working hours remained what it is to-day. If this number were reduced in the proportion which the reformers contemplate, the highest general minimum could not possibly be more than £47.

Let this sum be compared, firstly with the £100 which the reformers regard as possible, and declare to be the minimum of what is just; and secondly, with the average, as already shown, which is actually now being earned by workers of all grades; and two things will be evident. One is the grotesque exaggeration which, in this case as in all others, characterises the reformers' estimates of the amount of wealth existing. The other is the narrowness of the margin which, in manufacturing industry, divides the present receipts of the employed from the total value produced.

But before we insist on these points farther, let us consider the whole matter from a fresh point of view. Let us consider it, not as a wages-question, but as a profits-question, which is the wages-question inside-out. About thirty years ago, Mr. Hyndman became prominent as the leader of a socialist movement in England, and as one of the founders of a body which originally described itself as the Social Democratic Federation. In this latter capacity he issued a Manifesto, which was mainly a statistical statement, emphasised by violent rhetoric, as to the actual ratio of profits to the wages of productive labour. The purport of this statement was that, the income of the United Kingdom being at the date in question 1,300 million pounds, the share of the wage-earners was 300 million only, the remaining 1,000 millions, of which they alone were the creators, being taken, under the name of profits, by a

class which, if not absolutely idle, was active only in the business, not of production, but of theft. Here we have the doctrine of Marx as applied to conditions at a certain specified moment; which doctrine was that, under the capitalistic system, profits generally, and manufacturing profits in particular, are to wages as a whole, in the ratio of 10 to 3. It is probable that most reformers to-day, even those who call themselves socialists, would allow that Mr. Hyndman's statement erred slightly on the side of exaggeration; but the language used by such persons, from the Chancellor of the Exchequer downwards, shows that they regard it as indicative of the kind of thing that happens.

Now if we consider businesses solely as "going concerns," the ratio of profits to wages will of course vary enormously. One reason is that, in some cases, as in that of a railway, vast sums must necessarily be spent in wages, before the business can begin "to go" at all; and the wage-bill for past, as well as for current, labour, must be paid out of the annual takings as soon as these accrue. Another reason is that, whilst all employers of labour must bring to the task of directing it a certain amount of ability, for otherwise the products of the labour will not even pay the wage-bill, there are certain businesses, such as that of producing a book, or some patented mechanical contrivance, in which the element of the ability involved varies to so great an extent that the selling value of the product may be ten times the amount of

the labour-bill, or only three times, or may not exceed it at all. Now it is obvious from what has been said already, that, if profits be regarded as a quantity which can be drawn upon to increase wages, the extent to which they can be used for this purpose must be determined, not by the product per wage-earner which is realised in exceptional businesses, but by that prevailing in those which can just manage to maintain themselves. For the moment, however, let this point be waived. Let us treat profits as Mr. Hyndman himself and other reformers treat them—that is to say in the mass; and compare their actual aggregate in this country to-day with the actual aggregate of industrial wages corresponding to them.

A broad comparison of this kind may be made in two ways.

If we confine ourselves to the manufacturing industries, as analysed in the Census of Production, we know that the total value of the product is about 700 million pounds, that outgoings in respect of upkeep are about 11 per cent. of this, and that the net total which is distributable must accordingly be about 620 millions. Farther, it has been shown that the wage-earners, their number (inclusive of the salaried staff) being seven million, earn on an average £72 per head. Thus the total wage-bill comes roughly to 505 millions. The amount, therefore, which remains for distribution as profits and dividends will be about 115, or perhaps 120 million pounds out of a distributable total of 620 millions. In

other words, profits will be somewhat less than one-fifth of it.

Let us now take all the businesses of the United Kingdom together—the commercial, the carrying, the agricultural, as well as the manufacturing. In Chapter III, Book III, of the present work, the distributable output value of all these businesses (profits from abroad excluded) were shown to amount to about 1,260 million pounds, and the total of all profits subject to income-tax whether commercial, agricultural or industrial, in so far as they are of home origin, were shown to amount to about 230 millions. This sum being deducted from the total value produced, what remains for distribution amongst the employees is about 1,030 millions; and if the analyses of business wages and salaries, as given in Chapters II and III of Book III are examined, it will be seen that the actual business wage-bill of the country is substantially of the same amount. The total of all wages not exceeding 63s. a week, exclusive of those earned by domestic servants, comes to about 930 millions, and the total of the larger incomes earned by the salaried staff, and subject to income-tax, comes to 100 millions. Hence if we take all businesses together, the output of which involves the payment of wages, the result is substantially the same as in the case of manufactures only. Profits, as a whole, are indeed something less. To speak more exactly, they are about 18 per cent. of the net

selling value of the entire distributable product, and wages as a whole are about 82 per cent.

Here, however, we have the general average only. In particular cases profits will be relatively larger, and in the majority of cases not nearly so much. Of this latter fact it is possible to give an illustration which is exceptionally precise, and on an exceptionally large scale, and with regard to which there is peculiar and direct evidence. In the case of certain businesses, though of certain businesses only, the gross profits (that is to say profits including the costs of upkeep) are specially stated by the Commissioners of Inland Revenue. Of these, for two reasons, the most important is that of coal-mining: for not only are the profits stated in one set of returns,[1] but in another set is stated year by year the actual corresponding value of all the coal sold. In the year 1907—that dealt with by the Census of Production—the selling value of all the coal produced (exclusive of the quantity consumed by the mines themselves) was £106,000,000. The gross profits (royalties included) did not amount to so much as £16,000,000; and hence it is sufficiently obvious that, of the total sum dis-

1. The mining profits, as ear-marked in the returns, comprise a small percentage from mines other than wool; therefore the actual amount is somewhat less than that stated in the text. See Statistical Monograph 20, in which the figures relating to the question, for a period of fifteen years, are analysed.

tributable, the net profits could not have amounted to so much as one-seventh.

But other evidence may be quoted of a kind more precise still. During the great coal-strike of the year 1911, a book was issued by a member of the parliamentary Labour Party, aided by a North-country accountant, in which the balance sheet of a colliery company, selected by the authors as typical, was reproduced and analysed. The object of these authors, though they were far from being wild extremists, was to exhibit the gains of the colliery companies as excessive; and the details which, in this instance, they submitted to the public were as follows. The total receipts of the company in question for a year were, in round figures, £710,000; the total spent in wages was 631,000; the declared dividend was £39,000; and a sum about equal to the dividend was set aside as a reserve fund. The principal comment of the authors on these items was to the effect that the actual profits of the business were understated by one-half; that the whole of the reserve fund ought properly to have been added to them; and that the true profits, instead of being £39,000 were £78,000. That the authors, who expressed their recognition of such reserves as funds set aside for future business contingencies, should endeavour to represent them as a species of "concealed profits" is sufficiently astonishing; but, even if we admit this contention, what is the upshot of the matter according to the authors themselves? It is this—that in the case of a busi-

ness selected by themselves as typical, profits barely exceed one-seventh of the total disbursed as wages, and are, of the total takings, not more than one-ninth.

Let us now consider an example, the scale of which is minute, but which has nevertheless a peculiar interest of its own. This is the case of a printing business, which has been established at Letchworth on the basis of co-partnership. The ambition of the promoters, as set forth by themselves, is to solve all difficulties relating to profits and wages, by enabling the workers to be ultimately their own capitalists, so that wages and the profits of capital, though still theoretically distinct, shall nevertheless go to the same persons. After this business had been for some years in operation, a balance-sheet was issued for the year 1911. It is there shown that the number of workers was 90, that the total earned as wages was, in round figures, £5,340, that the total net receipts were £6,310, and the profits on capital were £970. This means that wages were allocated at the rate of rather less than £60 per head, and that profits in each case represented a bonus of £10, the total receipts per head being thus raised to £70. Now it may be observed that the wages, as calculated in this case, are lower than the general average current to-day for labour of all kinds, and that the amount added to them by profits is thereby relatively increased: but even so, it will be seen that, of the total net receipts, profits account for less than 16 per cent.; whilst

if wages be reckoned according to the normal standard, the percentage will be less than 12. Moreover, it may be added that wages and profits together do not in this case yield more than an average per worker of 26s. 10d. a week.[1]

According to Mr. Hyndman, let it be said once more, the profits of the capitalists as a whole exceed business wages in the proportion of 10 to 3: and the minds of reformers generally are dominated by some idea which is, in its effects on their general attitude, similar. If profits were really what Mr. Hyndman imagines, the business profits of the United Kingdom to-day would be considerably in excess of 3,000 million pounds. The actual sum, as we have seen, is not one twelfth of this sum. Profits by their magnitude are so far from dwarfing wages, that wages on the contrary are more than four times as great as profits: and the particular instances which have just now been given, are not only illustrations of this fact in its general form, but they illustrate also the fact, still more important, that if the average of business profits as a whole be 18 or even 20 per cent. of the entire business product, it is, in the majority of individual industries, a very much smaller fraction.

This latter fact is the more important of the

1. The workers are not analysed in the statement issued, but it may be noted that average per head, in a highly skilled trade, like that of printing, is less than the rate of the wages earned in the cotton trade by men of all grades.

two—it is indeed the salient fact of the situation; because, if anything like a general minimum wage be possible, which means more for the wage-earners than the absolute necessaries of life, its amount must be limited, not by what is possible in the industries in which the product per worker is greatest, but by what is possible in the case of those in which the product is least. Such being the case, the actual total of wages is divided from the total product by so narrow a margin, that a general rise in wage-rates is practicable in one way only—that is to say, by making the total product larger, and not by encroachments on the margin as it actually is. It is in this way only that wage-rates have risen in the past; and only in the same way can they be increased generally in the future. The idea common to reformers, that there is always, under the existing system, a vast hoard of profits withheld from the mass of the population, and that nothing is necessary but gain possession of an ever-increasing portion of it, is not merely to suggest illusory conceptions of progress, but to divert attention from the conditions which, so far as wages are concerned, alone make progress possible.

The long and short of the matter is that this supposed hoard is a phantom which, as it floats before us, imposes itself on our eyes as a reality; but the moment we try to capture it in any definite place, it disappears. We have seen that this is so when we try to capture it in the form of land-rent, whether this be the rent of farms (a

quantity which is decreasing absolutely), or the annual increase in the rent of the sites of urban buildings, or the rent of land as a whole. We have now seen that such is the case also when we try to capture it in the product of manufacturing and commericial industry.

A not unnatural result of the prevalence of such illusions (though, as will be seen presently, they are by no means its sole cause) is the condition commonly described as social or labour "unrest." The chief characteristics of this, which are very curious and not sufficiently recognised, shall be considered in the following chapter.

CHAPTER V.

A REFORMER, who occupies a high official position, has made himself famous by the vehemence of his repeated attacks on persons who, while they sleep, grow rich through the appreciation of their investments—who have bought them at one price, and whose brokers sell them for a greater. But when it happened to become matter of public knowledge that he was an active member of this class himself, and had only failed by accident to be a fortunate member also, he declared that in his own case—he being a poor man, with an income of not much more than £5,000 a year—such methods of self-enrichment were absolutely beyond reproach, and that only a "foul lip" would dare to assert the contrary. Now apart from certain circumstances of a purely adventitious kind, none of his critics, whether their mouths were foul or otherwise, did assert the contrary. They did not even suggest it. Their contention was, not that he had done anything which could be condemned by other people, but that he had done something which was publicly condemned by himself. The incident in question, when divested of its personal associations, remains interesting as an example of the necessary contradictions which arise, when a reformer, whose reforming equipment is a set of fallacious

principles, finds them confronted with those, much more reasonable in character, which he applies as a matter of course to the conduct of his own life.

The principles of the reformers, however, when applied to actual affairs, result in contradictions far more profound than this.

Let us now pass to other examples, which are really important features of the social controversy to-day. Of these some of the most remarkable relate to land and agriculture.

There is no contention more frequent in the mouths of reformers than the contention that a proportion of the wage-earners (variously stated, but always alleged to be large) suffers from the want of food sufficient in amount and quality; and whenever this generalisation is applied to any group of wage-earners in particular, its principal clause invariably relates to meat, and runs as follows: "The supply of meat is so small, and the price of meat so high, that such and such persons only taste it three times, twice, or possibly once a week."

Into the merits of such a contention we need not now enquire. All that concerns us here is to take it in connection with another, equally common, and advanced by the same persons. This relates to the decline in the number of agricultural labourers, as caused by the conversion of arable land into pasture. A given amount of pastoral products, as measured in terms of value, requires they say, relatively to the requisite number of acres, fewer men to

produce it than a similar amount of the products which result from tillage. Cattle accordingly flourish at the expense of men. Wealth accumulates, and the agricultural labourers decay. Here we have a contention which, so far as it goes, is true; but what is its substantial meaning? Pastoral products are virtually but another name for meat, just as the products of tillage are virtually another name for bread. If, then, there is any truth in the contention that an insufficient supply of meat is one of the main grievances from which the workers of this country suffer, how can it also be a grievance that agriculture, as now conducted, aims mainly at making the supply of meat more plentiful? Each of these two grievances flatly contradicts the other.

Again, when reformers are dealing with the food of the people, there is one class which they adduce before all others as the victims of insufficient feeding, and that is the class of labourers by whom food is produced. Partly owing to the superwealth of dukes, partly to the super-tyranny of large farmers, or the super-something of something else—it does not much matter what—the rural labourers are, according to the reformers, more miserably underfed than any other section of the population. The urban workers have at all events food enough to keep them in fit condition to perform the tasks assigned to them; but the agricultural labourers go always with such empty stomachs that their arms can hardly lift the implements

with which they hoe potatoes. They are not so much men as crippled shadows of men; and their children, after a childhood of weeping over half-empty platters, are, when they reach maturity, little better than the shadows of a shade. No wonder that, under such conditions, the agricultural population declines, and the whole nation is suffering a fatal and untold loss.

Such, according to the reformers, is one aspect of the agricultural question: but when they turn to another, which, from a national point of view, is what gives the first its importance, the grievance on which they insist with an emphasis no less eloquent, is of a curiously different character. The principal ground on which, from the point of view of the nation, they bewail the decline in the number of the agricultural labourers, is that of all sections of the population these labourers are the most virile and the healthiest. The soldiers who confronted Napoleon a hundred years ago, the most stalwart of the policemen who patrol our streets to-day, were and are, we are told, reared in our agricultural cottages, and the men who live in such cottages are still the best men we have. "The agricultural labourer," said Mr. Lloyd George at Middlesbrough, "is a strong sturdy fellow. He has great powers of endurance; and when the time comes for the great employers of labour to pick and choose between the men they have got and the agritural labourer, the latter, with his stronger physique, manages to survive in the selection."

Here, then, are two of the main indictments now urged by reformers against the existing agricultural system. They are urged alternately, urged with equal emphasis, by the same agitators in the course of the same month; and are cheered alternately by precisely the same audiences. Either of them may conceivably be true; but it is impossible that they can both be true. In proportion as there is sense in the one, the other is necessarily nonsense. How can the agricultural labourers be so crippled by underfeeding that the utmost they can do is to totter, under a load of rheumatism, from the cradle into an early grave, and be at the same time " fellows so sturdy and of such endurance" as to render them the arch-embodiments of the physical manhood of the nation?

But these astonishing self-contradictions of reformers in respect of land are merely examples of the errors and uncertainties of thought which vitiate their attitude towards social conditions generally, and arise directly or indirectly from the fallacy of their primary assumption—the assumption that, to whatever extent the wealth of the country grows, an overwhelming share of it, and a share which is relatively as well as absolutely increasing, is appropriated by some rich, or rather by some super-rich, minority. From this assumption it follows, as has been said already, that all reform must, in its last analysis, consist of getting the whole or most of the supposed plunder back again; and the first practical step which the

reformers have to take is to discover in what place the great bulk of it has been hidden.

What, then, have they to say as to this fundamental question? Certain of their assertions have been reviewed in previous chapters. They shall be reviewed once more, together with certain recent modifications of them.

First and foremost come those of two really powerful thinkers, Marx and Henry George.

Marx asserted that the great bulk of the plunder went, in the form of profits, to the great capitalist lords. George asserted that it did nothing of the kind—that the whole of it went, as land-rent, to dukes and earls and squires. Radicals repudiate the assertions of Marx and George alike, but they pick out various, and mutually exclusive, parts of them, each of which, successively or alternately, they declare to be greater than the whole. The more moderate socialists of to-day follow the same procedure: and the different accounts given by these reformers collectively of how the wealth of the people is eaten up by the super-rich may be summarised as follows in a sequence of separate statements.

It is absurd to say of the income of the United Kingdom that most of it is absorbed by land-rent, for the total of land-rent is too small. What is really eating up the wealth of the people is not land-rent as a whole, but the annual increase of a fraction of it—namely annual increase of the rent of the sites of urban buildings.

What is eating up most of the wealth of the people is not interest on capital, if capital be considered as a whole; for the active users of capital receive no more than they deserve. What is eating up the wealth of the people is interest on that part of it which is owned by mere investors, such as holders of Marconi shares.

What is eating up the wealth of the country is not interest on the whole of even this particular part. It is interest on only so much of it as goes to persons whose incomes are not much more than £5,000 a year.

What is eating up the wealth of the people is, in any case, the income of persons with more than £5,000 a year.

What is eating up the wealth of the people is the income of persons with more than £20,000 a year.

What is eating up the wealth of the people is interest on capital after all, if the word "capital" be used in its widest sense: for most of the capital of this country consists of the gifts of nature. Of this natural capital, as Mr. Lloyd George said at Swansea, by far the largest part, in point of value, consists of our great coal-deposits; and what is really eating up the wealth of the people, is interest on these coal-deposits, which is known under the name of royalties.

The reformers, in short, agree with one another as to one thing only—that there is a vast mass of secreted treasure somewhere; but

one of them says it is here, another says it is there; and few of them agree with themselves for more than two years running. Their own "unrest," or the "unrest" which they endeavour to foment, is like the "unrest" of the relations of a defunct miser, who are persuaded that he has hidden in his house some enormous amount of cash, and who gather there after the funeral in order to find their own. He has made them, before his death, a paltry gift of £2,000 between them; but this, they think, is only a tenth of what will be theirs presently. The most knowledgeable of their number are deputed, before anything is broken open, to mark the receptacles which are likely to be the chief hiding-places. A cellarette under the dining-room sideboard is at once marked amidst acclamations. "Listen," cries an expert, "you can hear the sovereigns chink. You can tell by the weight of the thing that at least there are fifteen hundred of them." The lid is smashed, and there the sovereigns are; but instead of fifteen hundred the number of them is less than seventy. A second expert exclaims, "You are looking in the wrong place. The bulk of the stuff is here—in this padlocked tin, labelled 'dog-biscuit.' Talk about fourteen hundred! Here are a good three thousand. Bring the poker and let us see." The poker is used. The tin is half full of pennies. On the top of the pennies lie some sovereigns, but their number is no more than twenty. "Fools," a third expert exclaims, "to be

looking amongst bottles and biscuits. Here are five thousand hidden amongst the coals in the coal-scuttle." The coals accordingly are emptied out on the floor, and amongst the dust is discovered the shining of ten half-crowns. A fourth voice exclaims, "Don't waste your time downstairs. Quick, follow me to his bedroom. It is all sewn up in his mattress." The mattress is ripped open. The carpet is strewn with horse-hair. From amongst the horse-hair comes a crisp crackle of something. The relations are all on their knees feeling for bank-notes: and nothing rewards their search but some fragments of torn brown paper. Suddenly from under the bed a portly cat emerges. A little girl, who had stayed with the deceased frequently, recognises an old playmate, and addresses it by the name of "Duke." On one of the relations, who happens to be the Chancellor of the Exchequer, the effect of the word "Duke" is electrical. "There," he exclaims, "there is the object of our search at last. The missing ten thousand sovereigns have been eaten up by the cat." Hereupon ensues the crowning act of the drama. A new actor enters, the late miser's solicitor. "Don't lose heart," he says with an encouraging smile. "How much have you found? Ah, just as I thought. Ninety pounds, or a hundred. Well, the rest is here—here in this very room. You can all of you find it without moving a step." "Where," cry the relations in chorus. "For mercy's sake tell us where." "I will," the newcomer replies,

"It is all in your own pockets." There is a speechless gasp of consternation, and the same speaker proceeds. "My late friend," he says, "during the course of his last illness divided amongst you a couple of thousand pounds. Apart from the hundred which you have just discovered for yourselves, that was his whole fortune. The odd hundred will, I am sure, be extremely welcome. It will pay nearly half the expenses of getting yourselves here and home again."

And the same answer is the true answer to all social reformers who, reasoning and feeling on the supposition that the root of most social evils is the abstraction by the few of the bulk of current wealth from the many, set themselves to discover exactly where the bulk of current wealth is hidden. The answer is "The bulk of it is in your own pockets already."

The chief of the detailed facts which have been elucidated in the preceding shall now be reconsidered in a manner which will put this this statement to the test.

CHAPTER VI.

THE final, the most general and the most comprehensive test to which we can put the theory that some vast hoard of wealth is withheld from the majority by the few, is to take the whole mass of incomes subject to income-tax, and consider how much would be available for redistribution, if all of them, or as many of them as rise above certain sums, were divided according to principles of the crudest socialistic equality, or such drastic graduation as finds favour with extreme radicals.

In the year 1910 the net total of such incomes was, as we have seen already, about 720 million pounds. Thus, the number of direct recipients being about 1,400,000, and these together with their families representing a population of about 7,000,000 persons, their average income per head was a little over £100. On the other hand the number of the population not subject to income-tax being 38 millions, and the aggregate income of these persons being 1,300 million pounds, their average income per head was no more than £34. Such being the case, socialists will probably argue that, if the income of the richer classes were cut up into 38 million equal shares of £19, a bonus of £19 would be forthcoming for every member of the poorer classes, the average income of each being raised from £34 to £53.

In such a calculation, however, the following fact is ignored, that, if all the incomes of the present rich and poor are to be equalised, the present rich must at all events be left with something; and this cannot be less, just as it cannot be more, than the present average per head of the present population as a whole; which average being a forty-five-millionth part of a national income of just over 2,000 million pounds, is approximately £45. Accordingly the share of the income now subject to income-tax, which would have to be left with those who at present receive the whole of it, would be £45 per head of some seven millions persons, or 315 millions out of a total of 720 millions. The result of which fact is that, under a regime of equal distribution, the present average per head of the classes not subject to income-tax would be raised from £34 to £45, not from £34 to £53. The theoretical bonus would be not £19, but £11.

Such would be the case on the supposition that the 720 millions was diminished only by the amount which its present recipients would retain. But this, as shall now be shown, is very far from being the case.

Independently of any claims on the part of its present recipients, there are three portions of the income subject to income-tax which any attempt at redistribution on the equalising principles of socialism would altogether eliminate.

In the first place there is the portion which comes into this country from abroad.

In the second place there are certain sums commonly described by statisticians as being, for income-tax purposes, "counted twice over."

In the third place there are savings, which, if not made by the rich, would have to be made by the nation.

The primary result of the adoption of socialistic principles would be the disappearance of the income from abroad. It would disappear for two reasons; and if both of them were not operative, either one of them would be sufficient. One reason is that the owners would cease to import it; for who would import goods for the pleasure of seeing them confiscated? The other is that, even if it reached these shores, a socialist Government would be bound not to receive it. As Mr. Keir Hardie on one occasion very logically observed, the "profits or income from abroad" ought, on socialist principles, "never to come into this country at all," but ought, we may suppose him to have meant, though he did not explicitly say so, to remain in the countries whence it came, and be redistributed there. The profits from abroad, which are included in the income now subject to income-tax, amount, as has been explained already, in reality to more, and at all events not to less, than 190 million pounds.[1]

1. This includes about £10,000,000, in respect of profits of commercial distribution, which would cease if the income from abroad, in the form of goods to be distributed, no longer came into this country.

Here is the first deduction from the total of 720 millions.

The second deduction consists of sums counted twice over. As examples of the sums which this phrase is used to describe, we may take the payments made by a man of large means to a confidential agent, whom he would probably call "a treasure," and to some distinguished doctor. He pays his agent (let us say) £1,000 a year; and taking it into his head one day that he is threatened by some mortal disease, he pays £1,000 to some doctor of European celebrity for coming from London to the South of France to visit him. Now both these sums of £1,000 it is argued, figure first in the income-tax returns as income of the man who pays them, and then figure as income of the men to whom they are paid. If, however, we take things as they actually are to-day, this argument is fallacious. It would be true only on the assumption that the rich man, instead of spending so much of his income, simply alienates so much of his fortune—that he gives so much away, and gets nothing in return for it. As a matter of fact, in each case, he receives a specific value which for him is a full equivalent—the luxury of advice from his agent, which relieves him of all business worries; the luxury of an opinion from a doctor who reassures him with regard to his health, as no other doctor could have done; and these values, though they are mental and not material, are values as truly as they would be if they con-

sisted of chairs and tables. But whilst such is the case so long as fortunes remain unequal it would cease to be the case the very moment we tried to equalise them; and the ordinary contention as to values of this kind, would at once become correct. The reason is that values of this particular kind are values only in concentration, and are essentially not distributable. We can see this by considering what would happen if, instead of paying one doctor a fee of £1,000, our patient had summoned a thousand doctors, for the purpose of debating on his ailments, and had paid each of them a fee of twenty shillings. The thousand-pounds-worth of satisfaction received by him from this medical parliament would be only mental or subjective, but it would be susceptible of distribution none the less; for the rich man's £1,000 if given to a thousand poor men, would enable each to secure the attendance of one of the doctors which the rich man would have otherwise monopolised. But if all large incomes were divided up into little ones, a fee of a pound would be as much as could be paid by anybody to any doctor, no matter how eminent; and so far as the medical specialist whose case we have been imagining is concerned, there would be nothing to divide but his railway fare.

The same argument applies to houses which, standing on exceptional sites, command exceptional rents because rich men compete with one another for their occupation. A house with a view from its windows of unique and renowned

beauty, may command a rent of £500 a year, whereas nobody would give £100 for it were it situated in a field in Essex. This sum of £500 figures in the income on which the lessee pays income-tax. The same sum figures in the taxed income of the lessor. In connection with the ownership and the occupation of this house the income-tax returns would show a total of £1,000. But if all large incomes were so levelled down and reduced that a house-rent of £100 a year was the utmost that could be paid by anybody, this particular £1,000, as soon as the redistributors touched it, would shrivel away to a sum which could not exceed £200. There would be nothing to divide but the ownership of this one house and its occupancy, the former of which would represent £100 to the owner, whilst the latter represented another £100 to the occupant. Only these two sums would remain. Four-fifths of the original total would have vanished into thin air.

Here we have two classes of this kind of income, and to one or other of them all such income belongs. It is a kind of income consisting of fancy values represented by fancy prices as paid by rich men, either for specific and exceptional services, like those of a great doctor, or for exceptional things, like a building-site of unique beauty. It may be argued that such fancy values are not real income in any case. The contention is untrue; but even were it true, it would not concern us here. What concerns us here is the fact that, whether

they are real income or no, they figure as such in the records of income subject to income-tax. They go to make up the net total of that income which appears from those records to be about 720 millions; and that total, if these portions are eliminated, is thereby decreased. The sum which these portions represent has by certain statisticians been over-estimated. It is at all events considerable; and what is really its approximate amount is not difficult to calculate.

So far as professional services are concerned the amount may be calculated thus. We may take it, if the object in view is a regime of equalised wealth, that the total at present paid for such services represents fancy values in so far as it yields an income per head of the professional classes which exceeds what would, if all incomes were equalised, be the average family income in all classes alike. That average could not, as we shall see presently, be even in theory, more than £200. Now the actual average earnings of the professional classes to-day appears from an examination of the income-tax returns to be about £350. This means that of the payments made to the professional classes to-day the portion which is fancy value amounts to 40 per cent., and if this ratio be applied to professional earnings as a whole—the estimated total being, as we have seen, about £60,000,000—the deduction to be made, if the

fancy value is to disappear, will be about £24,000,000.[1]

The element of fancy values now included in site-rents may be calculated in a similar way. If every average family, consisting of five persons, had £200 a year, and no such family had more, no family—this we may reasonably assume—would be able to spend on house-rent more than £20 a year. This means a site-rent of £4, or 16s. per person. Of the 400,000 houses worth more than £40 a year, the average gross rent per house is about £100 a year, and the average site-rent about £20; but for this class of houses the average number of occupants is, owing to the presence of servants, not five per house, but is very nearly nine; so that, taken per head of the occupants, the site-rent will be approximately 46s. This is 30s. more than the maximum site-rent per person which by any possiblity could be paid if no average family had more than £200 a year. We may therefore take it that this extra thirty shillings represents the fancy value which persons whose incomes range from £400 a year upwards attach to certain sites in virtue not of their area, but of their beauty, their convenience, or of their

1. In strictness, about £5,000,000 should be added to the present salaries to Government officials, from Cabinet Ministers downwards. The argument in the text does not apply to the salaries of business employees; for these are paid for services which result in the production and distribution of material goods, which, unlike fancy services, are in their nature distributable.

fashionable or quasi-fashionable character. Such persons, together with their families and their servants (for the servants' accommodation, just like that of their employers, is paid for at a fancy rate) make up a population of about 3,600,000 individuals; or, if we take account of Ireland, which the above figures exclude, the total number here in question will amount to about 4,000,000, each unit of which will, in respect of site-rent, represent a fancy value averaging about 30s.; the aggregate of fancy site-values being thus about £6,000,000.

Here, then, we have three sums, namely £190,000,000 in respect of income from abroad, £24,000,000 in respect of fancy values attached to professional services, and £6,000,000 in respect of fancy values attached to selected building-sites; these three items amounting to 220 million pounds, which would have to be deducted from a total of 720 millions before the residue was reached which, even in theory, was susceptible of redistribution. This means that the theoretically redistributable total, so far as we have yet considered the matter, would be 500 million pounds. This, added to a non-assessed income of 1,300 million, means a national income of 1,800 millions, which, divided amongst a population of 45 million individuals, means an income per head of £40. The present average per head of individuals dependent on incomes not subject to income-tax, is, as we have seen already, £34. Hence, if no modifying facts still remained to be

considered, an equalising redistribution of the total of all incomes in excess of £160, would mean for those whose incomes are now on a smaller scale, an average addition per head of £6 to £34—that is to say an increase of approximately 17 per cent.

But a farther modifying facts remains in the background still, to which allusion has already been made, and which we must now examine. This is the fact that out of the entire national income there is a considerable portion which is annually not spent but saved, and that the larger portion of the annual savings of the nation consists of savings made by the richer, not by the poorer, classes. Of what, then let us ask, do savings in their ultimate form consist? They do not consist, or consist only to a very small extent, of hoards of money or even of consumable commodities. They consist of money values converted into new structures, mechanisms and other plant by means of which new commodities may be produced and distributed, or else into permanent utilities, the chief of which are new houses. The annual savings of the country, according to the Census of Production, amount to-day to about £270,000,000. Of this total, in the year 1907, about £100,000,000 was represented by exports consisting of, or destined to be converted into, implements of British enterprise, production or distribution, in countries other than our own; the remainder represents similar things or implements situated in the United Kingdom, and

(except in the case of ships) not removable therefrom. These things and their values were in round figures as follows:—Manufacturing and commercial plant, £93,000,000; Public Utility Services, such as Gas, Water and Electricity, £11,000,000; Ships and Railway Extension, £8,000,000 each; and new private houses, £50,000,000.

Let us see what practically these savings mean. As a matter of pure business, their object is the production of income in the form of new profits for division between the active users of the saved capital on the one hand, and mere lenders or investors of it on the other. The total return looked for will be now about 6 per cent., of which half will be the reward of use, and half will be the reward of mere saving or investment, though the users and the investors will be in many cases the same persons. Such being the case, we might expect on general principles that a saving in one year of 270 millions would result in new profits to the extent of some £16,000,000 in the next. Farther, since (with certain exceptions, all profits carry with them a corresponding amount of wages) we might expect to discover in wages a corresponding increase also. And such results, we find, have actually taken place. The net total of incomes subject to income-tax in the year 1908 exceeded the net total for the year 1907 by about £21,000,000. Of this sum, however, about £5,000,000 was not profits but wages—that is to say the salaries of new employees at

salaries exceeding £160. The increase in profits, interest or dividends, amounted accordingly to about £16,000,000. Of this sum about £7,000,000 came from abroad; about £3,000,000 was the rent of houses; and about £6,000,000 was new profits or interest from industrial and commercial undertakings situated in the United Kingdom. Let us now take the question of wages. It has already been explained that, in the case of profits from abroad, though they carry with them corresponding wages, these wages must be looked for in countries other than our own. They make no show in the accounts of the British Islands. House-rent is also peculiar, although in another way. A house yields a profit to the builder and wages to the builder's workmen, whilst the process of construction lasts; but whereas a factory and its equipments yield no return to anybody unless they are used by a number of wage-paid workers the occupation-value of a house, as represented by the rent paid for it, is enjoyed by the members of the occupying household directly, without the intervention of any other labour than their own. It is, then, only in connection with the profits of about £6,000,000, which result from the creation of new manufacturing plant and kindred equipments, in England, Scotland and Ireland, that a corresponding increase in wages paid in this country is to be expected; and since profits as a whole appear, as we have seen already, to be something like a fifth part of the

total distributable product, we should expect that profits to the extent of £6,000,000 would carry with them some wage-bill of £24,000,000 or thereabouts: and a portion of such an increase can be very easily identified. Though the rise in wage-rates has for some years been very slow, it appears that in the year 1908 they showed an average increase over those of the twelve months preceding, which, though less than 1 per cent., is perceptible, amounting to something like £8,000,000: and to this sum must be added the increase of £5,000,000 in respect of new wages and salaries exceeding 63s. a week. But if the total of new wages approaches the sum just mentioned, something like half has still to be found elsewhere. And here we are brought to what is really the most important feature of the situation.

As the population increases, the ranks of the working classes are every year augmented by new recruits, amounting in number to nearly one-fifth of a million; and the wages of these new wage-earners make up an aggregate of approximately 12 million pounds—the amount requisite to complete the 24 million estimated. Thus the total return which the nation as a whole receives for a year's savings of 270 million pounds is approximately 40 millions, of which new wages account for 24 millions, profits of new home businesses for 6 millions, the occupation-value of new houses for 3 millions, and profits from abroad for 7 millions. The actual loss, therefore, by savings, in respect of

spendable income, is not 270 millions, but only 230; and the question is out of whose pockets do these millions come?

About 40 millions are saved in the form of life-insurance premiums, of which 28 millions are paid by persons not subject to income-tax.[1] It would farther appear that such persons make savings of other kinds, notably in the form of house-property, the total of which would appear to be somewhat in excess of £30,000,000.[2] It may therefore be reasonably estimated that out of a loss of 230 millions in respect of immediately spendable income, the savings of the poorer classes account for about 60 millions, the remainder being saved by persons subject to income-tax. This remainder, however—namely, 170 millions—comprises more than 10 millions in respect of life-insurance premiums, which sum has been deducted already, in reducing the taxable income from the so-called "gross amount" to the net. The net total, therefore, being about 720 millions, the amount, in respect of saving, which has to be deducted

1. In the year 1907 the total of life-insurance premiums was nearly £40,000,000, of this nearly £12,000,000 came from persons subject to income-tax, and figures among the statutory deductions, as not representing income till the decease of the persons insured.

2. The income from real property going to persons with less than £160 a year, and to charities, increased at the rate of about £1,500,000 a year, between the years 1901 and 1908. See Statistical Monograph, 13; also Reports of Commissioners of Inland Revenue.

from this, will be approximately 160 millions. If to this deduction be added the bulk of profits from abroad, and the element of fancy values which, if incomes were equalised, would disappear—these two items amounting to about 220 millions—the total to be deducted will be 380 millions before we reach the directly spendable residue which socialists would find available, according to their own principles, for re-division. Profits from abroad, and the element of fancy values, both would go for reasons already stated. The element of savings, minus the return accruing from it, would go also for reasons equally cogent; for if they were not made by individuals they would necessarily be made by the State. The State would either seize them before anything was distributed at all, or extract them by taxation afterwards. In no case would they remain with private citizens for the purposes of direct enjoyment.

Thus out of the total of those net spendable incomes in excess of £160 a year, which amounts, as things are, to some 720 millions, all that would remain for division would be 340 millions, or considerably less than half. The present aggregate of incomes not subject to income-tax would at the same time be appreciably diminished also; but even if we ignore this fact, the present income of the nation would be reduced from something over 2,000 millions to 1,640 millions. This, divided amongst 45 million individuals, would mean an

average per head of £36 a year. This only exceeds by 1¼d. a day what is the average income per head of the poorer classes now.

It may, however, be said truly that an absolute equalisation of incomes on the principles of ideal socialism is not "practical politics." Indeed many socialists themselves not only admit this fact, but insist on it, relegating absolute equality to some indefinite future; whilst with radicals—even with such of them as are tinged with socialistic sympathies—absolute equality is not one of even their professed aims. It is certainly no part of the programme of the present Radical Government. Not only has a leading member of that Government boasted that, apart from the landlords, he had the support of most of the richest men in the country: but he and his colleagues are so far from wishing to equalise incomes, that they have themselves created a number of new ones, in addition to perpetuating others, all of them vastly in excess of any average that could possibly be general. What they profess to aim at is not an equalisation of wealth, but some process which they, bishops in their palaces joining them, describe as a "better distribution" of it; and since this involves an attack on existing wealth of some sort, their concern is, in so far as they are practical men, to pick out certain portions of the income subject to income-tax, and concentrate their assaults on these, whilst leaving the rest in a state of untouched security.

Now such a process of selection can be based on one or the other or both of two principles only. The incomes to be attacked may be selected on account of their origin or else on account of their magnitude; or of their origin and their magnitude together.

Now we have already seen the results of the radical quest for incomes which are assailable on account of their origin. All land-rent; all profits on capital; parts of land-rent; parts of the profits on capital, all have been advertised as so many mines of treasure, from which social salvation may be extracted at the expense of the present recipients; but every test or trial has resulted in abject failure, partly because the sums in question are so ludicrously less than was imagined; partly because in each case, though a portion goes to rich men whom the radicals might be pleased to injure, a proportion far larger goes to a multitude of poor men, or men poor comparatively, whom it is the object of the radicals not to plunder, but to conciliate. Thus to refer once more to a matter of which mention has been made already, we have the authority of Mr. Lloyd George for saying that whatever may be laid down as to the unearned increment of interest, in so far as it goes to men conspicuously rich, only "a foul lip" will name it as an object of special attack, in so far as it goes to men whom he describes as "comparatively poor." In short, on any principles other than those of a crude socialism which the radicals emphatically repudiate, it is

impossible, if incomes are classified with regard to their origin merely, to stigmatise any group of them as more suitable than any other for being specially and preferentially robbed to finance a social millennium, or to "bring about a better distribution of wealth."

The primary basis of discrimination, if any discrimination is to be made, must relate to the magnitude of the incomes, not to any peculiarity in their origin. The only two classes of income which, in respect of their origin, radical ingenuity has contrived to stigmatise as wholly peculiar, are mining royalties and the increases of urban ground-rent; but as these two sums together come to only a halfpenny in the pound of the national income, and less than three halfpence in the pound of the income subject to income-tax, it is a little difficult to see how any super-tax placed on them, even if it amounted to as much as 25 per cent., could produce "the better distribution of wealth" which radicals advertise as their object, or could appreciably alter the existing distribution.

If the incomes to be consumed, or partially melted away, on the altar of "better distribution" are primarily selected for sacrifice on account of their individual magnitude (allowance perhaps being made for various extenuating circumstances) we have what Americans would call a much more reasonable "proposition." Here we have the principle of all graduated taxation; and if the object of taxation is merely to provide a revenue sufficient for the

purposes of national defence and government, the principle is neither novel nor unjust; still less is it revolutionary. If, however, such taxes, as they exist, are to be supplemented by new ones, the object of which is neither the maintenance of government nor defence, but the transference of private wealth from one class of citizens to another, there is no logical limit to this species of enterprise but that imposed by the total amount of the incomes on which it is proposed to operate, and there is no excuse for it but the likelihood of some reasonable consonance between its utmost possible results, and those which the would-be operators invite the public to expect from it. All questions, therefore, of justice to individuals being waived, the primary question for radical reformers is what precise degree of heat in the tube of the financial thermometer must a man's income register before it is rendered liable to some special loss by "transference"? For there must be some freezing-point below which incomes will be safe, unless all are to be reduced to one general average. The second question, this point being settled, is what is the aggregate amount of those incomes which it is proposed to victimise. Let us begin, then, at the bottom of the scale, working our way upwards. We may safely say, then, that no radical reformers, not even those whose radicalism inclines to socialism, would propose to diminish by any new scheme of transference incomes not exceeding £400. Mr. John Burns in his early socialistic

days, named £500 as the limit of legitimate safety. Influential and trusted members of the Labour Party in Parliament make no objection —and they are very sensible men—to earning in addition to their Parliamentary incomes £300 as secretaries to some Labour Association; and may also make as much as £5 a week by contributions to the radical-socialist press. An income of £1,000 a year may in this way be earned easily; nor would those who could thus earn it see anything in it which marked it out for plunder. A distinguished man of letters, who describes himself as a moderate socialist, has admitted that he made by his writings £2,000 a year at least, and declared that such a sum was less than they were fairly worth. Mr. Money who, of the reformers of to-day, can alone claim to be a statistician, states, as we have seen already, that riches in an invidious sense only begin with incomes of "several thousands": whilst the most important evidence of all is supplied by the present Government itself, which not only continues to maintain more than 80,000 posts, the incomes attached to which range upwards to £10,000 a year, but has also in a single twelve-month created 3,000 new ones. We may assume then, with regard to the radical or radical-socialist reformers who now talk about a better distribution of wealth, that the amount to which incomes may rise, without being liable to diminution by some special process of transference, is placed by one group at £1,000 a year, by another at £5,000;

and that the practice of the present Government raises it to at least £10,000; whilst the language in which wealth is described by all reformers, indifferently when it is presented as an object of attack to the imagination of the public generally, is language which would, as has been pointed out already, be meaningless as applied to incomes of less than £20,000.

Let us, then, in the light of our previous examination of the question, review once more the total income subject to income-tax, together with the incomes and the number of the various groups of recipients, as they would present themselves to a reformer who was in search of material fit for transference.

The recipients, numbering as a whole about 1,400,000, he would find to comprise over 660,000 salaried employees, over 300,000 employers (all shopkeepers and dealers, subject to income-tax, being included), over 200,000 professional men, and about 20,000 large farmers, the total number of such persons being about 1,250,000, and the remainder consisting of persons living on their own means, about half of whom are men retired from business, a certain number widows and spinsters, and some tens of thousands are men commonly called "leisured," and living on inherited fortunes, not many of which are large.[1]

1. These figures are derived from the Census of 1901 (the later figures being not yet available) and in each case there will have been an increase during the ten years following.

Of this body of 1,400,000 persons in receipt of incomes exceeding £160 a year about one million would be found living in houses the rental value of none of which exceeded £40 a year, the average rental being slightly under £30, the average income of the occupants being about £260, and the aggregate income about £260,000,000. About 330,000 persons would be found living in houses the rental value of none of which exceeded £100, whilst that of the large majority of them was not much more than £50, the average income of the occupants being less than £700 a year, and their aggregate income being about 200 millions.

These two groups of houses having been scrutinised by the radical reformers, we may assume that their door-posts would be marked, as though the occasion were a fiscal Passover. The destroying angels of "a better distribution of wealth" would leave the householders, with their parlour-maids or their "generals" undisturbed, and would concentrate their attention on the superior residences remaining, whose porticoes or whose lodge gates were in themselves invitations to plunder. A census of such residences having been taken, what would the number of them turn out to be? If allowance be made for the fact that a certain number of persons occupy more than one, the number of houses worth over £100 a year would prove to be not more than 73,000. Of these, about 11,000, as we have direct means of knowing, would be occupied by persons whose incomes

exceeded £5,000; whilst 62,000 would be occupied by persons whose incomes lay between that sum and £1,000.

The aggregate income of these two groups appears, if we take the figures for 1910, to be approximately the same, each amounting to about 130 millions, and the total for the two being about 260 millions. Here, then, if anywhere, we come to the persons and the income from whom and from which the proposed transferences are to be made. Let us consider what, on the principles of radicalism, if these be stretched to the utmost, could be transferred from this total for the purposes of "a better distribution of wealth." In order to arrive at an answer, the two groups in question must each be re-examined and subdivided. It will be found, from an analysis of the evidence supplied by houses, that the aggregate of incomes between £1,000 a year and £5,000 consists of two equal portions of about 65 millions each, one of which consists of about 40,000 incomes averaging £1,500[1] a year, and the other of 20,000 incomes averaging £3,000 a year. With regard to incomes exceeding £5,000, we know that about 80 millions of the aggregate is divided amongst 10,000 people; and about £50,000,000 amongst a thousand. Such being the case, then, let us suppose that the radical reformers are addressing each of these four

1. Of houses worth from £100 a year to £200, about 45,000 are worth £120 a year, about 17,000 are worth £170, these sums being averages.

groups of persons in turn. The utmost that could be said by even the most extreme of them would be as follows.

To the poorest of the four groups they would say, "Here are 40,000 of you, each with an income of £1,500 a year. In addition to the tax which you pay upon this already, we will, with a view to 'transferring' it, take from you an extra twentieth." This, in round figures, will come to £3,000,000.

To the second group they would say, "Here are 20,000 of you, each with an income of £3,000. In addition to the tax which you already pay upon this, we will, with a view to 'transferring' it, take from you an extra fifteenth." This, in round figures, will come to about £4,000,000.

To the third group they would say, "Here are 10,000 of you, each with an income of £8,000. In addition to the income-tax and the super-tax which you pay upon this already, we will take from you an extra tenth by means of a super-super-tax, which in round figures will come to about £8,000,000.

To the fourth group—to the possessors of those fortunes which alone are conspicuous—they would say, using more ceremony, "Here are 1,000 of you—mostly men of industrial and scientific genius, whose energies have enriched the nation to an extent seven times greater than they have ever enriched yourselves, and we regard those energies as 'one of our chief national assets.' You have between you an

income of a little over £50,000,000; and therefore in addition to the income-tax and the super-tax which you pay upon this already, we propose by a super-super-tax to take from you an extra quarter. This, we reckon gives us about £13,000,000."

The total of these sums—the utmost which, according to their own principles, the radicals could collect for transference—is about £28,000,000. Were such a sum raised as a war-tax, it would no doubt be considerable; but regarded as a transference of private income from the richer classes to the poorer, with the object of enabling tens of millions of people to imitate habits which at present are confined to some tens of thousands, it would not only be inadequate, it would be absolutely inappreciable. It must, moreover, be remembered that most radicals, even in theory, would confine their "transferences" to incomes which were not less than £5,000 a year, as we definitely know from information provided by the Chancellor of the Exchequer, who declares that even that sum is by no means sufficient for himself. It must be remembered farther that even if the operation of transference should be extended to all incomes in excess of a single thousand pounds, more than a third of the total which would be thus earmarked for attack is saved at present in the form of productive capital, for the purposes of extending those industries which are the ultimate source of all incomes alike. Hence, if the transferences, whose

object is a "better distribution of incomes," are not to be made by diminishing the national capital, the utmost sum which for this object radicals could look forward to extracting would not be as much as £28,000,000. It could not exceed £18,000,000.

Such would be the case if the sum in question be calculated with reference to the principles which radical reformers definitely and specifically formulate. It cannot be doubted, however, that the principles which they definitely formulate differ very considerably from the idea which they are intended to suggest, and which is alone operative on the multitudes to whom such reformers appeal. This idea, which has been examined in these pages already, consists of an identification of the "rich" as they are to-day with persons whose fortunes are sufficient to render their way of life, their entertainments, their yachts, their purchases of art treasures, and even their wives' ornaments, spectacular—persons who could not possibly play the most modest of the parts imputed to them, on anything less than £20,000 a year. These are the people whose wealth is supposed to be so boundless that the transference of even a part of it would suffice to transform the world.

Such an idea, as has already been pointed out, is very far from unnatural; and an interesting passage may be quoted from a speech by Mr. Bonar Law, in which he said that, apart from the question of its accuracy, it was one which was so natural that he could himself

sympathise with it, and to which he gave vivid expression by means of a short anecdote. He happened, he said, to have been dining recently at one of the few really great houses in London, and his hostess, with a glitter of gold plate before her, with a wineglass in which the rarest of champagnes was expending its bubbles for her benefit, and a menu at her side comprehending the costliest of the world's delicacies, asked him what was the cause of the "unrest so prevalent in the modern labour-world." "I think," said Mr. Law, "I can tell you. What the wage-earning classes want is that you should have a little less of this sort of thing, and that they should have a little more of it." Here, no doubt, we have a good diagnosis of the malady. The malady is an imaginative want. The question is whether the want is a want of something which is possible, or whether it is the want of something which, in the nature of things, is not. The question, as Mr. Law thus sets it, is very easily answered. The richest men of London, such as Mr. Bonar Law's host, must certainly be men whose incomes exceed £20,000 a year. Of such men the aggregate income is a little over £50,000,000 a year. If savings be deducted as not directly distributable, the amount remaining for the purchase of the "this sort of thing" in question, will be barely more than £30,000,000. If only "a little of this sort of thing" is to be taken from the present possessors, that "little" can hardly mean more than a good half of their present

spendable income; and a half might possibly come to as much as £16,000,000. If those who are "unrestful" for the want of "a little more of the sort of thing" which is represented by a great London dinner party, comprise only the manual workers and their families, they will make up a population of 33,000,000 persons; so that the "little more of this sort of thing" which could in this way be transferred to each, would come in terms of money to 9s. 6d. a head. If this were converted into specimens of the actual delicacies present on the rich host's table, the value of the transferred income might conceivably be announced as follows:—

"*Whereas, in order to secure a better distribution of wealth, His Majesty's Government will take over one half of the spendable portion of every income which exceeds* £20,000, *arrangements have been made with Messrs. Fortnum and Mason whereby every individual suffering from Labour Unrest will, three times a year, namely at Christmas, Easter and Michaelmas, be supplied, on application, with a hamper containing portions of the sort of things provided at rich men's dinners, these portions representing the applicant's share of the total sum taken over. Here are some specimens of the hampers, as packed for delivery:—Hamper A, containing one half pint of Champagne, medium quality, half of one fat quail, one lark in aspic; Hamper B, containing nine oysters, and the equivalent of one glass of rum punch in a capsule; Hamper C, containing four*

oysters, one spoonful of Russian Caviare, two ounces of Strasburg pie.

"*Instead of such hampers, connoisseurs can be supplied with three coupons in the year, each of which will entitle the person presenting it to one liqueur glass of French brandy, forty years old in bottle.*

"*Alternatively, by arrangement with a well-known firm of restaurateurs, three dinner coupons will be issued to each applicant, entitling the holder, once in every four months, to a three-and-sixpenny dinner, wine and coffee included, together with after-dinner pills ad libitum, worth a guinea a box. Mothers of young children will please note these last.*"

Such results, though each might be agreeable while it lasted, would hardly suffice to produce in some 33 million persons any sense of a substantial change in the existing distribution of wealth. They would probably cause more unrest, both moral and intestinal, than they cured; and yet the carrying out of any one of them would run away with at least £16,000,000.

So much, then, for the possibilities of producing a social millennium by means of any transference-taxes which, according to their own principles, radical reformers, not excluding the most extreme of them, could possibly propose to inflict on the conspicuously rich, or even on these with the moderately rich added to them. If greater results were desired, their realisation could not be even attempted except by the adoption of a crude and Utopian socialism,

which is repudiated not only by radicals, but by moderate socialists also. If such principles were adopted, it would seem at first sight that there was considerably more to divide. Wealth would be cast into a very much hotter furnace, with a view to rendering it more completely fluid; but as has been pointed out in the earlier part of the present chapter, this process would result in the defeat of its own ends; and most of the income which it was desired to pour into new moulds would float away in vapour. Foreign profits would go, fancy values would go. Savings would remain unmelted, and unavailable for any direct distribution. The present recipients of incomes subject to income-tax would indeed see their present average income reduced from £500 a year to something like £200; but the utmost which, even in theory, the masses of the population would gain would be a present per head of a sixpence and a threepenny bit weekly: and half this or more would at once be taken away from them by an equalisation of the present ordinary taxes. From whatever point of view we look at the matter, on whatever principles we may propose to seize a part or even the whole of spendable income of the few for the purpose of distributing it among the many in such a way as to alter appreciably their present manner of living, we shall find that there is nothing, or nothing appreciable, to distribute. And the reason is simply this, that the colossal hoard of the few from which the materials of distribution are to

be drawn—the colossal hoard of which the modern reformer dreams, and on the supposed existence of which his dreams and his schemes are based, is itself a dream only. If the majority want to know where the bulk of the national income is really hidden, and why the plunder of the minority would have so vanishing a result, the answer to both questions is simple, and has been given in a previous chapter. Nine-tenths of the spendable income of the nation is in their own pockets already, and all reforms are illusory—they are the mere prescriptions of quacks—which have a contrary opinion for their basis.

To say this is not to say that there are no evils to be reformed: but a complete emancipation from the influence of a fundamentally false diagnosis of them, is the first step to be taken, if we desire to see what such evils really are. This observation introduces us to a new order of questions which were foreshadowed in our opening chapter; and to a summary consideration of them the following Book will be devoted.

BOOK V.

Towards a New Departure.

CHAPTER I.

SOCIAL grievances being—let it be said once more—partly due to facts directly experienced, and partly to belief as to facts which is operative through its effects on the imagination, grievances of the former kind are in their nature real. Those of the latter may be either real or illusory, according as the beliefs in which they originate are either correct or otherwise : and the present work thus far has been mainly occupied with a demonstration that the principal grievances of to-day, as modern reformers understand them, are due to beliefs which are so absolutely erroneous that the real evils or grievances, so long as such beliefs persist, can be neither clearly seen nor remedied. It remains for us to consider what these real evils are : but we will first briefly review the nature and origin of the beliefs by which they are now obscured.

These beliefs, in so far as they have been dealt with here, are erroneous beliefs as to bare material facts—facts relating to the distribution of economic wealth : but their disturbing effect is supplemented by beliefs of another kind, which, though frequent allusion has been made to them, it still remains for us to examine. These are beliefs relating, not to specific facts, such as the actual distribution of wealth in this

or in any other country, but to certain general principles and to ideal objects of endeavour, which constitute the distinctive elements of definitely articulate socialism.

The principles distinctive of socialism in all its forms are broadly reducible to three, the first of which has been gradually superseded by the second, whilst both of them point to the realisation of an ideal third.

The first of these is the doctrine that all wealth is the product of manual labour.

The second—an amendment of the first—is the doctrine that all wealth is the product of society as a whole.

The third consists of an ideal object of endeavour, which is commonly described as the realisation of "economic freedom."

Let us take these principles in order.

The doctrine that all wealth is the product of manual labour is one which has an interesting history. As applied to communities in their earliest childhood, it is true enough; but it is true as applied to such communities only. Nevertheless, if the civilisations of the ancient and mediæval world be compared with those of to-day, it possesses, as applied to the former, a certain relative truth, which is wanting to it as applied to the latter. This relative truth is sufficiently illustrated by the contempt expressed by the ruling and intellectual classes for what Plato called "Work for gain," or in other words for wealth-production—a contempt which, except in the case of the republics of Northern

Italy, survived amongst all aristocracies, whether of birth or brain, from the days of Plato down to those of our own grandfathers. The modern developments, however, of science and scientific invention, as applied to the processes of industry, through these to the processes of transport, and through both to the processes of war, have for more than a century been producing changes so colossal as to show—one might naturally have thought—to even the most casual observer, that an aristocracy of intellect had allied itself, by means of capital, with the democracy of hand and muscle; and, in so far as the development of wealth-production was in any sense progressive, had become the predominant, or, at all events an equal, partner. And yet, strange to say, the very moment when this change was first generally asserting itself, was the moment at which, by a curious irony of fate, the doctrine that manual labour is the sole productive agent, was propounded for the first time as a definite and universal formula: and, what is still more strange, the promulgation of this doctrine was the work, in the first instance, not of the champions of labour, but of the champions of capital themselves.

What took place was this. In proportion as industries became more elaborately divided, and different groups specialised in the production of single classes of commodities, of which only a small part was of any use to the producers, the importance of exchange as the means by which wealth was finally realised,

became more and more evident; and the main question on which the attention of economists was fixed itself, was the measure of value by which exchange was regulated. Why do so many hymn-books exchange for one pair of breeches, or a watch or a pair of spectacles for so many mugs of beer? And the final answer of the economists of the orthodox or capitalistic school was that formulated by Ricardo. Commodities are exchanged for one another, or in other words possess value, in proportion to the amount of wage-paid manual labour which, on an average, is required for the production of them.

Now this doctrine, of which mention has been made already, is true enough even to-day if qualified by a variety of assumptions, which Ricardo and his school tacitly took for granted. They, however, made no attempt to specify them; and their doctrine, given to the world in all its crude incompleteness, was converted by the genius of Marx into the foundation of scientific socialism, and applied to purposes of which the authors of it never dreamed. If manual labour, Marx argued, is the measure of all values, manual labour—the labour which is now bought with wages—must, it is perfectly obvious, be the producer of all wealth. The labourer's wages, however, represent, as a matter of fact, a part of the product only: and hence the great question which the modern world must answer is, why the manual labourer does not receive the whole? And the reason, he said, was this.

The labourer must, in order to produce anything, have not only raw materials, but tools or implements also; and prior to the development of the modern capitalistic system, he possessed such implements in the fullest sense, for they were his own. What he produced he sold; with a part of the price received he paid for his raw materials; and the remainder was the full value which his personal labour had added to them. But, so Marx proceeded, the rise of modern capitalism has changed the situation altogether. The rise of modern capitalism consists of a process by which, as the implements of labour were transformed into vast mechanisms, which no one labourer could either possess or use singly, these passed out of the hands of the labourers altogether into the hands of a separate and wholly non-productive class—the capitalists; and what this class has done, wherever it has established itself, has been as follows. It virtually divided the country into a number of walled enclosures, within which the whole of the labourer's tools are stored. Of the gate of each enclosure some capitalist keeps the key. The labourers themselves are left helpless along the roads outside, and can do or produce nothing unless the capitalists let them in. This the capitalists do. To do so is their sole business; but they do so on condition that each labourer as he goes out shall leave behind him the whole of each day's product, except about one quarter of it, without which he could not live.

In other words what we call "modern capi-

talism" is, if Marx be correct, nothing more than the triumphant generalisation of a practice which was actually rife in England in the middle of the sixteenth century. This was a practice, inaugurated by "great clothiers" and called "the engrossing of looms" (which meant the acquisition of the implements of production in the weaving trade), and the letting them out at a "rent" to "poor artificers." Now such an explanation of capitalism might have had some superficial plausibility, if it were not for the fact, on which Marx and his followers insist with as much emphasis as anybody—namely the fact that, since the implements have passed into the hands of the capitalists, an incomparably greater product has resulted from the labour of the labourers than resulted from it when the implements were their own personal property. That the proximate explanation of this is the metamorphosis of the implements themselves from puny tools into vast scientific organisms, was as obvious to Marx as it must be to every child; but when we come to the farther question of how this metamorphosis was accomplished, the theory of Marx is mute. No hint of an answer is provided by it. Marx and his followers have naturally been glib enough in retorting that the metamorphosis is attributable to the modern growth of knowledge. But to say this is to abandon their fundamental theory altogether. To whatever persons or conditions the growth of knowledge may have been due, it has not

been due to the prosecution of mere manual labour. If capitalism were no more than a process like that of " engrossing " handlooms, weaving would be accomplished by mediæval handlooms still. Handlooms have not hatched themselves into the power-looms of the modern world, because people, otherwise idle, locked them up in yards, and exacted a toll from the weavers who wished to go in and use them. Wheelbarrows have not hatched themselves into locomotive engines and goods-trains, merely because they ceased to be the property of the men who were allowed to wheel them. Even socialists themselves have been gradually driven to admit that kinds of human effort have played a part in the change—efforts of the intellect, of the imagination, and adventurous mental energy—which are wholly distinct from the labour which is bought and sold for wages, and cannot by any ingenuity be brought into the same category.

Hence, during recent years, amongst all socialists who can think, the original doctrine that the wealth of the modern world is the product of one kind of human effort only—that is to say, of manual labour, has been modified by the recognition that it is the product of efforts of many kinds, mental as well as manual, no one of which would be effective without aid from the others: and thus the doctrine that all wealth is a labour-product has been superseded by the doctrine that all wealth is a social product.

Now this later doctrine is, in one way, a great improvement on the earlier; for whereas the earlier (at all events as applied to the modern world) is a falsehood pure and simple, the later is, in a certain sense, true. It is, however, nothing more than a truism. It has no bearing whatever on the practical questions in connection with which it is ostensibly formulated. These practical questions relate, not to the productive efforts made by a society as a whole, but to the different kinds of efforts made severally by different classes, and the share of the product which in consequence is legitimately due to one class, as contrasted or compared with that which is legitimately due to another. The doctrine that wealth as a whole is the product of society as a whole is sufficient if we are willing to content ourselves with the only conclusion to which it leads—namely that the product ought to be enjoyed by whatever society may be in question, and not by some other society in a different quarter of the globe. The claims of classes within that society itself are left by this doctrine precisely where they were.

In its negative results it has, however, been not unfruitful. It has relieved thinkers, who still call themselves socialists, from the intolerable necessity of maintaining that no human being is entitled to receive more than another, and that nobody but a manual labourer is entitled to receive anything. It has enabled them to bring themselves so far into harmony

with commonsense as to admit that productive efficiencies are not only various, but unequal; and that considerable inequalities in reward are alike just and inevitable. But in thus abandoning one of the earlier doctrines of socialism, they have been driven, by way of compensation, to lay increased stress on another. In ceasing to define socialism as a regime of economic equality, they have become more emphatic in defining it as a regime of economic freedom.

Now it is difficult to imagine a phrase more captivating in its vague suggestion: but it is difficult to imagine a phrase which, if invested with any definite meaning and applied to the modern world, is more like the shriek of a lunatic. The doctrine that no human faculty other than common manual labour is involved in the production of a great Atlantic liner, or in the discovery and extraction of radium, is reasonable as compared with the conception of economic freedom; and this observation becomes more and more literally true in proportion as we imagine the actual conditions of to-day to be modified in accordance with the ideas which all forms of socialism postulate. The nearest conceivable approach to freedom in economic work is that enjoyed by the peasant who is the owner of the plot he cultivates. He is free, so far as any human laws are concerned, to cultivate it well or ill; but if he fails to cultivate it well, Nature is a lawgiver who will chastise him with cold and hunger: and if his plot is to support him at all, he

is not free to leave it. Moreover such isolated work as the peasant's, which is free in the sense that it is exempt from human dictation, is precisely the type of work which socialism aims at abolishing. Socialism aims, not only at perpetuating, but at extending and making universal, those methods of production and transport which have already been developed by capitalism; and of these methods the primary and most vital feature is the exact correlation of the work of each individual worker with the work of every other, in respect of the commodities, or parts of commodities, fashioned—of their kind, their number, and the precise moments of their completion; and of the kinds of services to be performed (such as those of a pointsman on a railway) and the precise moments of performing them. If there is little economic freedom for the industrial employee to-day, there would be incomparably less if all the separate businesses that exist were consolidated into one, by one single employer—namely the State, and if all the human wheels were so geared together that any irregularity in one communicated itself to all the rest.

Thus socialism, regarded as a body of formulated principles and ideas, which seek to accommodate themselves to facts, and thus to influence human desire and action, is seen, in proportion as its theoretical development proceeds, to move in a vicious circle. Having outgrown the original fallacy that wealth is produced by manual labour solely, uncontrolled

by any minds other than the labourer's own, and having endeavoured to reconcile control with economic freedom by a proposed transference of control from private individuals to the State, it ends by offering labour a system of control so drastic that, compared with the conditions of to-day, it would not be freedom but slavery. To demonstrate this, however, by appeals to reason is one thing. To liberate the popular imagination from the fallacies so exposed is another: and appeals to reason would accomplish their work but slowly if they were not illustrated and enforced by the teachings of actual experience. But such teachings have not been wanting. In the principle of State socialism itself there is naturally nothing new: but there has, during recent years, been a remarkable and novel extension of it to a variety of public services, and one or two manufactures, which have been undertaken and monopolised in this country, or elsewhere, by the State or by local authorities elected on a democratic franchise; and attention has been loudly called to these enterprises by their advocates as triumphant instalments of the revolution which is ultimately to transform the world.

How such undertakings compare, in point of efficiency, with others of the same kind conducted by private enterprise, need not be discussed here. The point here to be noted is that manual labour, as such, achieves, when its employers are elected public authorities, no position which differs in any essential way from

that which it occupies when its employers are private persons. And not only is this true, but the employees of public authorities all over the world have, during recent years, been finding out that it is so. That such is the case is shown by the growing number of strikes directed, not against private employers, but public. In one case it is a Corporation that is attacked, as the public owner of municipal trams or gas-works. In another it is the Central Government, as in the case of the great strikes on the Western railway of France. The employment of labour by such representative bodies is the express image of socialism in logical action. The old bugbear of private profits is eliminated. The question is reduced to a question of "economic freedom": and yet no sooner is socialism expressed in action than labour discovers in it the re-embodiment of every essential feature against which socialism, as a theory and a hope, protests. Nor is labour expressing this discovery by means of strikes alone. Anyone who takes the trouble to examine socialist journals may find it expressed in simple and undisguised language. One of these journals has published a letter from a correspondent who declares that "Under State socialism life would be no better than hell; and that if all Englishmen were to be turned into State employees, nothing would be left for a self-respecting man but to emigrate." Some of the best-known thinkers who have associated themselves with the socialist movement have, for some years past, been

saying the same thing. Mr. Wells, who is perhaps the acutest of these, insists that the very word "socialism" is so impregnated with fallacious suggestion, that it is no longer serviceable: and even Mr. G. B. Shaw, though the insight which he displays as a dramatist appears to desert him when he poses as a social philosopher, records his recognition of the fact that socialism, in so far as it means what for many years it was supposed to mean—that is to say a mere system of State capitalism—would be far more likely to prove the consummation of economic slavery than a release from it.

In spite, however, of such signs of the times, the word socialism still stands for ideas, claims and tenets, which have not lost their influence over large numbers of people. But this fact is one which is commonly interpreted in a very misleading manner. It is commonly assumed that everybody who describes himself, and who votes, as a socialist, is a person who intelligently assents to certain economic doctrines—doctrines which begin with a theory as to how wealth is produced, and culminate in some scheme of society which has such a theory for its basis. This is true to a limited extent only. The main idea which is at the bottom of popular socialism is not any speculative theory: it is a crude idea as to facts. It is the idea with an examination of which this volume has been mainly occupied, that, under existing conditions, the bulk of the world's wealth is being, to an increasing extent, appropriated by a small minority; that the

majority of the population, in this country at all events, is consequently growing poorer and poorer; and that any theory must be true by which the majority may be justified and united in seizing on the supposed hoard, and leaping into affluence by dividing it. A dignitary of the English Church, referring to certain modern restaurants, which are renowned alike for the delicacy and the costliness of the fare provided by them, has expressed his wonder that the dinners there eaten by the guests do not turn every waiter who hands the dishes into a socialist. He obviously could not have meant that the mere handing of expensive puddings converted the waiters into masters of some elaborate economic theory. He can merely have meant that the sight of a profuse expenditure on trifles is enough to generate in the minds of those who witness it a belief in the reality of the hoard on which socialists propose to seize. In other words, he must have meant that primary basis of socialism is a belief as to simple facts, and not an assent to theory.

Given an acceptance of the facts, the importance of the theory is immense; but apart from the facts supposed, the mere theories of socialism would be negligible. Indeed Mr. Philip Snowden, in a work to which reference has been made already, admits that such is the case. The kinds of property against which the theories of socialism are directed are, he says, not wrong in themselves. In former days they may have been essential. They have come to

be wrong because, under modern conditions, they have produced, and are continuing to produce, certain definite and ruinous results, these results being, according to him, an increasing accumulation of wealth in the hands of a small minority, and a corresponding increase of poverty amongst the great mass of the population; in which process, he contends, we have the fundamental fact which explains nearly all the evils characteristic of the modern world. And in this general thesis, however its details may be modified, all social reformers of the present day agree with him.

We are thus brought back to the fact, a detailed elucidation of which has been the object of the present volume—the fact that in all its details this thesis of the reformers is false. In so far as it is merely an assertion that social evils exist, it is no doubt true, just as the cry of a man in the street that somebody has knocked him down may serve to call attention to the truth that he has sprained his ankle by slipping on a piece of orange-peel. But whatever element of general truth is expressed by it, is more than neutralised by the fundamental fallacy of its particulars. In calling attention to the fact that real grievances exist, it converts these into others which are chiefly imaginary; and until the beliefs which invest these phantoms with the semblance of reality are dissipated, it is impossible to determine with accuracy what the real grievances are, what

is their extent and origin, or the methods by which they may be abolished or mitigated.

The situation, as thus outlined, will be considered in the following chapter.

CHAPTER II.

THE idea that an increasing proportion of the income of the United Kingdom has for more than a century been, and is still being, appropriated by a small and very wealthy class, is an idea so diametrically opposite to the actual facts of the case that, as has been said already, there must be a fact of some kind, other than the assertions of reformers, to account for the readiness with which multitudes have accepted, and are still accepting it; and what this fact is has already been pointed out. Though relatively to the income enjoyed by the great mass of the population, the aggregate income of this class has never before been so small as it is at the present time, it has never before been so large relatively to the unchanging area within the limits of which it is displayed and spent. It thus becomes everywhere more and more observable. It attracts the simultaneous attention of a larger number of people, who watch it growing like the mango-tree of an Indian juggler, and who, though their own income has collectively grown much faster, are unconscious of this growth for the precise reason that it is general. Hence in contemplating the rich they become the victims of an optical delusion, analogous to that which is experienced by a

railway passenger, when a train in which he is travelling at a speed of forty miles an hour, is passed on parallel rails by a "special" whose speed is fifty. His own progress is unchecked, but so far as his eyes can inform him he is suddenly carried back in the direction from which he came.

How natural such a delusion is can be very easily realised by merely reconsidering the income of the rich to-day, as compared with the income of the country about a hundred years ago. England was, at the beginning of the nineteenth century, universally admitted to be the richest country of the world. The Squares of London, to the eyes of contemporary observers, seemed thronged with "tumultuous grandeur," with "long-drawn pomps," with the "freaks of wanton wealth." No picture of a street or a turnpike road was perfect without its blazoned chariots, its clusters of powdered footmen, or its travelling-carriage with spruce postillions and four galloping horses. The foreign visitor was amazed, the home-grown critic was scandalized, not only by the glitter, but also the wide extension of luxury: and yet, of the country by which such impressions were produced, the entire income was at that time considerably less than the aggregate of incomes in excess of £1,000 a year to-day. As compared with the computations of agitators, this latter sum is infinitesimal. As compared with the present income of the nation it is almost unbelievably small. It is not only a small, but

also a dwindling quantity. Of the income of the nation, in the year 1801, such incomes formed as much as 18 per cent. They form very little more than 12 per cent. of it to-day. But, in spite of its relative decline, in spite of its actual insignificance as a fraction of wealth generally, the aggregate income of the rich (however the rich may be defined) has increased in absolute amount, whilst one thing has remained unchanged; and that is the size of the arena on whose sands it displays its pageant.

There is, therefore, nothing to wonder at in the genesis of a spontaneous impression that the increasing wealth of the nation is mainly expended in the production of what is really one of its minor, though perhaps the most conspicuous of its, signs. And this spontaneous impression is intensified by various accessory causes. One of these is the systematic teaching of agitators; but another, the influence of which is probably even wider, is the newspaper press as a purely descriptive agency. There are few journals in which some prominent column is not devoted to the private and personal doings of Mr. Masterman's and Mr. Snowden's friends —the "enormously rich" or "the superwealthy"; or of others who succeed in imitating them at extreme inconvenience to themselves. Many journals are devoted to nothing else, introducing to their readers, with an air of patronizing reverence, a select assortment of millionaires and duchesses, whose furs, whose feathers, and whose food the readers are invited to copy,

at a cost far exceeding the incomes of nine out of every ten of them. Journals supply such matter because the public demands it: and "if the event could trammel up all its consequences," both supply and demand might be accepted as an instance of life's light comedy. The comedy, however, is one which has consequences graver than itself. The concentration of popular thought, which the newspaper press stimulates, on the modes of life which exceptional wealth makes possible, tends to popularise a false standard of living. This standard is false because under no conditions could it be realised, even approximately, by the people as a whole, by the majority of them, or by more than one small section. Hence, in proportion as the popular imagination adopts it, the people, let them do what they will, are doomed to a condition of disappointment: and even the achievement of what otherwise they might call successes, does but raise them to one level after another, from which successively they contemplate a wider view of failure.

Here we have the explanation of that state of mind, in so far as it is merely experienced and not definitely formulated, which is commonly called social or economic "unrest." It is, in its essence, a generally diffused desire for something which is, from the very nature of the case, not generally attainable. It originates in a fallacy of belief, vague and only half-articulate, with regard to existing wealth, its amount,

and its present distribution: but it does not assume the guise of a specific grievance until this vague fallacy is translated into definite propositions, which, claiming to be literally and scientifically true, manage to get rid of actual facts altogether, and present the unattainable as a something within the reach of all, if they will only vote together for some simple means of seizing it. The process of translating a popular and not unnatural delusion into a systematised body of statistical and historical errors, and the imposition of this on the minds of multitudes as the sole basis of any true social policy, has been the work of professional reformers for more than sixty years: but even they, with all their industry, would have failed to secure for their fallacies the assent which has been actually accorded to them, if it had not been for the original optical delusion together with its emotional consequences, which the actual and spectacular reality of modern wealth has occasioned.

Such being the case, it is impossible to deny the force, though we may not entirely yield to it, of many of the arguments which even men of moderate temper urge with the object of exhibiting modern wealth as an evil. There is force, for example, in the contention that, unlike wealth in the days when fortunes were acquired slowly, and the typical rich man (who then was the great landlord) was associated from his birth onwards with recognised and important duties, modern wealth is, to an increasing extent,

typified by men whose fortunes have been acquired in other countries, and whose sole idea of, duty, when they bring these fortunes to England, is to buy the recognition of society by outdoing it in profuse expenditure. And when similar observations are hazarded as to fortunes made at home, it cannot be denied that in some cases they are at least equally plausible. Of the conspicuous incomes of to-day it may be shown by statistical evidence that but one out of every five is two generations old. As Goethe said, about great works of art, each newly enriched person, in so far as he has entered the world, "has had to create the taste by which alone he can be appreciated"; and this taste for himself is, with his wife's assistance, created for the most part not merely by an expenditure of his wealth, but by a competitive expenditure, the object of which is to attract attention. In this way, it may be urged, the standard of mere material luxury is not only raised and vulgarised amongst those who are able to adopt it, but is also obtruded on the great mass of the public in a form peculiarly calculated both to provoke imitation and to defy it, thus corrupting the popular conception of what is really desirable in life, robbing even substantial competence of its power to produce content, and frequently stimulating an extravagance which reduces it to actual poverty.

Such contentions as these represent one side of the question only; but so far as they go there is a large measure of truth in them. For argu-

ment's sake let us suppose that they represent the whole truth. Let us suppose that, so far as its moral influence is concerned, the peculiarities of modern wealth are absolutely unmixed evils: but whatever its evils may be, these are not of the particular kind which the practical and political logic of social reformers imputes to it. Its existence and its development may be the cause of increasing discontent, but they cannot be the cause of any actually increasing poverty. They can be so, in the first place, because the mass of the population as a whole grows not poorer, but richer. They cannot be so, in the second place, because the aggregate income of the wealthy represents a theft (if we like so to express ourselves) which, relatively to the income of the nation, is a gradually diminishing quantity. They cannot be so, in the third place, because the aggregate income of the wealthy is of such an amount and character that no possible redistribution of it, whether by transference-taxes, by increased wages, or otherwise, would appreciably alter the conditions of the masses of the population generally.

The most drastic redivision conceivable of the entire present income of this country—namely a redivision in accordance with the principles of the crudest socialism—would, as has been shown already, yield an income of £36 per inhabitant, as against £34, which is, under existing conditions, the average per head of the classes not subject to income-tax; and the increase would be more than neutralised by

the equalisation of taxes, rates and savings.[1] The average *net* income per family of five persons, in which such a redivision would result, would be theoretically about £130. The average net income per family of the classes not subject to income-tax is, at the present time, about £150.

Such an absolute equalisation, it is true, is not generally advocated even by the extremest of practical politicians; but a consideration of its theoretical results is valuable as providing us with the only rational standard by which the incomes prevalent in any class can be measured. Thus a class in which family incomes average a few hundreds a year cannot, under existing conditions, reasonably regard itself as poor in proportion as these incomes fall short of £5,000 or even of £1,000. A class in which family incomes average £150, and individual earnings range from £50 to £75, cannot reasonably regard itself as aggrieved because these incomes fall short of £160 and £100. Such incomes

1. The present average per head of the population, in respect of taxes, rates, and savings, is about £10 per head or £50 per family of five persons. The present average for the classes *not subject to income-tax* is about £4 per head, or £20 per family. The average gross income per family is £170. The average for *all families*, were all fortunes equalised on extreme socialistic principles, would be £180. Present taxes, etc., being deducted from the first, leave an average net income of £150. Equalised taxes, etc., being deducted from the second, would leave an average net income of £130.

should rather be regarded as the first beginnings of riches; for they all of them raise their recipients, to a very appreciable degree, above the condition which in any case must be that of the vast majority. A man in any class who is persuaded that his case is exceptional, may logically maintain that he has a grievance, because his income, however large, is small as compared with that to which his special merits entitle him: but if grievances mean conditions which political reforms can remedy, it cannot be an actual grievance, in the case of the masses of the population, that their incomes fail to reach or exceed any sum but the maximum which any scheme of division could in practice secure for everybody. Such being the case, what we have seen is this—that, whatever may be the scheme of division which social reformers advocate, no such scheme, even in theory, could produce the kind of result which reformers present as practicable to the imagination of multitudes—that is to say, the generalisation of any condition which would even remotely approach what is meant by "riches," as the word is used to-day. No such result could be produced by any scheme of division, for the simple reason that there is not enough to divide: and all programmes of reform which have any such scheme as their basis are directed, not against the present distribution of such wealth as exists, but against the present limitations of the productive faculties of mankind.

And here it may be noted with interest that a

statistician who was originally known as an emphatic exponent of the view precisely opposite—who aimed at exhibiting poverty as purely the result of concentrated wealth—has subsequently modified this view, at all events so far as to recognise that, let existing wealth be distributed in whatever manner we please, the mass of the population would comparatively be poor still. Substantially, if not in detail, his conclusion accords with that which has been elucidated in the present work, that the limitations of wealth now imposed on the great majority of mankind, however they may be aggravated by what he calls "errors of distribution," are determined in the last resort by the limitations of the total product. Nor does his agreement, however qualified and partial, with the argument of the present work, end here. From the above admission he advances to the practical conclusion that if, not satisfied with such crumbs as might come to them from the ruin of the rich, the poorer classes in any substantial sense *want* more, means must be discovered by which the energies of the nation may *produce* more. And other reformers have of late been coming to the same conclusion. Here at all events we have a principle which is fundamentally true, superseding or modifying one which is altogether fallacious. But even this principle, when reformers translate it into practical language, is so distorted by visionary, or definitely polemical exaggerations, that, even were it wholly

untrue, it could hardly be more misleading; and before we proceed to consider its real significance, a few illustrations shall be given which will show what the general character of these exaggerations is.

CHAPTER III.

JUST as the traditional contention of reformers, and the current contention of most of them, is that the actual output of wealth, which already awaits seizure, is sufficient, if fairly divided, to make every home in the country a scene of ornamental affluence, the amended contention with which we are now concerned is that, though this result would be impossible unless the actual output were increased, a vast and immediate increase of it is not only possible but easy. This general proposition means, as interpreted by those who enunciate it, that the economic efficiencies of the world, and of this country in particular, are at the present time for the most part wasted, and that, were the waste checked, the product would be forthwith doubled—possibly trebled, or increased to an even greater extent. And when it is asked what the nature and the causes of the waste are, the answer is that the main causes are three. One is the withdrawal of a vast amount of labour and talent from the production and commercial distribution of domestic utilities altogether, in order to manufacture and manipulate engines of mere destruction; another is a waste in the manufacture of utilities themselves, which is alleged to result from competition; and another is the superfluous employment of multitudes in

selling utilities, who might, with prodigious results, be employed in augmenting the supply of them.

Now as to the first of these causes—namely the employment of so many men in producing, in using, or in learning to use arms, who might otherwise be building houses, or weaving or selling stockings—the country no doubt would be richer were there no necessity for defending it: but whether the cost of defending it can, under existing conditions, be in any serious sense regarded as preventable waste, is a question of politics which need not be discussed here. In any case any practicable conversion of swords into ploughshares, trowels, or spindles, though it might mean an increase in the income available for private purposes, would not mean an increase of more than about £70,000,000—a sum which, if large in itself, is merely a small fraction of what is alleged to be the wasted total. The largest part of this is the waste which is attributed to competition, and an irrational overgrowth of the staff which, directly or indirectly, is engaged in commercial distribution.

Now it is at all events conceivable that each of these kinds of waste may be a reality. Whether it is so or not, and what, if it is so, is its extent, are questions which are entitled to consideration.

With regard to the alleged waste in manufactures as resulting from the practice of competition, it is difficult to see how such a

waste could occur unless various kinds of commodities, such as bread, cloth, or a book, were systematically produced, like a book, in two simultaneous editions, of which one only is bought whilst the other is destroyed as lumber. Something of this sort may occur in certain cases, but it cannot occur to any very great extent; and the same thing may be said with regard to the corresponding waste alleged to take place in the process of commercial distribution. Such a waste may occur, but the imagination of enthusiasts exaggerates it. The full extent of the exaggeration cannot in either case be precisely measured, partly because the facts as they are cannot be completely known, and partly because the estimates of the enthusiasts are not precisely stated. The magnitude of these last, however, is constantly suggested by illustrations, which are put forward as typical, which are definite so far as they go, and relate to facts ascertainable by more or less definite evidence.

Of these illustrations it will be sufficient to cite two, which in one form or another are those most often met with. The one relates to the waste which is due to commercial distribution; the other, to the waste which is due to the present system of manufacture.

Of the waste in commercial distribution, the stock illustration is the enormous cost of advertisement. Mr. Money, in emphasising the magnitude of this waste, adduces the cost of advertisement as its chief and most obvious

element. It consists mainly, he says, of the cost of superfluous printing; and he begs his readers to consider how vast this cost must be. Energies which might be employed in multiplying boots and biscuits are frittered away in persuading people, by means of printed matter in the columns of newspapers, on hoardings, on the backs of paper parcels, that such and such boots or biscuits are superior to all others, or can only be bought at one particular shop, when under different titles they are really being sold at a thousand, each shop through its printers making the same claims for them. Other writers have gone over the same ground, and have declared that the cost of advertising in the United Kingdom is something between 120 and 150 million pounds a year, which means a loss of utilities representing the same value.

The waste which must somehow occur—it is not specified how—in the process of manufacture itself, is similarly illustrated by pointing to the admitted fact that multitudes are inadequately supplied with articles of necessity such as clothes, and comparing this fact with various sensational estimates of the rate at which modern machinery enables these articles to be multiplied. Of such estimates, that which is most precise and popular, relates to the cotton-trade. "A single girl," it is said, "can, in a single year, make enough cotton cloth for the shirts of three thousand men. One hundred girls could make shirts for the whole of Manchester. Such being the case, if anybody is in

want of a shirt, we may form some idea of how little manufacture does in proportion to what it might do."

Let us now compare each of these estimates with what can be definitely known as to the facts which it purports to represent.

To begin with the cost of advertising, which is said to represent a loss of far more than 100 million;—if the cost of printing is the main element involved, at least 100 million must be the cost of printing alone. Now it so happens that, in respect of the United Kingdom, we know with substantial exactitude what the annual cost of printing of all kinds comes to; and of this, the cost of advertisements can form no more than a part. The total cost—that of paper included—is stated in the Census of Production;[1] it is also minutely analysed; and the only kinds of printing which can possibly comprise advertisements, are thus made clearly distinguishable. These consist of the printing of daily and weekly newspapers (trade journals included), of magazines of all kinds, of "job and general printing," and also of the printing of trade notices on cards, card-paper boxes, and wrappings used for parcels. The cost of the printing of all newspapers and periodicals is in round figures £14,000,000; the cost of "job and general printing," which includes that of posters, is £13,000,000; and that of printing trade notices on parcel-paper,

1. See Final Report on the Census of Production pp 608-626.

cards and boxes, is not one-third of a million. If we suppose, then, that as much as one half of all newspapers and literary periodicals are really devoted to advertisements, and not either to news, or literature, and that as much as four-fifths of "job and general printing" is accounted for by advertisements of one kind or another, the cost of printing advertisements, even on these excessive assumptions, can hardly amount to so much as £18,000,000. How, then, if, as Mr. Money and other writers suggest, the cost of advertisements is mainly the cost of printing, can the total waste by advertisement be as much as 150 million, or even 120, or anything remotely approaching either the one sum or the other?

Let us now take the case of the redoubtable "girl in the cotton-trade," whose unaided exertions in a year could make shirting for three thousand men. How is such an estimate reached? It is far from being a mere guess. It is evidently reached—and arithmetically it will pass muster—by taking the total number of yards of cotton cloth produced annually by all the mills of the country, then dividing this total by the total number of operatives, and finally assuming that every operative is a girl. If four or five yards of cloth be allowed for every shirt, the average output per "girl" will, as thus computed, have been given with sufficient accuracy.

But what is the fundamental assumption on which the whole of this computation rests? It is the assumption that the girl not only plays

her part in weaving the cloth in question, but has grown the cotton in America out of which the cloth is made, that she has put it on board the steamer in which it is brought to England, that she has helped to build the steamer itself, and is finally the sole constructress of the steam-driven loom used by her. In reality, of the cloth which emerges under the movements of her hands, 80 per cent., if its quantity be measured by its cost, is the product of cotton-growers on the other side of the Atlantic, and of ship-builders, seamen and engineers whom the girl has never even seen.[1] She barely produces one-fifth of what of the logic of her friends ascribe to her.

Here we have two examples of the manner in which polemical visionaries, even when they start with a principle which is in itself sound, that the basis of general progress is increased efficiency of production, convert this profound truth into a mere misleading absurdity by their reckless inflation of the facts which they offer to the world as illustrations of it. The loss of productive efficiency by the waste of it in useless printing, the actual efficiency of the individual when engaged in the production of utilities, are both blown out by them to four or five times their actual magnitude: and it is evident from

1. The cost of the raw material relatively to the value added to it by manufacture is, in round figures, as £174 to £45. Of this latter sum, about £4 is represented by the upkeep cost of manufacturing plant alone. See Census of Production, pp. 35, 36, 339.

the vehemence of their language that the exaggeration of their general outlook is considerably greater than that which even their illustrations register.

We need not, however, dwell on such exaggerations longer. We shall subject them to a better criticism by extracting the element of truth from them which they no doubt contain, and seek, with the aid of history, to reduce it to its true proportions.

There are four periods, representable by particular years, which years may conveniently be selected for consideration because our information with regard to them is such that certain comparisons between them can be very easily made. These are the years 1801, 1850, 1880, and 1910. With regard to the first and last of them, the information here required has been set forth at length in the present volume. With regard to the two others, similar information is derivable from the statistical analyses of Sir R. Giffen, of Professor Leone Levi, and also those of Mr. A. Bowley, by the latter of which the former have been slightly, but only slightly, modified.[1]

Let us then, in respect of each of these dates first consider the income of the country as a whole, and, dividing each total by the then

1. See Sir R. Giffen's Address to the Royal Statistical Society, November, 1883; Professor Leone Levi's Statistical Paper on "Changes in the Distribution of Wealth in relation to the income of the Labouring Classes; also, "National Progress in Wealth and Trade," by Mr. A. Bowley.

number of the population, express the income in terms of such and such a sum per head. Let us next give our attention to the working classes only, defining these roughly, but in a way which will serve our purpose, as all persons, men, women and children, supported on incomes not exceeding £160 a year; and let us express their income, in each case, by a like general average.

The income of *the entire population*, then, in the year 1801, represented, as we have seen already, an average of £20 per head.

In the year 1850 it represented an average of £24 a head.

In the year 1880 it represented an average of £35 per head.

In the year 1910 it represented an average of £45 per head.

The income of *the working classes*, in the year 1801, represented an income of £14 per head.

In the year 1850 it represented an average of £17 per head.

In the year 1880 it represented an average of £24 per head.

In the year 1910 it represented an average of £34 per head.

Now let us suppose that in the year 1801, when the working-class income averaged £14 per head, and the national income as a whole averaged £20, some reformer had foreseen in a dream that three generations later the working-class income would have risen to an average of

£34 per head, and had incited the masses to demand that this rise should take place immediately. It is obvious that the realisation of such a demand would have been impossible, and that the "unrest" caused by the expectation of it would have been purely artificial and mischievous; for if all the wealth then existing had been equally divided amongst everybody, it would have fallen short by £120,000,000 of the minimum sum by which these expectations could be satisfied. Even if the prevision of our reformer had been limited to such conditions as were realised in the year 1880, and he had demanded that the working-class income should be at once raised from an average of £14 per head to an average of £24, such a demand at the beginning of the nineteenth century would have been equally impossible, though not to a degree so striking: for the sum required to satisfy it would have exceeded the whole income of the country by something like £40,000,000.

What has actually taken place may, with substantial accuracy, be understood at a glance by placing the above figures in two parallel lines, thus:—

Year.	National incomes expressed as average incomes per head of the entire population.	Working-class incomes expressed as average incomes per head of persons supported on incomes not exceeding £160 a year.
1801	£20	£14
1850	£24	£17
1880	£35	£24
1910	£45	£34

These figures cover three periods, the first being half a century, and each of the last two being a period of thirty years, or, as it would be commonly called, a generation. During each of these two last periods the average income per head of the working classes so far increased that it was, at the end of each, substantially the same as it would have been thirty years before, had the entire income of the nation been divided equally amongst everybody. In the year 1850 such a division of the entire income would have yielded to everybody a share of £24. This is the precise sum which, in the year 1880, was the actual income per head of the working-classes alone. In the year 1880 a similar division of everything would have yielded to everybody a share of £35. In the year 1910 the average income per head of the working-classes alone fell short of this sum by only a small fraction. Between the years 1801 and 1850 an analogous change took place, though it was slower and not so great. The average income per head of the entire population having been £20 in the former year, the average income per head of the working-classes alone was in the latter year £17. At the end of half a century it fell short by only 15 per cent. of what would have resulted from an equal distribution of the entire income at the beginning of it.

In these calculations all consideration is waived of the enormous loss which, as has been explained already, would have accompanied

any equal distribution, had such been actually effected: but the figures above given are sufficient, and sufficiently accurate, to illustrate the broad facts which alone we have here in view.

The first of these is the fact that the classes not subject to income-tax, who alone, even in theory, could benefit by any arbitrary scheme of redistribution, enjoy at the present time an average income per head which an equal division of the income of all classes would have been insufficient, even in theory, to provide for them at any time earlier than that of the death of the late Lord Beaconsfield: that the total, which their present average income represents, exceeds by no less than £450,000,000 what would, when Lord Beaconsfield died, have been the entire income of the country, had the country's productive powers, relatively to the number of its population, not increased since the date of the erection of the Crystal Palace; and that it exceeds by no less than £600,000,000 what the income of the country at the time of Lord Beaconsfield's death would have been had the country's productive powers, relatively to the number of its population, not increased since the beginning of the nineteenth century. It will thus be seen how fantastically small is the part which any scheme of mere redistribution as such could have possibly played in raising the level of wealth generally, as compared with what has actually

been accomplished by the development of the productive process; and how, apart from that development, no appreciable rise could have been brought about at all.

On the other hand, great though the increase of productive power has been, the foregoing survey of it illustrates its gradual character, and warns us against the danger of basing impatient hopes on vague estimates of its latent possibilities of acceleration. There may no doubt be an element of truth in the assertions which we have been just considering, that productive efficiency is wasted to some appreciable extent, by superfluous advertising, by competition between rival businesses which, were they united, would yield a larger output, and by a multiplication of middlemen, whether keepers of shops or otherwise, beyond what is requisite for the convenience of the public customer. That such waste, however, cannot be so considerable, that any sensational results can be hoped for by merely checking it, is indicated, not only by our examination of the instances which are adduced to prove its magnitude, but also by the course of events from the beginning of the nineteenth century up to the present time. The waste by the glut of middlemen, the waste by competition in manufacture, and above all the waste by competition in elaborate advertisement, are represented as being, in a marked and special sense, amongst the more

recent, not amongst the earlier, developments of the modern productive system. If then, the kinds of waste in question are really as great as thinkers of a certain school represent them, their cumulative effects will have been greater since the middle of the nineteenth century than they were during the earlier half of it. In other words, owing to a hæmorrhage of productive power, the income per head of the nation will, to some appreciable degree, have increased more slowly during the later period than it did during the earlier. If, however, we consider the facts of history, we shall not only not discover that anything of this kind has occurred. We shall discover that what has actually occurred has been something the precise reverse of this. Between the years 1800 and 1850 the national income increased from £20 per head of the population to £24—that is to say by 20 per cent. Between the years 1850 and 1910, the national income increased from £24 per head of the population to £45—that is to say by 90 per cent. This means that, during the earlier period, the average yearly increase per head of the population was 1s. 7d.; and that the average yearly increase during the later period was 7s.

It is therefore plain that though the efficiency of the productive process may be somewhat lessened by a waste, which the ingenuity of master minds may in course of time reduce, no great, still less any sudden and melodramatic developments would result from so minor an achievement as that even of completely check-

ing it. The efficiency of the productive process—such is the teaching both of common sense and of history—depends mainly on two things—firstly, on the quiet, the laborious, the intense concentration of intellect, of energy, of practical and constructive imagination, not on the facile feat of devising remote ideals, but on the feat of wringing from Nature, step by difficult step, those secrets the mastery of which converts her into the slave of man; and it depends secondly on the development and stabilization of such social conditions as will force these faculties into action by providing them with their extremest stimulus. Such conditions being given, modern history teaches us that the increased efficiency of production, though originating in the energies of a minority, does as a fact cause, and is the only process which can cause, a continuous increase in the product which distributes itself amongst the vast majority; but history teaches us also that this increase is gradual, and is continuously limited by the fact that at any given time the actual share of the majority falls short of the distributable total by a fraction so small, and in many respects so volatile, that, as has been shown already, most of its substance would, in any process of diffusion, vanish.

One farther illustration of this fact shall be given. The average of all incomes up to £160

a year is to-day, as we have seen already, £34 per head of all the persons supported on them; and if we exclude those profits which, coming into this country from abroad, depend on foreign and not upon home labour, the total of all incomes, small and great, represents an average of £40 per head of the entire population. Now the average of all incomes up to £160 a year, which we have here roughly described as the wages of the working-classes, was in the year 1801 £14 per head of all persons supported on them. Hence, if the whole home-produced income of the country were to-day divided equally, the gain of the working-classes would have been £26 per head. A gain of £26 in 110 years means that weekly wages have each year on an average increased at the rate of 1d. per head, or about 5d. per family. If the average increase per year in weekly wage-rates had been 1¼d. per head, or as much as 6¼d. per family, the entire home-produced income of the United Kingdom to-day would, if divided equally, disappear altogether before the wage-bill was fully paid, and the wage-earners would be clamouring for their arrears to absolutely empty coffers.

Calculations of this kind, which the reader may verify for himself, will show how small, at any given moment, is the increase in wage-

rates, or in the average income per head of the great majority of the population, which any mere redistribution of incomes, as then existing, could produce. They will also illustrate how any general expectations, such as those fomented by reformers, which greatly exceed the possibilities of the present or of the immediate future, are one of the chief curses, as well as one of the chief characteristics, of the age. By no means the whole, but by far the most conspicuous part, of what is called the "unrest" of the modern world is due not to poverty, still less to an increase of poverty; but to an increase of discrepancy between expectations, and even the remotest possibility of satisfying them. Nor does this evil end with itself. It distracts attention from the nature of many evils which are far more important than the limitations of mere income, and which are far more amenable to reform by political and Governmental means. The welfare, however, of any mass of human beings, whether an entire population or a class, is not to be measured solely by the annual incomes of the individuals or the families comprised in it. Still less, in the case of classes which are numerous, can it be measured by incomes as stated in terms of mere general averages. For certain purposes such a method of statement is indispensable: it is, indeed, in terms of general averages only that the vital

questions at issue can be reduced to intelligible form; but for other purposes, as has been pointed out already, general averages must be considered with reference to more minute particulars.

Both these points—the relation of welfare to conditions other than actual income, and the relation of the actual distribution of incomes to certain summary methods of expressing it, shall be now considered separately.

CHAPTER IV.

THAT welfare, even in the opinion of those reformers who are most vehement in identifying it with an artificial redistribution of incomes, does not depend solely on the absolute amount of these, is shown by certain examples of it, so ideal in their alleged perfection, that the destruction of them is cited by such reformers themselves as representative crimes of the modern social system. Goldsmith's chief indictment against the "proud trade" of his day was that it tended to exterminate the felicities of the country cottage. On this indictment a curious commentary will be found in the pictures drawn by Bewick for an edition of "The Deserted Village." Bewick knew what in his day a country cottage was like as well as Goldsmith himself: and what such a residence was in its ideal form these pictures clearly show, so exact was the artist's drawing of them. It was a cabin with two windows and a roof which assisted the chimney in carrying off the smoke. A similar observation applies to the houses of those hill-side Highlanders, whose prosperity, destroyed by the evictions of ruthless landlords, is a favourite topic on the platforms of reformers still. Now if anybody to-day set himself to rebuild "Sweet Auburn," as Goldsmith and as Bewick imagined it, there would not be a house in it which any sanitary

authority would not condemn as unfit for human habitation: and a new Duke of Sutherland, who should provide his tenantry with replicas of those dwellings from which the occupants were driven a hundred years ago, would be as vehemently attacked by reformers for having built them up, as his predecessors were for the crime of having burnt them down. In imputing prosperity and happiness to English and to Highland populations whose houses would to-day be regarded as signs of the extremest poverty, the reformers may be quite correct—perhaps more so than they would be willing to admit. At any rate their argument constitutes a substantial recognition of the truth that welfare depends not only on absolute income—even on income as indicated by the structure of the material home: and if we reconsider the period dealt with in the present volume, and the earlier portion of that period in particular, we shall see how wide in its applications this truth is.

We have seen how, since the beginning of the nineteenth century, the income per head of the wage-earners has very much more than doubled itself; but although this increase has been on the whole continuous, about 80 per cent. of it has been realised during the last sixty years, and only 20 per cent. during the fifty years preceding. The comparative slowness of the advance made during this earlier period was partly due to the cost of the Napoleonic wars; partly to the fact that the old-fashioned

race of craftsmen, such as the hand-loom weavers, their skill being reduced in value by the new factory methods, suffered an actual loss; and partly to the fact that the new increase of wealth was largely neutralised by an abnormal increase of the population. During the latter half of the nineteenth century the population of Great Britain increased by about 78 per cent. It increased by as much as 100 per cent. during the earlier. In any case, between the years 1801 and 1850, the increase in wage-rates, though far from inappreciable, was slow; and it was moreover obscured by accompanying events and conditions which attracted and deserved very much more attention on the part of those who busied themselves with the real well-being of the people. Foremost amongst these were the squalid and insanitary houses in which, round the new factories, a new race of workers was congregated—houses ran up with a haste often barely sufficient to meet the demands of crowds who multiplied with a haste still greater: the condition of the factories themselves, which were filled with unfenced machinery, and which often, in respect of their structure, were not more healthy than the houses; and more particularly the employment, for extravagant and inhuman hours, of armies of little children, to which the factory system lent itself. To these conditions must be added the uncertain price of corn, which sometimes caused by falling a delusive sense of plenty, and then caused by

rising visitations of spasmodic famine, these being signalised by the recurrence, then familiar, of bread-riots. In spite of persistent friction between political parties, all these evils were attacked, in some cases by Radicals, who found themselves opposed by Conservatives, in some cases by Conservatives, who found themselves opposed by Radicals, in some by a spirit of humanity which was independent of faction. The hours of labour were reduced; the labour of children was protected with peculiar care; the general conditions of factory work were ameliorated; a measure was carried which has ultimately had the effect, not only of reducing the average price of bread, but also of saving the poor from the calamity of its violent fluctuations; and attention was fruitfully concentrated on the great problem of housing.

In all these ways, quite apart from any rise in wages, the welfare of the people had, at the time of the opening of the first Great Exhibition, been notably improved as compared with what it was before the battle of Waterloo. The evils of inadequate, of insanitary, and of squalid housing were those which had proved to be least easily alterable: indeed at the present day improvement in this respect remains one of the principal questions which present themselves to the sane reformer. If, however, we compare the conditions which prevail to-day with those which prevailed at the beginning of the nineteenth century, we may form some idea of how much has been actually accomplished. It is

often supposed that the slum, the blind alley, and the tenement house, with their swarming populations, are distinctively and mainly the products of the modern factory system. This, however, is altogether a delusion. It is true that during the earlier years of the nineteenth century, such evils were, by the growth of that system, aggravated: but in a form more aggravated than anything which prevails to-day, they were inherited by the nineteenth century from the century which went before it. In England and Wales to-day, the average number of persons per house is 5. In the year 1801 the number was $6\frac{1}{2}$. That is to say it was 30 per cent. greater. The actual number of houses in England and Wales was at that time little more than 1,400,000. Had houses between then and now increased only in the same ratio as the population, their number to-day would be 5,600,000. As a matter of fact it is upwards of 7,000,000. This means that the people to-day have for their accommodation 1,400,000 houses more than they would have had, if since the year 1801, the house-supply, relatively to their number, had undergone no change. It must further be noted that the improvement which these figures indicate does not consist of an increase of house-space only. It includes improvements in planning, in sanitation, in lighting, in water-supply, and in general structure. It is true that these improvements have been accompanied by an increased cost of construction: but experience has gradually

shown the houses can be improved substantially by an increased expenditure, not of money, but of scientific care. Thus, recent extensions of trams and workmen's trains now make it possible for the wage-earner to be provided in a rural suburb with a house incomparably better than any urban lodgings obtainable for the same, or even for an appreciably larger rent. Analogous observations apply also to food. If the wives of all the workmen in Great Britain and Ireland could acquire an aptitude for cookery, such as is common in France, a change would be effected in the welfare of many million households, which is not to be secured by any mere rise in wages, and which feminine skill might realise at an actually reduced cost.

These examples are sufficient to illustrate the fact that, although income may be taken as the primary measure of welfare, and though increase of income in any general sense can only be due to, and is always limited by, an increase in the total product which existing genius and energy enable the nation to extract from the collective possibilities of the moment, incomes, their amount being given, may be virtually increased in a different, and hardly less important, way—that is to say by improvement in the conditions under which they are earned, and improvements in the means and opportunities of spending them to the best advantage. Such being the case, the point which is here insisted on, comes in few words to this:—that whilst, for reasons which have been elucidated in this

volume, the State would be impotent to raise the general level of incomes by any of those political processes of redivision or transference, with which social reform is to-day commonly identified, the conditions under which given incomes are earned and spent, may by political action be so fruitfully modified that the efficiency of given incomes as instruments of welfare will be increased, and will enable the recipients to secure for themselves a more and more favourable environment. Such political action has, as the history of the last century shows us, ameliorated the average conditions of private life in the past; and if soberly and sagaciously continued, to the exclusion of other methods, we may expect that farther ameliorations will result from it in the near future.

It will, however, be noted that the conditions to which this statement is applied, are qualified by the term "average," the significance of which has been discussed already, and which now must be considered again, with renewed reference to its implications.

If the income of one class is to be compared with the income of another, or the income of one class at one time is to be compared with the income of the same class at another time, the average income per head of such a class or classes, is a sufficient measure, and it is the only measure by means of which such comparisons can be made. It affords, however, a very imperfect index of the manner in which incomes are distributed within the limits of each class

itself. Thus, in Chapter II of Book III of the present work, the entire population supported on incomes not exceeding £160 a year was taken together, and the average income per earner was shown to be £69. But such a general average was shown to cover the fact that this population is really made up of various groups—firstly, a business group, per head of which the average income is £100; secondly, to take the case of adult males only, a group of skilled wage-earners, per head of which the average income is £88; thirdly, of a group of wage-earners, commonly called unskilled, of whom the average income per head does not exceed £54, and the actual incomes of a certain number of whom can barely provide them with the necessaries, still less with the decencies, of existence. The number of this lowest class, commonly called the "residuum," has been grossly over-estimated by some, and has doubtless been under-estimated by others; but serious enquirers agree that, even if gradually diminishing,[1] it may still be taken to represent one-tenth part of the population. In any case, whatever may be its exact proportion, it represents a

1. One sign of its diminution is the decrease which took place between the years 1891 and 1901 in the number of overcrowded tenements. The Statistics relating to this fact are clearly summed up in the Article on Overcrowding in the Cambridge edition of the Encyclopædia Britannica. The total number of paupers relieved in the year 1899 was 2.33 per cent. of the population. In the year 1911 it was 2.12 per cent. The lowest percentage (2.1) was in the year 1901.

condition sufficiently deplorable and extensive to demand the attention of the prudent statesman, as well as to excite the compassionate sympathies of the philanthropist. Now this exceptional class—this "residuum," this "submerged tenth"—by no means monopolises all the hardships of poverty; but it provides the modern reformer with the readier materials of agitation, and does most to invest with plausibility the fatuities of his proposed remedies. We will, therefore, before going further, consider the phenomenon of the "submerged tenth" by itself.

Why a society, in which wealth is otherwise generally increasing, should continue to precipitate a sediment of almost stationary want, is a problem so complex that an attempt to deal with it adequately would in this place be an impertinence. But, whatever may be the causes of the evil, and whatever may be the various methods by the concurrent adoption of which there is most promise of remedying it,[1] there are two general observations which may be made with equal confidence. One is that all the remedies proposed by reasonable men have the common object of raising the submerged by enabling them to raise themselves—by bringing them and keeping them within the pale of normal industry. The other observation, which alone need be here amplified, is that the typical remedy proposed by social

1. See the interesting work "Unemployment, a Problem of Industry," by Mr. W. H. Beveridge, pp. 236, 237.

reformers is one which would operate in a manner the precise reverse of this; that the results of its application would be at once fatal and ludicrous; and that it is based on an assumption so childish and grotesque in its crudity, that few of those who promulgate it by direct statement or innuendo can for a single moment believe seriously that it is true.

The most direct rendering of it is perhaps that of Mr. Snowden. "There is but one way under heaven," he says, "of making a poor man richer, and that way is by making a rich man poorer." It seems to escape his comprehension that a way very much more obvious is that of putting the poor man in the way of making something for himself. Mr. Snowden perhaps may believe in his own principles; but let us take this same doctrine as preached by other reformers, who occupy positions of greater responsibility than his. The destitution of the "broken poor" is represented by Mr. Masterman as the peculiar and inevitable consequence of the magnitude of modern "superwealth." "I was lately," said another statesman, "in the company of three men, each of whose incomes is more than sufficient for the support of three hundred skilled workmen at 35s. a week." "I," said a third statesman, "could give you the name of a man who spent, to my knowledge, on two balls and a garden-party enough to keep ten families in modest affluence for a year." Now these last two statements (which, with mere variations of detail, are commonplaces on Radical platforms)

may doubtless represent facts; but the facts taken by themselves have no more interest or significance than the sole fact which, according to Dr. Johnson, his friend, Topham Beauclerk, brought back from his tour in Egypt, that "there was a green snake on the top of one of the pyramids." The only significance they possess lies not in themselves, but in the conclusions which those who dwell on them intend obviously that they shall suggest. These conclusions, as Mr. Masterman and Mr. Snowden blurt out with very refreshing candour, are firstly, that—to put it in plain language—for every £1,000 which any one man adds to his income, ten men or more (as the case may be) are deprived of the means of securing any regular income whatsoever; and secondly, that the sole way of remedying the extreme destitution experienced by those who have nothing regular to do, is to pay them a handsome salary for continuing to do nothing.

Now let any Radical statesman be asked the two following questions: Firstly, let him be asked whether, should it so happen that he, as the result of a perfectly legitimate speculation in the shares (let us say) of some American Company, were lucky enough to increase his income to the extent of £1,000, he seriously believes that he would thereby be adding ten or more new recruits to the bands of outcasts who shiver on the benches of the Thames Embankment? He will answer—of this we may be certain—that such a belief is nonsense—

that it is inconsistent alike with common sense and with his own practice, and with the ambitions and successes of his own nearest friends. So much being taken for granted, let the further question be put to him of whether the proposition that the income of this or that rich man would, were it only divided amongst such and such a number of poor men, suffice to keep them all in conditions of modest affluence, means anything else than that so many thousand pounds would suffice to endow the whole of them with the comforts of year-long idleness? It must mean this if it has any meaning at all: and if it means anything practical it must mean by obvious implication that the true remedy for the destitution arising from want of work, is actually to use, by some device or other, the rich man's thousands in the way thus described as possible; and this again must mean, if practice be translated into principle, that the true remedy for unemployment is to render employment superfluous. That any reformer, whether Radical or even extreme Socialist, would definitely avow this principle as his own, is not to be seriously supposed. He could not even fail to admit that if the want of work alone should entitle a man to more than, or even as much as, he could earn by the performance of it, want of work would become the most profitable of all professions, and the cultivation of incapacity and misfortune, the most popular of all arts.

So far, then, as poverty in its more extreme

forms is concerned, whilst political action may assist in reducing it to a minimum, such action will be of a nature entirely opposite to that which in their character of agitators, the reformers of to-day suggest. Indeed, to a certain extent, the conduct of such reformers themselves, when they act as statesmen, shows this. Labour-exchanges, for example, the introduction of which into this country may be claimed by a Radical Government as one of its most honourable achievements, involve no doubt the expenditure of public revenue; all public revenue is an abstraction from private incomes; and the principal abstraction is an abstraction from the pockets of the rich. But such an abstraction is in this case, an incident not an object. The object is not to transfer income from one class to another, but to enable those who have nothing to produce a substantial something. Why, then, in the case of the extreme reformers of to-day, is there this discrepancy between the principles they embody in a certain definite measure, and those which they vociferate with every antic of conviction when, in quest of popular support, they appeal to the imagination of multitudes? The reason, no doubt, consists to a certain extent of an internal discrepancy (honest so far as it goes) between ideas vaguely suggested by emotional animus on the one hand, and ideas suggested by common sense on the other: but mainly consists of the fact that the former are at once more simple, and are calculated to arouse

expectations of a far more ample kind. The unfortunate result is that reformers whose policy and whose power rest on this dual basis, create more grievances by stimulating novel and impossible expectations than they cure, or possibly could cure, by the diminution of old hardships.

The foregoing observations are so far limited in their scope that they relate specially to those forms of exceptional poverty which, like a brutal blot, persists at the bottom of a page otherwise covered with memoranda of general progress. But the maladjustments of existing society, and even the phenomena of poverty itself, are by no means confined to the limits within which as a spectacle, the latter are most obtrusive. Let the artificial grievances, due to the inflammation of impossible hopes, to false conceptions of things as they are and tend to be, and to a trust in those projects of reform (whether Radical or crudely Socialist) which have such fallacies as their foundation—let all these be eliminated, and modern life will exhibit itself to the eyes of sober judgment, partly indeed in the light in which the Conservative sees it now; but not in that light alone. Facts and principles which Conservatism, in the widest sense of the word, has often been tempted to ignore, because hitherto the expression of them has been associated with fantastic and malignant error, will assume their true proportions, and exhibit their true nature. The elucidation of these—such is the author's design—will be undertaken in

another volume, to which the present may be regarded as prefatory: but some indication of what these facts and principles are, will be given in the following (and for the present) our concluding chapter.

CHAPTER V.

CONSERVATISM, as a protest against reform, if reform be taken in the sense in which, throughout this volume, the word has been exclusively used, is not a protest against change. It is a protest only against change in the organic structure of society. So defined, it stands for the rights of individual property, property being taken to include not only land and capital, but all the incomes which, under a system of individual ownership, society does as a matter of fact enable various individuals to earn by the exercise of their various capacities. For Conservatism, in this general sense, a salary of £1,000 a year is property no less than the interest on 1,000 one pound shares. The organic reformer may contend that a man's right to the first may, by dismissal, be any day taken away from him, whilst his right to the second is alone in his own possession, and that Conservatism stands for the conservation of this latter kind of right only, whilst it leaves the former so precarious that it is not a right at all. Such an argument is correct if we consider the earner as an individual. It is incorrect if we consider him as a type of the earning population generally. However secure may be the income from lands or shares, incomes earned by effort are in the mass no less secure. There is, as a

matter of fact, an element of insecurity in each, the measure of which in one case is the total percentage of unemployment, whilst we may take it to be in the other the annual number of bankruptcies as compared with the number of estates annually changing hands at death. It might be shown by statistical evidence, were this the place to examine it, that the chances of loss through bankruptcy and the chances of loss through unemployment, are closely connected and are very nearly the same :[1] but, apart from such details it is obvious that without income from effort there would be no income from ownership, and that, if both be taken in the mass, they stand and fall together.

Conservatism, then, in this larger sense—in which sense it is often called Individualism—represents the rights of individual property as justified by their concrete results. It recognises indeed, that, as a consequence of imperfections which are inseparable from human nature, these results will, from period to period, comprise elements of evil, but it insists that such evils

1. One great example of the insecurity of income derived from ownership is the decline, since the year 1879, of the rent of agricultural land, amounting to 27 per cent. Income derived from building-sites has, *as a whole*, shown greater stability: but whilst ground-rents have risen in some localities, they have fallen in others. The owner of houses in a locality which is being gradually deserted, is like an employee who is ceasing to be employed. No tenant will employ the land or buildings of the one, just as no master will employ the labour or the abilities of the other.

would be intensified, not remedied, by destroying the roots of the tree with a view to improving the general quality of the fruits. The main difficulty which Conservatives have to face lies in the fact that a variety of very real evils have been so identified by extremists with demands for impossible remedies, that the necessity for opposing and of exposing the latter gives rise to a diffidence in admitting the full seriousness of the former.

For example Conservatism is identified, both in fact and in the popular imagination, with a special insistence on the rights of property in land; and such rights are the special objects of attack on the part, not only of reformers who assail property generally, but of those who regard it, in any other form, as sacred. The main argument of such persons consists of an exposure of certain results which the principle of private property in land always renders possible, and may any day render actual. The most extreme of these is that pictured by Henry George, who argued that this principle, so long as it is recognised by law, would enable a rich American to purchase the fee-simple of the whole of the United Kingdom, and gradually, as leases terminated, to evict the whole of the inhabitants. Such an event would, he argued, be intolerable; and its mere possibility—this was George's conclusion—constitutes a reduction of the principle of private property in land to an absurdity.

Now there may be nothing in the law to

make such an event impossible as a matter of mere theory; for the law concerns itself, not with possibilities, but with likelihoods; but we may safely say that if such an event became likely, laws would come into existence which would put it out of the question. The *jus utendi et abutendi*—the principle that it "is lawful for a man to do as he wills with his own"—would, within certain limits, be altogether abolished. This fact is held by reformers generally to demonstrate, at all events so far as land is concerned, that the principle of private property is altogether untenable; and the crude version of that principle, to which many Conservatives adhere, leaves them, so long as they adhere to it, defenceless against the logic of their adversaries. This logic itself, however, owes all its apparent strength to the fact that those who make use of it do not push it far enough. Even extreme socialists repudiate—and they are perfectly honest in doing so—the charge that they make any attack on private property as a whole. They maintain with the utmost vehemence that a man's property is absolute in all articles of personal use, such as clothes, furniture, crockery, knives and forks, pens, ink, and paper: whilst Henry George, and all Radicals along with him, make the same claim for houses, factories, live-stock, and all manufactured goods. In respect of such things as these, the reformers maintain that the rights of private property are inviolable. Of such things, however, it would be difficult to

find one, in respect of which these rights are not subject to limitations no less important than those which apply to the case of land. The most rigid socialist would admit the rights of private property in a suit of clothes, of a pen, or of a pocket knife; but no code would allow a man to strip himself naked in the street, or to use his pen for the purpose of writing libels; whilst if the practice of carrying pocket-knives out of doors led to the constant use of them in murderous assaults or quarrels, property-rights in knives would be so far restricted that they practically ceased beyond the limits of a man's own home. Few would deny that a man has a property in his own saliva: and yet few would not wish to restrain him from spitting in his neighbours' faces.

The fact is that property of all kinds is held under limitations of one kind or another; and each kind of property is held under limitations, implied or legally enacted, which are appropriate and peculiar to itself. Indeed the object of all law, is in the last resort, a limitation of those precise rights, the existence of which is its first assumption, and the conservation of which is one of its main objects. Of this fact, rights of property in land are only one example, and in many states of society the limits which the law must impose on these are far from the most important example of the limits it must impose on all. Thus no society could exist in which landlords were not restrained from sticking their pocket-

knives into anybody who happened to offend them; but a country may be fairly prosperous in the absence of any laws which forbid the sale of it by its landowners to a syndicate of foreign sportsmen.

The rights of private property are, therefore, in no way invalidated by the recognition that they are all subject to some sort of restriction. On the contrary, the surest way to discredit them is to deny the fact that in every case certain reasonable restrictions are necessary. But the principle here indicated is capable of a wider interpretation than the word "property" in any of its usual senses suggests: and in this wider interpretation of it we shall find the key to the real problems and difficulties distinctive of the modern world, which by the extreme reformers of to-day are altogether misapprehended.

Let us take two examples of property in its distinctively modern form—namely a railway, and a great factory for the production of novel dyes, which has been established in a spot previously bare of inhabitants, by the chemical and mechanical genius of some one man.

If we suppose the railway, like the factory, to be the first enterprise of its kind, and to have been likewise constructed and equipped by the genius of one man, it is obvious that, before either of the two works was begun, either of these two men had the right to abandon it altogether, or, having begun it, to leave it uncompleted. Most of the great inventions to

which the wealth of the modern world is due, have been realised in the face of incredulity, and often of actual opposition. Their authors have had originally not only the right to abandon them, and thus throw away any capital which they had already expended in their inception. They have often had to struggle for so much as the right to begin them. Such is the case at starting. In respect of the property which such undertakings represent, the *jus utendi et abutendi* as vested in the authors is unqualified. But when such undertakings—the railway or the great factory—is completed and in successful operation, a new set of circumstances gradually or at once develops itself. Along the route of the railway, or in the neighbourhood of each terminus, houses are built which would not have been built otherwise. The factory, in proportion as it prospers, creates a town around it, in what before was a waste. And if such enterprises be taken in their integrity, they not only create houses and populations which are new in particular places; they create a population which, apart from them, could never have come into existence. As soon as this result is accomplished, the position of the authors and owners of such enterprises undergoes, from this nature of the case, a very important change. The *jus utendi*, in respect of their property, remains fundamentally unaffected: but the *jus abutendi*, in so far as this means the right to close their works, and allow them to go to ruin, would carry with it, if

exercised, entirely new consequences. A man who had destroyed the beginnings of a railway, before any railways were in operation, would, if the enterprise were his own, have merely destroyed the whole or a portion of his own property. To close or destroy a railway which had been in operation for years, would be not only for an owner or for owners to abuse their own property. It would be, at the same time, to destroy a population also. That the employing classes will ever combine as a whole to destroy or permanently close their railways, yards, or factories from which their entire revenues are derived is no more likely than the landlords of the United Kingdom should combine to sell its surface to Henry George's hypothetical American: but sporadic examples of this exercise of the *jus abutendi* are one of the unfortunate results which, with a growing frequency, the existing system of industrial disputes necessitates. This result is the counterpart of the exercise of another *jus abutendi*—that is to say the exercise of the right to strike. So far as individuals are concerned, a man in a free country has the right to abstain from working, so long as he only suffers by it. Any group has a similar right, so long as those who suffer are the members of that group alone. But when this right is so exercised that it inflicts an injury on the great masses of the population, its character changes in essentially the same way as the *jus abutendi* changes in the case of a great employer, who, if he should abandon

or close his works altogether, would not only ruin himself, but thousands or tens of thousands for whom he has made life possible.

That the *jus abutendi*, in respect of a man's property in his own labour, may require legal restriction, is a conclusion which recent events have been forcing on sober men, to whose general sympathies it may be unwelcome, but, as in the conduct of most disputes, the temper of the disputants is a factor even more important than their rights, it is a counsel of Conservatism, not a counsel of revolt, that the owners of property should set a sober example by cultivating a sense of the logical and ultimate limitations to which, either by practice or legislation, the rights of property must be submitted, in order that their substantial integrity may be maintained.

Such are the suggestions which, together with others kindred to them, must be reserved for fuller expression in another volume, in which the facts elucidated in the present will—it is the author's intention—be reconsidered in connection with general ideas and principles—the loose and self-contradictory manner in which many of these are commonly accepted, and the substratum of truth which a careful analysis may extract from them.

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