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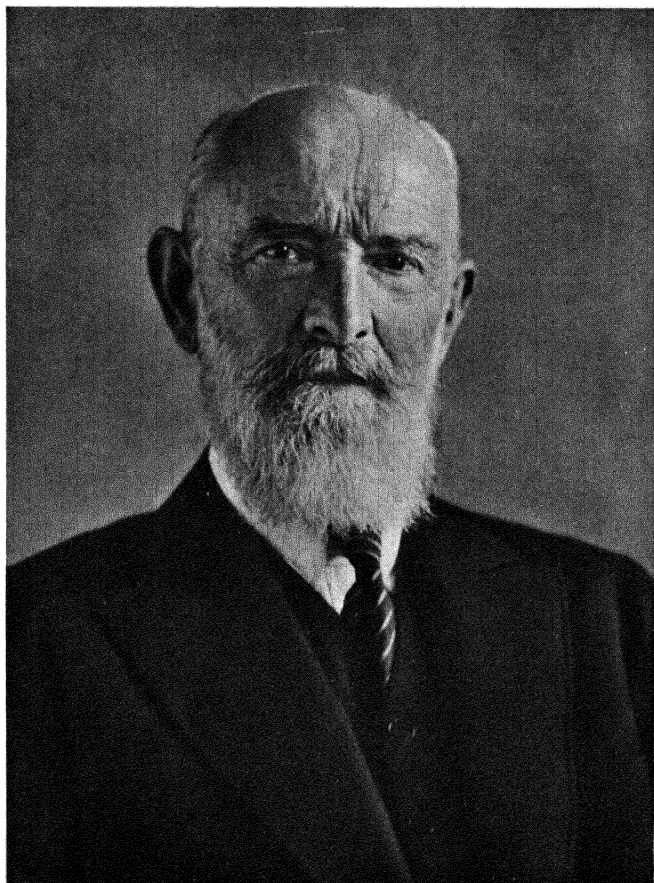
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THE PREVENTION
OF FUTURE CRISES IN THE
WORLD ECONOMIC SYSTEM

By

ROBERT BOSCH

With a Preface by

LORD DAVIES

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PREFACE

WE are sometimes told that prominent industrialists are popularly regarded as a distinct species of humanity who are concerned merely with the acquisition of wealth and the selfish exploitation of their fellow-men. It may be true that by the exercise of their brains and their powers of organisation, supplemented by long hours of indefatigable labour, they have not only played a leading part in developing the economic resources of their respective countries, but have also incidentally amassed considerable private fortunes. These they have often used for benevolent purposes in an attempt to advance the welfare and progress of the community. To mention only two outstanding examples, we are reminded of the princely benefactions of Andrew Carnegie towards the cause of world peace and, more recently, of Lord Nuffield in the spheres of medical research and social welfare.

But many people ridicule the possibility that a successful business man can possibly entertain any ideas beyond the columns of his ledger and

the figures of his banking account, or that he can become the advocate of liberal and progressive ideas. So deep-rooted is this impression and prejudice that industrialists who take a leading part in the advocacy of social reform or international co-operation are often accused of being animated by some selfish motive and of having some particular axe of their own to grind.

That this conception of business men is entirely wrong is proved by the varied and beneficent activities of the author of this brochure, who has for so many years devoted himself and his fortune to the service of his fellow-men, and of whom it was typical that during the War he refused to accept the "excess profits" which would normally have accrued to his companies.

Robert Bosch has made his reputation as a great industrialist. He is also a political economist whose practical knowledge and wide experience entitle him not only to express his views, but also to command a respectful hearing from all those who are concerned for the economic recovery of Europe, and indeed of the world.

It is unnecessary to recount the achievements of this enterprising pioneer in the industrial development of Germany—how, as a young man, he laid the foundations of a great electrical concern

which to-day employs more than 20,000 people, and has become famous throughout the world for the excellence of its products. Dr. Schacht, speaking at the celebration of Robert Bosch's seventy-fifth birthday, and the fiftieth anniversary of his enterprise, described him as "the founder and builder of a firm which is to-day among the proudest boasts of German industry."

But not only is Robert Bosch a successful organiser and business man; he is also an ardent social reformer and a convinced advocate of international co-operation in every sphere. As long ago as 1906, he was the first employer to introduce the eight-hour day into all his workshops and factories in Germany. His fame as a model employer has spread beyond the confines of his native land. His example has been followed, somewhat tardily perhaps, by his fellow-industrialists and also by the Governments of almost every civilised country, until an eight-hour day has now become the rule instead of the exception. He has also been a prominent advocate of the principle of arbitration in industrial disputes. Recognising the basic truth that the interests of the employer and his work-people are, in the long run, identical, and that from a broad standpoint whatever hurts one must

also be injurious to the other, he has throughout his career consistently advocated the peaceful settlement of all industrial disputes. Moreover, he has always been a champion of free trade, and in these pages, despite the post-War craze for the erection of new tariff walls and trade barriers, he still holds aloft the banner which Cobden and Bright unfurled so many years ago.

Unfortunately, three years have elapsed since this thesis was written in German, but at last Dr. Bosch has been persuaded to allow its publication in Great Britain. Inevitably, it has suffered somewhat in translation, but I feel sure that the brochure will be of great interest to my fellow-countrymen, and to our business friends in the United States. We may not share completely Robert Bosch's views in regard to all the remedies which emanate from his fertile brain. I am convinced, however, that we shall study them with sympathy and interest, and that they will contribute in no small measure [towards the elucidation of those difficult economic problems which, at the moment, perplex the business communities no less than the politicians and economists of every country.

I would therefore venture to express our sincere gratitude and appreciation to Dr. Bosch

for giving us this exposition of his views. Coming as they do from one of the leading industrial representatives of a great nation whose powers of organisation and research have for many years been the admiration of the world, we shall value them all the more highly and study them with the respect and attention which they so richly deserve.

DAVIES.

Llandinam, Montgomeryshire.

January 1937.

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SYNOPSIS

IN the following pages an attempt has been made to diagnose the principal causes of the present world-wide industrial depression, to formulate the problems which demand a solution before we can hope for permanent improvement, and finally to offer some definite recommendations to that end.

It should be noted at the outset that the prevailing depression differs radically from its predecessors, which were caused principally, if not exclusively, by an unnatural and artificial "boom" period which immediately preceded them. Moreover, it should be borne in mind that the existing state of affairs is not due to over-efficiency of production methods, as is commonly supposed, but rather to the inefficiency and backwardness of non-technical branches of the world's activities.

International relationships are handicapped by antiquated political and fiscal conceptions giving rise to such evils as competitive armaments and tariffs; nationally we are handicapped by wastefulness and inefficiency in administration and

distribution, as well as by antagonism between different groups or sections of the community.

The futility of trying once more to apply the old quack remedies in order to cure some of the symptoms is obvious. Rather must we have the courage to strike at the root of the evil. Our social structure and our political system must be brought to the same high standard as has been achieved, for example, in the science of engineering. Production and distribution must be co-ordinated on an efficient schedule of national, or better still international, scope. Private capitalism must adapt itself, otherwise it is likely to disappear. We must tackle boldly the problem of writing off superfluous plant capacity so that the remaining factories may be operated efficiently, and the rigid eight-hour day must be replaced by more flexible arrangements which substantially guarantee to every worker a modicum of employment and a fair living wage.

INTRODUCTION

THIS brochure is intended to fulfil three objects :

(1) To demonstrate that technological progress in the full sense of the term is productive of the greatest benefits for mankind : that it can achieve its purpose of assuring mankind as a whole a maximum of opportunity and happiness.

(2) To show that social conflict, the class war, is futile and can only result in a reduction of the standard of living, and to demonstrate that free trade raises the standard of life of all human beings, whereas protectionist tariffs rob every man, however remote he may seem to be from the areas of technical development, of a part of his opportunities for a full and happy life.

(3) To suggest, moreover, last but not least, that a change in the mental attitude of man to his fellow-men and among nations is capable of producing a fundamental transformation in the trend of the world's history.

GENERAL CONSIDERATIONS

WHEN I was a child, the accepted idea was that the normal expectation of life of a man was thirty-two. To-day, some sixty years later, statistics show the average to be fifty-six. The same period has witnessed very substantial increases of population. The population of Europe, for example, has more than doubled since the time of Malthus.

There can be no doubt, however, that the greater age to which men live to-day has only been made possible by the progress which mankind has registered in the perfection of technical resources. It is this technical progress which has bestowed upon mankind the capacity to appreciate the significance of natural laws, to produce the means of subsistence, to harness the powers of Nature, to comprehend the importance of hygiene, to ensure that the necessary measures of sanitation are taken, and so on. When I was a young man, for example, it was quite a common sight to see a man "marked by the devil," *i.e.* who had pock-marks on his face. The present generation will scarcely have ever

heard of the once popular phrase for describing that condition, and in Germany, for instance, it is very unlikely that they have ever seen a case of smallpox.

When one considers these facts, one can only be surprised that there should still be people who express the opinion that technological progress is an evil for humanity. They know not what they say. They seem to look upon the remote past as the ideal, at any rate for the super-men who are accustomed to inhabit the heights. Presumably, the reason is to be found in our reluctance to bother about the fate of those who do not bstride the heights. But it is, after all, a fact, and a fact which is indisputable, that nowadays all human beings enjoy a better and longer life than was the case in the Middle Ages or any time in history.

The increasing mechanisation of the production of goods, the exploitation of water-power and steam, the progress of all forms of science, what are they all but the achievements of the human mind, the result of mankind's struggle with the forces of Nature and the utilisation of those forces in the great battle for the continued existence and well-being of the human race ?

There are, indeed, no spheres of life which have

not reaped benefits from technical progress. Printing, which has been of inestimable value to the scholar, provides an excellent example. And what indeed would our doctors have done without the balance and the microscope, without the surgeon's knife and the physician's ophthalmoscope? How could the science of astronomy have been developed without the telescope?

Some people complain, of course, about the advanced technique of production by mechanical means; yet, as far as the production of food is concerned, it is surely indisputable that the resources of to-day's world trade have made starvation completely avoidable. If, nevertheless, people are going hungry in many parts of the world, for that we have to thank human folly. Men are notoriously unwilling to depart from traditional methods and habits. One of the inherent scourges of mankind is envy. Envy is the obstacle that prevents the individual man and the nations of which he is the component unit from acquiring the attitude of mind which would permit the introduction of a world economic system. In pursuit of what it imagines to be its own interest, each nation makes things as difficult as possible for its neighbour. The old saying, "He'll cut off his nose to spite his face," applied for centuries

to the peasant, the primitive man, is unfortunately also true of the nations of the world.

This struggle for existence, so ruinous and in the twentieth century so unnecessary, leads to the expedient of tariffs for the protection of the "national industry." The brand of nationalism which began to flourish so vigorously after the War cries out for autarchy and self-sufficiency. But, after all, a country which cuts itself off from the world economic system is clearly to that extent impoverished. What is it cutting itself off from? Obviously, only from a centre of production outside its own Customs boundaries where particular articles can be manufactured better or more cheaply than in its own factories. The country that confines itself behind tariff walls can never procure the requirements of its inhabitants as advantageously as would be the case in an era of free trade. For instance, any attempt on the part of producers of wheat, coal, or steel to keep imports of these commodities off the German market could only be harmful to the rest of the nation which is not engaged in their production. In the case of those articles which can be produced more advantageously within the protected country than abroad, then the system of protection is harmful to the producer himself, because other nations, by

way of retaliation, will tend or even be forced to indulge in autarchy. Thus a vicious circle is set up, harmful not only to the foreign producer, but also to the inhabitants of the "protected" country.

What would be the effect if, as a consequence of stagnation in world trade, this system had to be applied, for instance, to Germany? Undoubtedly, it would transform Germany into a land of small peasants—of whom, incidentally, I wish we had many more in place of the big landowners in East Prussia who have cost the State millions in subsidies—and would ultimately result in her elimination from the ranks of the major Powers. German industry would disappear from the world market, because there would no longer be any world market. It would mean the disappearance of the great German research centres which have produced so many inventions and discoveries in every sphere of scientific and economic life. The means for their continuance would no longer be available. To-day, Germany includes within her boundaries fifty per cent. of Nobel Prize winners. Surely the world can hardly face with equanimity the prospect of losing the work of such men and of any of their successors who may be born on German soil, assuming the continuance of a rational world economic system?

Everyone knows that if the soil of Germany was divided up equally among the inhabitants of our country—and the same is true in greater or less degree of every other European nation—it would only suffice to feed us on a miserable scale.

Moreover, it should be remembered that autarchy does not only mean closing the frontiers against the import of goods, but also the exclusion of all foreigners. This would mean, of course, that on the other hand Germans could no longer emigrate. If autarchy were the order of the day throughout the world, German industry would perish, because it could not survive in a protectionist system. If we could no longer export our goods, and Germans were no longer allowed to emigrate into the autarchic countries, the vast majority of Germans would have to be fed on German soil, with the result that, although we might be able to exist on a pauper scale, we should certainly become a nation of poor helots in comparison, say, with the Americans. The latter, because of their country's sparser population, would most certainly enjoy a richer life than we Europeans. The fact that even the Americans would attain a still higher standard of life if they discarded autarchy is, incidentally, to my mind a certainty.

It is well known that, as a result of technical advance in every sphere, the world has become so small that no sensible nation can think of cutting itself off from other nations. The connections and ties are such that in the long run a world trade system is the only possible one. The present world crisis is not a consequence of a *rational* world economic system being adapted to the technical progress for which men have striven and which they have achieved in the last twenty years. It is the sad consequence of the very opposite. We must accept free trade. We must secure for all peoples the necessary room to live and have their being. We must see to it that every single citizen of the earth has the opportunity to earn his livelihood in every country in which a form of life appropriate to human dignity is possible. That, after all, was the position before the accursed World War, whose effect has been to destroy the bonds of civilisation and culture.

It may appear strange even so much as to speak to-day of these things, or even to view free trade as a possibility. It is true enough that we were never farther away from unhampered world trade in the past decades than we are to-day. But it is to this state of affairs that the world crisis must largely be attributed, and incidentally even in the

United States, the home of high protection, voices are not wanting to indict the tariff policy as one cause of the economic crisis.

Undoubtedly, such a world economic system as I envisage can only come about as the result of a world trade agreement. One of the most difficult questions will be how to make possible the fulfilment in practice of the doctrine that every man is entitled to earn his bread freely, in whatever civilised country he may reside. When we come to examine this question more closely, we shall find that the solution lies to a very great extent in devising methods appropriate to the respective nations, indeed on lines adapted to the individual needs of each of them. There is no other way. The solution of this question requires from the employer a recognition that it is useless and entirely unjustified to demand that labour be paid as little as possible: from the employee an admission that it is quite wrong to assume that the employer is his enemy.

In any case, there is need for an examination of the whole problem free from all prejudice, and it is to this examination that the rest of this paper is devoted.

THE CAUSES OF THE WORLD CRISIS

I.

THE crisis with which the whole civilised world is faced to-day is not simply and solely a consequence of the World War. It is not enough to show that after every war there has been a period during which trade entered a phase of prosperity, when production of plant and goods was stimulated as a consequence of the slowing down of the productive industries during the war. Such an expansion of the means of production did take place after the last war, as on previous occasions. After four long years of war, the hunger for goods was more acute than ever, and industrial plant was enormously increased to meet a momentary demand. Every nation, whether it was a participant in the war or neutral, set itself to develop its own industrial resources in order to compensate for the breakdown of the normal processes of exchange as a result of the upheaval. Further, the extent to which mechanisation was stimulated during the war has to be taken into consideration.

2.

This elaboration and perfection of technical methods has had most tragic consequences. Mankind has succeeded in the course of several thousand years in developing to a very high degree the instruments which he utilises in the struggle for existence. Most men do not quite realise how far this process of development of the means of production has gone. By means of the machines which he has produced, man is able to obtain the goods required for purposes of utility and culture much more rapidly and with very much less manual labour than ever before. It is essential, therefore, that the working day should be adapted to this technical progress: it must be shortened, especially if we aim at enabling every able-bodied man to work and earn his bread. Under present conditions, purchasing power as a whole cannot be increased quickly enough to absorb the increase of production.

It should not be necessary, in the present condition of the labour market, to use any long-winded arguments to demonstrate that, given the means and methods of production now available, it is not possible to give full occupation to all able-bodied persons unless the number of working hours is reduced. Instead of the customary eight

hours, we must probably adopt the standard of six hours per day, or even less.

On one point there seems to be general agreement: that all human beings must be placed in a position to earn their bread by their labour. In the long run it is simply not possible to eliminate from the labour field any appreciable percentage of able-bodied workers. A man who is unemployed must needs perish in body and soul. Nor will those who have work be prepared permanently to maintain those who are unemployed. They will say: "There's something wrong here, and things must be changed."

Anyone who seeks to establish a condition of affairs likely to be lasting must necessarily look into the future. And though it must be admitted that conditions on our planet have been entirely abnormal for years, it is not to be assumed that at some future time better conditions will materialise purely by chance. Far-reaching changes must be carried out in our economic life. I say this even in anticipation of some much-to-be-desired improvement in the disturbed political conditions in the East and of a necessary settlement of the antagonisms in Europe and in America, antagonisms which are both political and economic, and which effectually prevent the establishment of

mutual confidence and co-operation. The removal of these factors of disturbance may perhaps secure a temporary improvement. If there is to be any real recovery, however, much more is required.

If we form a mental picture of the extent of industrial productivity of all the different States—something that we could scarcely have imagined twenty years ago—we are bound to come to the conclusion that it is simply not possible for this vast mass of industrial plant to be kept working all the time, certainly not if the various productive enterprises are to operate on an eight-hour basis. The United States alone, for example, could, according to statistics, supply the world's demand for wireless apparatus many times over. America could produce 50 per cent. more motor cars than the world can make use of: the assumption being, of course, an eight-hour working day. Any number of similar examples could be given. Furthermore, Russia to-day is building up an equipment for production which will be capable eventually of more than covering the world's consumption in certain classes of articles. The rest of the industrialised world is prepared to assist Russia in order to provide temporary work for its own unemployed. The time may come when the Russians will want to be in a position to supply

the world's demands completely. Things may go on like this for some time, but can we imagine what is going to happen when the practice of limiting output and of destroying instead of producing goods slows down and these new forces of production are released on the world market? Is it conceivable that the working day can be allowed to exceed six hours?

What I wish to affirm is that a reduction of hours of work is an indisputable necessity. Unemployment must be done away with. We are compelled to eliminate it by the very progress of science. And if we do not bow to this necessity, inevitably there will be a reaction. The responsibility will be laid at the door of capitalism. Nor will the charge be misplaced. Capitalism must adapt itself to changing conditions. It must adopt an entirely different attitude on this question of hours of work. Is it not a disagreeable fact that to-day there are any number of people—and not without justification—who blame the capitalists, the big business leaders, for the fact that they cannot find work? True, one can hardly make the individual capitalist responsible for this lamentable state of affairs. It is not primarily the capitalists' fault that, for example, there is a surplus of university-trained men. It does not

rest with the possessing classes to decide who shall select this or that profession, or how many young men and women shall go into a particular walk of life. Nevertheless, it remains extremely disagreeable, both for the man who is looking for a job and for the business chief, if the latter has to say: "There is no work for this man—and therefore no food." After all, every man has a right to work, and we should all be anxious to help him, if we but knew how best to give him guidance and a prospect of employment. As the number of discontented citizens increases, a reaction—a surge of revolt, so to speak—becomes inevitable.

There are people, as I have said, who attribute the unfortunate condition in which we find ourselves to-day to technological improvements. This opinion, however, is frankly untenable. It derives from a mental process which simply does not understand the meaning of technology. Mechanical progress is the result of the effort made by the human mind in its struggle with its environment. Man learnt to keep himself warm by various devices. He came to use sticks and stones to protect himself and acquire food. He learnt to kill animals with certain weapons and to plough the land with other instruments. He learnt to sow crops and to breed cattle. He in-

vented the means of exploiting steam, water, and power. He learnt the expedient of inoculation, etc. There you have technical progress. To-day, in the struggle for existence, we have reached the point of availing ourselves of natural forces, and moreover we have contrived to attain a high standard of life with an appreciably smaller expenditure of effort. At a stage when, thanks to science, we can protect ourselves against hunger, cold, pestilence, etc., it is nonsense to talk about scientific progress as an evil for humanity. It may be said that one should leave men to their fancies, but the trouble is their anxiety to try to change things. Surely it is foolish, instead of meditating on all that we owe to science, to try to make it responsible for our present miseries and to portray those miseries as mankind's inescapable destiny.

3.

Among the causes of the world crisis there is another factor which plays an important part: I refer to the policy of economic nationalism and protection, which has grown apace as a result of the War and its aftermath. Later in this paper, when we come to consider the possibilities of remedial measures against the crisis, I shall have something to say of the cartels which must

necessarily be established. At this point I only want to refer to the common opinion, which seems to be, "The more you take away from the other fellow, and the less you allow him to acquire, the better off you are yourself!" That I call war waged with the "peaceful" weapon of the protective tariff, in which everybody prepares to close his frontiers against the commodities which his neighbour can produce better or cheaper! On the hypothesis of fair competition, a protective tariff must in all circumstances be harmful to straightforward exchange, *i.e.* world trade. But here we must make an exception of "dumping," a measure which should certainly be countered, because while it enables the importing country to save on its purchases at the expense of the exporter, the result is bound to be not merely a questionable benefit for the producer, but also a definite source of detriment to the importing country, owing to the damage inflicted upon the latter's general scheme of production. An instance is to be found in the price of Danish butter in Denmark and in England.

But world trade, in the sense of freedom of circulation for men and goods, is something which is necessary in order to secure the most favourable living conditions for the inhabitants of this planet. After all, protective tariffs and prohibitions upon

freedom of movement are, in the nature of things, instruments of conflict. Struggle, when it is detrimental, should be avoided. If I say that struggle is to be avoided when that struggle is damaging, I mean that there is such a thing as a wholesome and useful form of competition, for instance in the sphere of sport, where every country strives to produce as many Olympic winners as possible. But the purpose of struggle must be constructive, and not destructive. There must be competition in science and research, for instance, the prize for the winner being prestige—for himself and also for his country.

In the United States, in particular, achievement has always been rewarded with admiration. It is said that a visitor who is a successful man always meets with the question: "Why don't you stay here?", the assumption being that anyone successful in the scientific sphere or in business life would earn the respect of the whole nation, and that America is only too glad to acquire a foreigner capable of achieving something for the progress and prosperity of the country. The explanation is, of course, that there have always been huge areas, and consequently opportunities, available for the inhabitants of the U.S.A.¹

¹ This was undoubtedly true in 1932: to-day conditions are

The United States used to admit immigrants readily. It was only after the War that a change came about. When unemployment became a factor in American life, immigration was made very much more difficult, and in some cases prohibited altogether. But I believe these restrictions would soon be suspended if labour were needed for American industry or agriculture.

In any healthy State a substantial density of population is a blessing, not a curse. The various parts of the earth would give forth their increase, if only it were possible to bring about an understanding between the different nations. That such a happy consummation is going to be difficult is perfectly evident. But suppose a beginning was made, for instance, by an understanding between Germany and France. We should soon find that it is only the first step which is so difficult and which involves so much pain and self-control.

A removal of tariffs would undoubtedly foster world trade. It would, in the first place, expand production, and thus production could gradually be cheapened. Under conditions of free trade there

such that even in the United States the prospects of making a living depend on a considerable reduction of hours of work. President Roosevelt is to be congratulated on making this a chief point in his election programme.

are no barriers to overcome. Every country can send its own specialities into other lands, it can produce its goods to the limit of its capacity, which means that it can produce them cheaply. The cheaper a commodity is, the greater the quantity that can be sold, which clearly means that more human beings can be employed in the production or preparation of the commodity. Nationalism is the parent of the protective tariff, the tariff is the obstruction to the circulation of goods, and results in increasing the cost of production.

4.

In addition to the protective tariff and economic nationalism, it would seem that mechanisation might be blamed to some extent for the present crisis. The employment of the machine in the processes of production has undoubtedly replaced manual labour to a considerable extent. On this point I would only say that all measures taken to rationalise production processes are intended to, and have the effect of, cheapening the commodity. Rationalisation must not be allowed to result in the penalisation of the worker by paying him a lower rate for his labour. He is able, of course, to produce a greater quantity in a given time. Thus, for the production of one hundred

pairs of boots per day, a smaller number of workmen is needed, and admittedly, as a result of rationalisation, a number of workmen have joined the ranks of the unemployed. But the actual wage earned by those in employment has not been diminished. What it means is that the worker in employment has to work on behalf of the unemployed. He must contribute his share towards their upkeep, at any rate in countries which provide unemployment assistance. I have already indicated that this condition cannot be maintained. A remedy for it must be found. Clearly, however, any suggestion that an improvement can be brought about by the wholesale scrapping of machines is sheer nonsense.¹

5.

Finally, there are people who think that world crises can be prevented by the abolition of capitalism. Anyone, however, who has had eyes to see during the last eighteen years must have convinced himself that the kind of human being necessary to the conduct of a Socialist State system simply does not exist, and that most men,

¹ Legal measures must be taken to prevent a fall in wage rates, but only a minimum wage should be legally established, and there should be a system of bonuses or rewards for achievement above the minimum standard.

without distinction of class and political convictions, are out to fill their pockets. It is a regrettable fact that the average human being is scarcely likely to do his duty simply from some inner compulsion or some sense of responsibility and community feeling. It is not necessary to go as far as Russia to appreciate that work is only done as a result of some compelling necessity. I remember the noted German Socialist August Bebel saying somewhere (I think, in his book on *Woman and Socialism*): "In times of revolution men learn swiftly." If Bebel had lived through the revolutionary period of the post-War years and its aftermath, he might have changed his opinion.

Man is so made that he will only work under compulsion. "He who doth not work, neither shall he eat" is a wholesome and truthful maxim. The conclusion to be drawn from it is that to every man work must be given. It does not necessarily follow, however, that man should work long hours. It is having no work at all that creates misery.

Socialists are fond of talking of world economic planning, and undoubtedly they are right to demand systematic planning. If, however, the object is a maximum of human happiness, it cannot be attained along the path of State capitalism.

Even a National Economic Plan is not much good, for in any regime of bureaucracy the element of personal and material responsibility, which alone can promise a maximum of achievement, will be lacking. My conviction is that a business chief must have a personal interest in what he is doing. We need capitalists, but not, as I propose to show in this paper, such capitalists as are regarded by the wage-earner as his enemies.

One point that cannot be emphasised too strongly is that there can be no abandonment of rationalised production. On the contrary, people will gradually come to realise that all those commodities which are used or consumed by mankind can be produced in a shorter period of time, the more machines are utilised for their production. Incidentally, with a reduction of the hours of work per day from eight to six, and with efficient production and distribution, the price of commodities can most certainly be reduced by some 25 per cent. This means that for the same amount of wages per hour the purchasing power of the individual will be in no way diminished; indeed when once those extraordinary impositions with which the State, as we know it to-day, must needs afflict its citizens are out of the way, purchasing power will be substantially increased.

MEASURES TO AVERT RECURRENT WORLD CRISES

I.

IF the object is to procure work for everybody, the first thing to consider is whether, instead of the customary 2400 hours of work a year, some shorter period could not be introduced—say, roughly 1800. Looking at the question dispassionately, the reader can only reach one conclusion: that the reduction of hours of labour to that figure is something which is inevitable. Whether the period of six hours is the right one, or whether the working day ought to be still shorter, can only be discovered by experience. Personally, I am inclined to think that a lesser rather than a greater figure than 1800 hours a year will suffice. At all events, the state of affairs obtaining to-day cannot possibly endure, and when we are experimenting, surely it is better to make mistakes and correct them than to leave things as they are.

It is not my purpose to attempt to deny all that has been said to justify objections to a

reduction of hours of labour. But I do insist that something must be done. We have at our disposal all the means necessary for this object. Where there's a will there's a way. But we must act. Let us get on with it then, not reluctantly but gladly.

I should like, by way of example, however, to deal with one objection which university graduates particularly—and those belonging to what used to be called “the better classes”—frequently make. They ask what the workers are going to do with eighteen hours a day leisure. I reply without any hesitation that even those who have not had the advantage of a university education can contrive to occupy their minds, if only they have sufficient free time. Give them time and a certain amount of money, and you will find people devoting themselves to every conceivable kind of hobby. They will perhaps cultivate an allotment, or breed canaries and rabbits, or collect butterflies or postage stamps. They may take up sport. In any case, they will be happier than they are to-day with nothing to do. There was a time when labour was demanding an eight-hour day, and the claim was bitterly opposed. Yet the eight-hour day does not seem to have done the workers any harm. On the contrary, we see

now that when working men were required to be longer on duty than could fairly be asked of them they used to souse themselves with cheap spirits more than they do to-day.¹

Another objection which is often put forward, on material grounds, is that in certain industries, such as mining, which involve continuous processes, the more frequent changing of shifts would be bound to lead to the disturbance of production. But surely industries coming under this category could perfectly well allow their men to work two shifts of six hours each, thus making twelve hours in the day followed by one complete day's rest. The advantage of this is that it means a single change in twenty-four hours, and we know that it is when one shift relieves another in the pits that most accidents occur. The fact is that in matters of this nature any particular requirements can easily be catered for. Thus, in industries requiring continuity of production, it would be possible to introduce eight-hour shifts while still maintaining for each worker the same maximum number of hours per week. You might have to consider whether the best thing would be six

¹ I may say that as early as 1906 I introduced the eight-hour day in all my works with complete success, and I have never regretted it.

days of six hours or three days with two shifts of six hours each. All that is a matter of arrangement.

I put forward these suggestions only to make it perfectly clear that I am not endeavouring to present some hard-and-fast plan worked out in elaborate detail. What I am proposing does not pretend to be a rigid system. It is no more than a suggestion as a guiding principle, not an attempt to lay down the law. My object is to show the direction which we must take to extricate ourselves from the morass in which we are now embedded. The minor deviations in the path are not for the moment important.

It goes without saying, for instance, that the 1800-hour year would not be permanent. Nor am I concerned here with the question whether a reduction of hours of labour in this way is dependent on the acceptance of an agreement on a world scale, or on a European scale, or whether it would be possible for one nation working alone to adopt the six-hour day. Even the latter by itself might easily be better than the present state of affairs, and it may well be that in the first place the six-hour day will be introduced in certain occupations and not in others. What I maintain is that the principle of work for all must not be surrendered to the difficulties of detail which will be

raised against it. A reduction is necessary and a reduction is possible ! It must therefore be translated into fact.

2.

In addition to the moral necessity of providing employment for all, the purpose of reducing hours of labour is to increase purchasing power. This objective will be achieved by reason of the fact that all will be earning. The general purchasing power must be maintained and increased while the individual's purchasing power is expanded by lower prices. Whether in the future, *i.e.* on a six-hour shift basis, the same amount of wages will be paid as hitherto, does not seem to me the crucial question. A reduction in prices, if it is actually carried out, produces the same result ; it is the ratio of wage to price which matters. The decisive factor is the amount of wages actually paid out, after the deduction of taxes, in proportion to the cost of living.

In a state of affairs in which there is work for all, unemployment assistance disappears. If the sickness funds are carefully administered, it should be possible to reduce insurance premiums and other contributions ; indeed, it is possible to effect all kinds of economies, especially if the class-war idea is done away with. This question is dealt with later.

The expansion of purchasing power purely

through the raising of wages is only possible in certain special conditions. The price of a commodity is to a very large degree dependent upon wage rates, for wages make up a preponderating proportion of the cost of production. For instance, in the mining industry wages amount to half the cost of production, and in the case of finished products to at least a quarter of the cost of production.

We should bear in mind, however, that the so-called fixed costs and the value of such things as semi-finished products are also made up of wages to some extent. These fixed costs derive on the one hand from the maintenance of plant, mortgage costs, etc., and on the other hand from wages and salary payments—the so-called non-productive charges upon the industry together with administrative charges. Accordingly, the level of wages determines to a considerable extent the price of the article or commodity in question. It is necessary that this price be reduced, and you cannot expect to obtain a favourable ratio of purchasing power to price by the simple process of raising wages.

3.

Fortunately, there are methods other than reducing wages or cutting down the cost price.

One is a reduction of the sales costs, *i.e.* the money spent in conveying the article to the consumer. Another way is to improve the production organisation by means of cartels.

Let us deal first with production organisation. To-day to the cost of production is added an item for advertising, an expenditure which, regarded dispassionately, is so much waste. Is it really necessary that the consumer should be informed by neon signs or huge placards or advertisements in the newspapers that one particular brand of cigarette or razor blade is the best or the only right one? After all, in most cases it is not true, and publicity frequently leads the consumer astray. On the other hand, men being as they are and believing what they read rather than what their own independent judgment tells them, the producer of sound articles must necessarily do more in the way of bidding for clients than would really be necessary if a rational system of distribution existed.

There is also the factor of making it easy for the consumer to buy. There is nothing wrong with that in so far as any facilities that are forthcoming are really economic and not simply a waste of money. There surely is no need, for instance, for a tobacconist at every street corner. Austria

contrives to sell its tobacco through its monopoly establishments, and without any of the colossal amount of advertising of the German cigarette factories.

Again, the margin between the buying and selling prices of foodstuffs and provisions is far too great. A few big well-managed shops could certainly sell more cheaply, since naturally a shop with a quick turnover suffers far less from the deterioration of stock. I am quite sure that with better organisation retail prices could be reduced by some 15 per cent. That in itself would mean a saving to the worker of more than half of the amount by which his earnings would diminish if he worked a six-hours' instead of an eight-hours' day at the same rate.

4.

Another substantial fall in price could be brought about by a cartel organisation of individual trades. Instead of the cartel reaching an arrangement to raise prices, these cartels would be engaged in bringing prices down to the lowest possible figure. Instead of backward and un-economic enterprises being kept in being by means of the cartel, they would have to fix their prices so low that they could increase their sales to the

maximum. In this way, a process of natural selection could operate and the businesses that survived would be given the opportunity of utilising their plant to a much greater extent. It is when a business is working to capacity that it works most cheaply.

Naturally, such a cartel as I visualise must not set about introducing so-called guild socialism, which really means high wages for the workers, high profits for the employers, and all this at the expense of the consumer. One of the tasks of the cartel must be, however, to plan sales and continually to study the market. It must consider how far it can go in the direction of price reduction and still maintain itself. The various works must, from a factory point of view, be all the time in excellent trim, so as to be able to introduce every progressive method, and as I have said they must be kept running at full capacity. That also means vigilance on the part of the cartel to ensure that no new plant is set up unnecessarily or existing plant enlarged. It is a difficult task, but one which is very important and not to be overlooked. It is by means of the production of goods in the best equipped workshops that the goal will be reached, viz. *the production of goods corresponding to world demand at the lowest possible prices.*

5.

In order to make sure that the cartels do not neglect their duties, there must be some kind of supervision. It may be a permanent system of control, or it may simply operate when certain circumstances arise or by special request, for instance, of the buyer of semi-finished goods. I think I should enter a caveat, however, against any system of control by an equal number of employers and employees. The only thing it is necessary to bear in mind as a criterion is that the respective officials must have first-hand experience and knowledge. An official must always be independent. The actual details of the structure of this supervisory body must be left to be decided on the basis of practical experience. The methods of inquiry of the former Reich Economic Council or the system of the German tax assessment examiners may indicate the kind of system which might be appropriate. It may be that a special tribunal would be created to undertake an examination of the facts when a cartel fails to carry out the instructions of the supervisory body.

6.

Apart from those that I have already mentioned, there is still one other means of reducing

production costs. From the point of view of strict accountancy, this device may not appear to be of any great importance. In my view, however, its value should not be under-estimated. I refer to the question of the class struggle. The day when it is no longer necessary to consider the class war will see the removal of all manner of impediments from the production system. The perils of the strike need hardly be emphasised.

Now, the class struggle will gradually disappear through the very fact of reducing hours of labour. Reduction to the six-hour day would automatically remove the bitterness which used to exist, and to some extent still exists, between employees and employers. If, in addition, it is possible to pay the worker a decent wage, and if within a reasonable time there is a further reduction in hours of labour, then there will be no further reason for the combative spirit with which we are so familiar to-day. That "iron law of wages," the chief propaganda weapon in the armoury of Lassalle, is to-day quite out of date. Trade Union organisation in the last seventy years has achieved such successes that nobody will ever be able to say again that the capitalist is paying the worker no more than a bare subsistence wage, *i.e.* the amount sufficient to allow him to bring up the children

needed by capitalism to keep its machine in working order. On the contrary, one could say that Capital must have work for its machines to do, and that the necessary amount of work can only be forthcoming if the worker is paid an adequate amount to enable him to purchase the goods so produced. We have to consider what the position will be when machines come to need less and less management. Again, what will the employer do with his goods if all the time he is paying out a constantly diminishing amount in wages? Obviously, he could not utilise all the goods himself, and he needs must recognise that the worker and producer is also the consumer, and must be "nursed" as such. The employer is thus by no means an enemy of the worker. His problem is to keep his factories going and to find employment for his capital. He must do what he can to keep the world trade system working. In order to do so, he must maintain the highest standards, familiarise himself with the latest achievements of research and science, and contrive to make use of that knowledge in his own particular undertaking.

What is the purpose of the world trade system? It is to procure for the inhabitants of this earth the greatest possible degree of well-being. All the

attainments of the human mind should be at the disposal of our fellow-men in the greatest possible measure. In future, there will be no necessity for the employer to say to himself: "I must not pay my workers more than a certain amount." It is simply not in the interests of the employer to go on thinking in those terms. His whole endeavour must be rather to provide man with an ever-increasing supply of commodities and to find greater possibilities of keeping his fellow-men adequately employed. To be a business chief, a capitalist, is something that will offer an incentive only to a creative personality, and the more enjoyable the life of the worker becomes, the smaller will be the inducement to become a leader to those who have not the right qualities.

On the question of Capitalism *versus* Socialism, I would simply say this. The incentive to avoid hunger provides capitalism with a decisive weapon. He who does not work, neither shall he eat. That spur to effort will be lacking in the Socialist state. The man who is an official only possesses that amount of the sense of responsibility which his conscience or the law dictates. Some people are conscientious and public-spirited and some are not: perhaps most are not. As for our laws, they produce at best but mediocre officials. There

are, of course, some good and efficient officials. They will readily admit that Government-operated enterprises are not the highest form of economic activity. Neither, for that matter, is the present capitalist regime. With the Socialist State, however, it is bound to become much, much worse.

Granted that the Russian people is hardly the best suited to the running of a Socialist State, the fact remains that Stalin has organised State *Capitalism*. He knows the reason, and perhaps he realises already that his efforts are doomed to failure.

To sum up: the progress of technical science which is made possible by capitalism leads to the utmost possible appreciation of natural forces and natural laws. It makes the achievements of the human mind the public property of all. It leads to social peace. I have endeavoured to trace in broad outline a way out of the present economic morass. The task is enormous, and it is not my purpose to arouse false or premature hopes. But when we can create once more a situation in which confidence in the future exists, the task will be much easier. The civilised world has now recognised that things cannot be allowed to go on as hitherto. We may therefore hope that one day even the politicians will see reason.

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