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ECONOMIC DEVELOPMENT OF MODERN EUROPE



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ECONOMIC DEVELOPMENT OF MODERN EUROPE

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FROM THE PREFACE TO THE FIRST EDITION

It is the purpose of this book to indicate the origins, and to explain with some fullness the nature and effects, of a number of the more important economic changes and achievements in Europe during the past three hundred years. The vastness of the field has made necessary close calculation of proportions, and to the end that the volume might prove more than a sheer outline it has seemed desirable to adhere to three early decisions, which were arrived at with some reluctance: first, to deal with the developments of the sixteenth, seventeenth, and eighteenth centuries in only such aspects as seem essential to a reasonably clear comprehension of the transition from mediæval to later modern economy, leaving the major portion of available space to be occupied with somewhat detailed surveys of economic processes and actions in times nearer our own; second, to omit altogether some phases of economic history which are of large importance but of specially technical character, notably public finance; and, third, to restrict attention substantially to three leading countries, namely, the United Kingdom of Great Britain and Ireland, France, and Germany.

A further limitation—unanticipated, but now obvious and inescapable—requires a word of comment. In consequence of the blight of war which has fallen upon the European world while the preparation of the volume has been in progress, I am obliged to employ the past tense in writing about many things which, until August, 1914, I should have been able to speak of with confidence as matters of current reality. Economic and social conditions such as are here described are, at best, shifting and impossible to portray in set terms. They arise from the operation of complicated and often largely undiscoverable laws, and they are subject to modification by every passing circumstance. They remain fluid in even the most static eras of peace. It need hardly be observed, therefore, that in an epoch of titanic international conflict such as that through which Europe has been passing conditions of the kind

—in relation to industry, trade, agriculture, finance, education, social legislation, taxation, political tendencies, and what not—exhibit little stability, or none at all. One may be assured that the violent wrench to which, in the past two years, European social economy has been subjected will have large and lasting effect. Precisely what that effect will be, however, no man can predict, even when hostilities shall have ceased. In the present volume, accordingly, it is feasible to speak only of the economic and social situation as it has developed through some hundreds of years and as it was when the Great War began. No people ever cuts loose entirely from its past, and the presumption is that, in most of its fundamentals, the situation of 1914 will be revived and perpetuated. At all events, while no amount of knowledge of the conditions that lately have existed and of the forces which produced them will enable one to forecast with assurance the lines of European social reconstruction and growth during the coming quarter-century, full information upon these matters will, none the less, be indispensable to one who proposes to watch intelligently a series of public developments which promises to be more truly interesting, even though less dramatic, than the war itself, namely, the nations' recovery from the conflagration.

FREDERIC AUSTIN OGG.

Madison, Wisconsin,
December 3, 1916.

PREFACE TO THE REVISED EDITION

Completed when the World War had been under way only about two years, the original book naturally carried the story only to 1914, leaving any treatment of war-time conditions and problems to a future day. An economic order almost completely disrupted by the war and its aftermath has not even yet attained any great degree of stability. Nevertheless, the time seems to have come when the history of the outstanding economic phenomena of the decade can be profitably outlined; hence the six chapters with which the volume, in its new form, closes. There has been no attempt to hold these new chapters strictly to the lines followed in the earlier ones, either as to topics taken up or as to countries covered. The new world in which economic life is now lived has made it necessary, in writing them, to range considerably more widely, geographically and otherwise.

FREDERIC A. OGG,
WALTER R. SHARP.

University of Wisconsin,
October 16, 1925.

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ECONOMIC DEVELOPMENT OF MODERN EUROPE

PART I

MEDIÆVAL AND EARLY MODERN BACKGROUNDS

ECONOMIC DEVELOPMENT OF MODERN EUROPE

CHAPTER I

LAND AND PEOPLE

Introductory Considerations. It is sufficiently obvious that if one would have a correct understanding of the European world as it was before the last great scourge of war swept over it, and of the processes by which, in the nearer past, it had been made what it was, one must know with some thoroughness the conditions prevailing in it in earlier, and even remote, epochs. In the present volume it is proposed to describe European development, in certain of its economic and social aspects only, from earlier modern times to the present day. Within this stretch of three or four centuries it is planned, however, to devote attention principally to the last hundred and fifty years. From the fifteenth century to the second half of the eighteenth, economic and social changes were distinctly less wide and deep than in a number of other periods of European history, notably the era of the later Roman Empire and the Germanic invasions, that of the rise and spread of feudal institutions, and, most clearly of all, that of the growth of nineteenth-century industrialism. Speaking broadly, it is since 1750—largely, indeed, since 1800—that Europe has ceased, in matters of economic organisation and social polity, to be mediæval. And it is this transition from the mediæval to the modern that must first occupy our attention. To establish a point of departure, it will be sufficient to review rapidly some outstanding facts concerning the physical and populational bases of modern European development. Next, in a brief series of chapters will be outlined the salient features of economic and social history from the later Middle Ages to the era of the French Revolution and of Napoleon. And thus with little delay we may come to the transformations and achievements of later days with which we propose to deal in greater detail.

The preliminary matters which most merit attention are two: (1) the physical adaptation of the European continent to the needs of an advanced society; and (2) the growth and distribution of European populations prior to the close of the eighteenth century.

The Physical Basis: Area and Relief. Except Australia, Europe is the smallest of the half-dozen principal divisions of the earth's surface which are commonly designated continents. Geographically it is only an appendage of the vast Asian land area, and historically it has been essentially an outlying territory occupied by peoples of Asiatic origin, a semi-detached region in which have been developed splendid "occidental" civilisations, whose roots, none the less, run back to the institutions, thought, and life of Asia. The total extent of the western continent can be stated only somewhat inexactly. There remains to-day no portion which is unexplored, or at all events unmeasured. But—to take no account of changes going on continuously in various places from advances and recessions of the coast-line—geographers are not agreed as to precisely the lands to be regarded as included in, and those to be regarded as lying outside of, Europe. There is difference of opinion concerning several islands in the Atlantic and the Mediterranean. And on the east and southeast, where Russia officially recognises the crest of the Urals and of the Caucasus as her European limits,[1] it has been found that, in the case of the Urals especially, no continuous crest can be marked out and that no exact boundary can be determined. Figures employed to designate the area of the continent vary, therefore, from 3,570,000 square miles to 4,093,000 square miles, or even more, depending on the regions taken into the reckoning.[2] On the basis of the lower figure mentioned, the area of Europe is considerably less than one-half of that of North America, less than one-third of that of Africa, and not much more than one-fifth of that of Asia. It exceeds the area of Australia by only 623,000 square miles.

A glance at a relief map will impress the fact that while the

[1] The boundaries of the Russian administrative divisions, however, have commonly borne no relation to these hypothetical lines.

[2] The lower of the figures mentioned is arrived at by including the territories to the main line of the Urals in the north and to the Manych depression (north of the Caucasus) on the southeast, including the Sea of Azov, but excluding the Caspian Steppe, the islands in the Sea of Marmora, Iceland, Novaya Zemlya, Spitzbergen, Bear Island, the Azores, the Canaries, and the Madeiras. Behm and Wagner, *Bevölkerung der Erde* (Gotha, 1891), No. VIII, 53.

eastern half of the continent consists chiefly of a great plain, the western half is composed of alternating level stretches and hilly and mountainous districts. The highland portions fall into two principal groups: (1) the "connected" areas, stretching from the Iberian peninsula eastward to the Black Sea, and including principally the great Iberian table-land, the Cantabrian and Pyrenees mountains, the Vosges, the Alps, and the Carpathians; and (2) the "detached" areas, which, half encircling the continent, include Iceland, the highlands of the British Isles, the Scandinavian highlands, the Urals, the Yaila range in the Crimea, and the Mediterranean islands. It is of large climatic significance that, speaking broadly, the highlands are so situated as to permit the penetration of warm westerly winds far to the east; and it is of much historical importance that the various mountain systems not only are separated somewhat from one another, but are themselves so notched by passes and intersected by valleys that they can be traversed with a facility not usual where such altitudes are involved. The great northern and eastern plain, in the broadest sense, contains an area of 2,660,000 square miles, which, with the Hungarian and Italian plains (with areas of 38,000 and 21,000 square miles respectively), gives an aggregate of lowlands amounting to 2,719,000 square miles, or approximately three-fourths of the entire continental area.[1]

Adaptation to an Advanced Civilisation. Aside from this marked preponderance of level land, the advantages possessed by Europe as a seat of an advanced civilisation are, in the main, three: (1) temperateness of climate; (2) irregular coast-lines and abundant river systems; and (3) fertility of soil and richness and variety of products. In the matter of climate the fundamental fact is that, while the continent extends northward beyond the Arctic Circle, its southernmost extremity (on the mainland) falls 13½ degrees north of the Tropic of Cancer, so that by far the largest portion of it is located in those latitudes which history has shown to be most favourable for the development of human capacity, inventiveness, and taste. The situation is made yet more favourable by the circumstance that the continent lies open toward the west, with great inland seas penetrating from the Atlantic to both

[1] The area of the Scandinavian highlands is 190,000 square miles; that of the Urals, 127,000; that of the Alps, 85,000; that of the Carpathians, 72,000; that of the Apennines. 42,500; and that of the Pyrenees, 21,500.

the north and the south of the land mass, and with mountain ranges running predominantly east and west, so that the waters warmed by the Gulf Stream and the balmy winds which blow off them become effective in moderating the temperature of large regions which otherwise would be excessively cold. To northern France, Germany, the Low Countries, and southern Scandinavia the prevailing southwesterly winds bring not only an unfailing rainfall but a higher winter temperature, even far inland, than can be found in corresponding latitudes in any other part of the world.

A second general advantage which Europe presents is that arising from the brokenness of the continent's coasts and the abundance of its inland waterways. The total length of the coast-line has been computed with varying results; but in proportion to the area enclosed it is far in excess of that of any other continent.[1] It has been ascertained that the mean distance of all points in the interior from the sea is but 209 miles; and one has only to call to mind Riga, Danzig, Lübeck, Kiel, Amsterdam, Boulogne, Cherbourg, Southampton, Liverpool, Lisbon, Gibraltar, Marseilles, Genoa, Naples, Venice, Triest, Constantinople, and scores of other cities situated on excellent harbours to be impressed with the opportunities which exist for the development of navigation and of sea-borne trade. Many of the best harbours are estuaries, or in any case the outlets of great rivers—a fact which adds materially to the value of both the harbours and the river systems. In only a few relatively restricted portions of the continent is the rainfall inadequate, and the rivers are both numerous and of good size. The most important groups of streams are (1) the rivers of Russia flowing into the Caspian and Black seas, chiefly the Volga, the Dneiper, and the Don; (2) the German rivers emptying into the Baltic, principally the Vistula, the Elbe, the Weser, and (although not wholly a German river) the Rhine: (3) the French rivers flowing westward and southward, namely, the Seine, the Loire, the Garonne, and the Rhone; (4) the westward-flowing Iberian streams, mainly the Duero, the Tagus, the Guadiana, and the Guadalquivir; (5) the Po system in northern Italy, and (6) the Danube system in the center and southeast.

[1] Estimates vary according as all indentations or only larger ones are taken into account; also according as various islands are or are not included. The estimate of Réclus was 26,700 miles: that of Strelbitsky, 47,790.

Speaking broadly, Europe is lacking in great areas which are conspicuous by reason of possessing resources of some particular kind in exceptional quantities. The coal deposits of England and Germany are by no means as extensive as those of certain American states or of China. The vast wheat-growing areas of southern Russia are exceeded by similar areas in the American Northwest and in Argentina. On the other hand, the general level of productiveness of Europe is high. Aside from the territories lying within, or near, the Arctic Circle, and the districts which are too mountainous to be utilised for cultivation, grazing, or lumbering, the areas which neither contribute nor can be made to contribute to human needs are few and small. There is little or no desert country. Wheat, which to-day is one of the two principal bread-plants of Europe (rye being the other), can be cultivated from the Mediterranean northward to latitude 69°, both in Norway and in Finland. Rye, barley, and oats are cultivated profitably yet much farther north. Potatoes, spelt, hops, flax, hemp, and maize can be grown widely, while from the upper Rhine country southward tobacco, grapes, olives, oranges, lemons, and figs are, in large regions, staple products. The Scandinavian countries, Germany, and portions of France, Hungary, and Russia are rich in forest resources. Coal abounds in Great Britain, Germany, France, and Belgium; iron in Germany, Great Britain, Sweden, France, Spain, and Russia; nickel in Germany, Norway, and Sweden; copper in Spain, Portugal, Italy, and Germany; lead in Germany, Spain, and Italy; potash salts in Germany; and sulphur in Italy. Possession of these and other mineral resources in more or less generous quantities has rendered the scarcity of silver, and especially of gold, a disadvantage of comparatively slight moment.

Nature of Early Statistics of Population. Two of the most remarkable phenomena of modern times have been the growth of the population of the civilised world and the increase of the proportion of this population dwelling in towns and cities. Both are phenomena distinctively of the last century and a quarter; and their more notable aspects will be described in a subsequent chapter.[1] To the end, however, that the human basis of economic activity in the sixteenth, seventeenth, and eighteenth centuries may be borne in mind, it is desirable at this point to take account

[1] Chap. XVI.

of certain facts concerning the population of the European world within the earlier period.

In the first place, it is to be observed that exact statistics, or even close approximations, of population development prior to the opening of the nineteenth century are not available. Enumeration of population for military or fiscal purposes was a familiar device among the early Hebrews, the Chinese, and the Egyptians. And at Rome the *census* was an established institution, dating (according to legend) from Servius Tullius; although statistics of population, being subordinated to data concerning property-holding and other matters of fiscal interest, continued, even under the Empire, to be meager and comparatively valueless. Such inquiries as were instituted in the Middle Ages, notably those involved in the preparation of Charlemagne's *Breviary* and the *Domesday Book* of William the Conqueror, took but incidental account of population; and it was only in the seventeenth century that any European state began systematically to gather and preserve population records. In 1670 Colbert extended to the rural communes of France a system of registration of births and deaths which for some time had been operative in Paris. And in 1686 the Swedish government made compulsory the keeping of parish records of births, deaths, and marriages, hitherto undertaken voluntarily by the clergy, and extended the scope of these records so as to cover the entire domiciled population of every parish. Although capable of being employed in arriving at estimates possessing some value, data obtained in these ways afforded, obviously, no exact information regarding aggregate numbers, or even rates of increase.

The idea of a special enumeration covering the entire population of a country at a given time took hold slowly, and proposals looking to a series of enumerations at regular intervals gained little support prior to the nineteenth century. The first census in modern times was taken in Sweden in 1749. Finland followed in 1750, Austria in 1754, Norway in 1769, and Hungary in 1784. In all cases, however, enumeration was not complete and results were untrustworthy. In England there was felt, early in the century, a need of more precise information concerning the extent and growth of population, as well as other matters of statistical character. But when, in 1753, a private member introduced in the House of Commons a bill to provide for an annual enumeration of inhabitants

and of the persons in receipt of parochial relief, the measure was opposed as "subversive of the last remains of English liberty," as likely to bring on some public misfortune or "an epidemical distemper," and as tending to disclose to France and other rivals the country's weakness in fighting material. The bill passed the Commons, but was thrown out by the House of Lords.

It remained for the United States, under the requirement of the clause of the Federal Constitution prescribing that representatives in the lower branch of Congress, together with direct taxes, shall be apportioned among the states according to numbers, to make the earliest provision (in 1790) for a general, periodic enumeration of inhabitants. As the eighteenth century drew toward a close the statesmen of several European countries were impressed afresh with the desirability of comprehensive and exact enumerations, and in 1801, in Great Britain and France, were taken the earliest of European censuses whose results were reasonably reliable. Gradually—and especially under the influence of the example of the United States—the notion of the impracticability of an enumeration of a country's population was dispelled. In England at least, powerful influence to the same end was exerted by the publication, in 1798, of Malthus's memorable *Essay on the Principle of Population as it Affects the Future Improvement of Society.* In this book it was maintained, with much plausibility of argument, that population inevitably tends to increase more rapidly than the means of subsistence, and that in a given society this process goes on until the rate of increase is checked by vice and misery, or by fear of them. Malthus was fundamentally right, though at the time many took him to be a mere alarmist. The announcement of his theory, however, marked the beginning of the modern study of the problems of population and fixed, indeed, a boundary between two eras of thought upon the question.[1] More immediately, it aroused Englishmen to the need of fuller information upon the condition of their country, and especially to the need of exact populational statistics as a means of judging from time to time the relations between population growth and the basis of the nation's existence. A further circumstance by which the English and other

[1] The original purpose of Malthus was to demonstrate that the current doctrine of the perfectibility of society was unsound, for the reason that it ignored the indefinite continuance of misery arising from the operation of the law above mentioned. The *Essay* appeared in amplified form in 1803 and passed through four further editions within the author's lifetime.

European peoples were influenced to make provision for periodic censuses was the gradual extension of the representative principle in government, involving somewhat more exact apportionment of parliamentary seats to population. This consideration assumed importance only in the nineteenth century; but it was largely responsible for the inauguration, mainly between 1830 and 1870, of scientific census-taking in a number of countries.

During the eighteenth century there were, in France and elsewhere, numerous unofficial computations of population, on the basis chiefly of births and deaths. But no one of them was, or could be, accurate, because the registration of births and deaths was far from complete, and because there was lacking one element absolutely essential to a reliable computation, i.e., exact information concerning the number of people at the date from which the calculations began. One of the most ingenious series of estimates was that worked out for France by the mathematician Laplace (1749-1827). Securing a count of the inhabitants of certain scattered districts, and obtaining also the annual number of registered births in these districts and in the country, Laplace obtained a ratio between births and population which he applied to the whole of the kingdom. He was confident that his estimates were not in error by more than a half-million. The earliest census demonstrated, however, that his estimate of 28,352,845 in 1802 was too low by more than two millions, or nine per cent. of the total.[1]

Estimated European Populations Prior to the Nineteenth Century. Under these conditions, figures purporting to indicate the populations of various countries prior to the nineteenth century must represent sheer guesses. The estimates of certain later economists, as well as of contemporaries, have been intelligently and painstakingly made; but they remain estimates. Certain general facts, however, are clear. The first is that the rate of population growth throughout the Middle Ages was very low. In the era of Charlemagne the territories to-day included in France had, apparently, a population of hardly more than eight millions. Five centuries later the population of these same regions seems to have been not more than twelve millions. At the opening of the fourteenth century the population of the countries now included in the German republic was under eleven millions. Two hundred years later it had not changed perceptibly. Varying interpretations of

[1] *Amer. Econ. Rev.*, Mar., 1915, Supplement, 164.

the data recorded in the *Domesday Book* have yielded widely differing estimates of the population of England in the earlier Middle Age; but a figure frequently given for the close of the eleventh century is a million and a half. Statistics recorded in connection with the levy of a poll tax in 1377 have been made the basis of an estimate of two to two and one-half millions for the close of the fourteenth century; although there is room for much difference of opinion as to the extent to which the effects of the Black Death of 1348-49 were still in evidence at that time.

The reasons for slowness of growth, or sheer stationariness, under mediæval conditions are not difficult to discover. One is the unproductiveness of agriculture, the scantiness of the food supply, and the recurrence of famine. Another is the frequency of pestilence. A third is the decimation wrought by war. A fourth is the generally prevailing unsanitary conditions of living, together with the backwardness of remedial and preventive medicine. A fifth, less obvious yet well substantiated, is the common postponement of marriage (especially among the artisan classes) until middle life. By an extraordinarily high death-rate the birth-rate, even where also conspicuously high, was apt to be largely or completely offset. From the sixteenth century the growth of population proceeded somewhat more rapidly. The change is especially perceptible in England and France, notwithstanding the fact that both countries continued to be involved in frequent wars. By 1700 the population of England and Wales was five and one-half millions and that of France twenty millions. On the other hand, the increase in Italy was slight, and in Germany there was little or none. The Thirty Years' War reduced the population of the last-mentioned country by upwards of half, and only after 1700 did substantial recovery begin.

In the eighteenth century the growth of population, throughout Europe as a whole, proceeded with much irregularity. In most countries the decreases suffered by famine, pestilence, and war continued to counterbalance largely, or entirely, the accessions by birth and immigration; while in emigration to colonies and other outlying lands there had arisen a comparatively new and highly important form of populational loss. In France it was questioned whether there was any increase at all, and Mirabeau insisted that on account of the decadence of agriculture and the increase of

luxury there was an actual decrease.[1] In Great Britain the situation was more favourable. There, as appears from estimates presented in parliamentary reports of the first census years, 1801 and 1811, the population, between 1700 and 1800 had almost doubled.[2] If the eighteenth-century population of no one country can be exactly ascertained, obviously no reliable figure for the whole of the continent can be arrived at. In 1741 J. P. Süssmilch, the leading statist of the century, ventured the opinion that the total population of the Europe of his day was 150,000,000. His calculations showed 130,000,000, and to this figure he added 20,000,000 to cover possible omissions. Twenty years later, by making no allowance for omissions, he reduced his estimate to 130,000,000. It is the view of a leading American statistician of to-day that Süssmilch's estimates of population in southern and western Europe were much too low and that his estimates of Russian, Polish and Lithuanian populations were much too high, but that the total which was arrived at was erroneous by only some three millions—in short, that the true population of Europe about 1750 was 127,000,000.[3] In most countries the rate of increase was distinctly higher in the second half of the century than in the first, the principal reasons being the gradual improvement of sanitary conditions and the increased production of certain kinds of food-

[1] On the other hand, Necker, in his *De l'Administration des finances*, published in 1781, estimated the number of births at 1,000,000, and of deaths at 818,000, a year.

[2] *Population (in thousands)*

Year	*England and Wales*	*Scotland*	*Total*
1700	5,475	1,048	6,523
1710	5,240	1,270	6,510
1720	5,565	1,390	6,955
1730	5,796	1,309	7,105
1740	6,064	1,222	7,286
1750	6,467	1,403	7,870
1760	6,736	1,363	8,099
1770	7,428	1,434	8,862
1780	7,953	1,458	9,411
1785	8,016	1,475	9,491
1790	8,675	1,567	10,242
1795	9,055	1,669	10,724
1801	9,163	1,647	10,810

This table will be found in P. Colquhoun, *Treatise on the Wealth, Power, and Resources of the British Empire* (London, 1814), 10. The figures for 1801 represent the results of the first census. Those of preceding years, being calculated from records of births, marriages, and deaths, are conjectural. The first Irish census was taken in 1813.

[3] W. F. Willcox, *The Expansion of Europe in Population*, in *Amer. Econ. Rev.*, Dec., 1915, 741.

stuffs. It is to be observed, further, that throughout the century the growth of population was viewed by princes and economists alike as a thing strongly to be desired. Frederick the Great sought to stimulate the multiplication of his people. The English Parliament repeatedly undertook to restrain the emigration of artisans; and in 1797—a year before the publication of Malthus's book—Pitt introduced a bill which would have provided a reward for heads of large families. Only after Malthus had been heard did population growth begin to be viewed in some quarters with doubt, and even fear.

Urban and Rural Populations. Prior to the nineteenth century, European populations were largely rural and immobile. The republics of ancient Greece were city states, and the Roman world was organised on a basis which was fundamentally municipal. The Greek and Roman "city," however, comprised not only one or more thickly settled centers but also stretches, more or less extensive, of surrounding country; and the mass of the population lived either as scattered country-folk or in small villages. In the later centuries of the Roman Empire cities assumed a high degree of importance and city life made wide appeal. But with the collapse of the Empire in the West and the occupation of Gaul, Britain, Spain, and Italy by Germanic peoples, Europe entered upon an epoch of distinctively rural organisation and life which lasted well throughout the Middle Ages. Only gradually, from the eleventh and twelfth centuries, and first in Italy and France, did towns again assume importance and draw to themselves new and larger elements of the population, the growth of trade and industry appearing both as cause and as effect. Town life in the thirteenth and fourteenth centuries was vigorous. Yet the population of even the most thriving centers was not large. Records upon the subject are scant, and such as exist are of dubious value. But of only two cities can it be affirmed with confidence that their population at any time during the Middle Ages exceeded one hundred thousand. These are Paris and Constantinople. It is not improbable, although impossible of demonstration, that London attained the figure named. But of mediæval cities having, in their best days, populations of even forty thousand to sixty thousand, there cannot have been more than fifteen or twenty, among them being Milan, Florence, Genoa, Cologne, Bruges, Ghent, and Lübeck. The great majority of towns—including many which have large economic and

historical importance—never, in mediæval times, attained a population of ten thousand.

Throughout the earlier modern age urban growth proceeded irregularly, and, on the whole, slowly; and in the eighteenth century cities in all countries were few and comparatively small. In Germany, as in most continental states, there was alternately expansion and retrogression; and Süssmilch, far from being able to discern any established laws underlying the urban phenomena of his day, contented himself with ascribing them to the "will of God."[1] In France, on the other hand, it was generally believed that the towns were growing at the expense of the rural districts, and already there was heard complaint of the "depopulation of the open country." In his *Lettres Persanes*, published in 1721, Montesquieu affirmed that there were living on the land only one-tenth as many people as in ancient times and predicted that, should present tendencies continue, within six centuries the country districts would be left entirely without inhabitants.[2] That the movement which was deprecated was proceeding only very slowly is indicated by a document presented by Calonne to the Assembly of Notables in 1787, showing that there were in France only seventy-nine cities having a population of 10,000 or more and that the estimated aggregate population of the seventy-nine was but 1,949,911. Paris, leading the list with 600,000, was followed by Lyons with 135,000, Marseilles with 90,000, and Bordeaux with 76,000. In consequence of changes in industry and agriculture, the growth of urban populations in Great Britain was accelerated considerably after 1750.[3] The population of London, which increased from 674,350 in 1700 to only 676,250 in 1750, rose by 1801 to 900,000. Edinburgh at the last-mentioned date had a population of 102,987, Glasgow of 100,749, Manchester, Liverpool, Birmingham, and Bristol contained each from seventy-five thousand to one hundred thousand people. Yet, even in this land of most advanced industry, the proportion of urban dwellers was small. In a word, the eighteenth century witnessed the beginning of a new and highly important population movement—a movement in two phases, the one external, involving increased emigration to colonies and other

[1] *Göttliche Ordnung*, 2nd ed., II., 477-478.

[2] Lettre CXII. On French population movements in the eighteenth century see Legoyt, *Du progrès des agglomerations urbaines et l'émigration rurale* (Marseilles, 1870), 8 ff.

[3] See Chap. VII.

outlying lands, the other internal, taking the form of a drift from the country to the town. But it was not itself a notable era of population shifting on either of these lines.

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CHAPTER II

AGRARIAN FOUNDATIONS

The Mediæval Manor. The history of agrarian organisation in western Europe since the opening of the Christian era falls into three great stages, which may be described as the servile, the manorial, and the contractual. Exact chronological delimitation is impossible, for even within the bounds of a single country these stages overlap by very wide margins. Speaking broadly, however, the servile stage comprises the era of the Roman Empire and is marked by a rural economy involving ownership of the soil by great proprietors and cultivation mainly by slaves; the manorial stage includes large portions of the Middle Ages and is distinguished by a quasi-feudal type of agrarian organisation, involving ownership by feudal lords and cultivation by persons neither slave nor free but of status varying widely between the two conditions; and the contractual stage comprises the modern era, characterised in a degree by the increased number of proprietors but mainly by the full establishment of agrarian relationships upon the basis of voluntary contract. The methods of agriculture and the conditions of the agricultural population in all western countries at the present day have been determined fundamentally by the changes involved in the transition from the second to the third of these stages, i.e., by the break-up of the manorial system.

Upon the origins of the manor historians are sharply disagreed. One school maintains that the essential features of the institution arose in the Roman Empire and were merely perpetuated, or at the most revived, in the Middle Ages; and it is possible to discover many striking resemblances between the English or French manor of the eleventh century and the *fundus*, or great estate—and yet more the *saltus*, or great estate with a special jurisdictional character—of fifth-century Italy, Spain, and Gaul. But an opposing school believes the manor to be Teutonic and to have arisen spontaneously in the various countries occupied by German peoples. in consequence of local, although widely similar, social and eco-

nomic tendencies.[1] For mediæval history the issue is one of prime importance, because it involves the question whether the development of the earlier centuries was, for the mass of the people, from serfdom toward freedom or from freedom toward legal and economic dependency. For modern history, however, the matter is of only secondary interest; for the circumstances under which, within modern times, the manorial system was outgrown and supplanted were influenced in no important way by the system's remoter origins. It may be noted, in a word, that the preponderating view nowadays is that the manor arose in mediæval countries (and especially in England) independently; and, further, that, whatever its origins in any particular locality, the institution, under one designation or another appears not only in England, France, Germany, Italy, and Spain, but also in Russia, the Ottoman Empire, India, and Japan, suggesting that it marks a distinctive and more or less inevitable stage in the evolution of economically progressing lands.

The manor, which was the economic unit and the social cell of the Middle Ages, was an estate owned by a lord and occupied by a community of dependent cultivators. The proprietorship of the lord was acquired by feudal grant, by purchase, by usurpation, by commendation, or in some other way; while the tenants were the descendants of owners or occupiers of lands drawn under the lord's control, of persons who had become permanently indebted to the lord, or of settlers who had sought the lord's favour and protection. Throughout the Middle Ages practically all lands belonged to some manor, and until after commerce, industry, and town life had acquired fresh importance in the twelfth and thirteenth centuries, almost the whole of the population was manorial.

Manorial Organisation: the Open-Field System. Speaking broadly, the cardinal features of the manor were everywhere and at all times the same. The inhabitants dwelt, not apart in isolated farm-houses, but in a "nucleated" village, consisting of huts grouped about the parish church and the manor-house of the proprietor.[2] Attached to the manor-house, which might be occupied by the proprietor himself or by a steward, was usually a court-

[1] The evidence is freshly reviewed in Lipson, *Introduction to the Economic History of England* (London, 1915), Chap. 1. Cf. H. de B. Gibbins, *Industry in England* (London, 1896), 47-56.

[2] In the Celtic hamlets of western England, however, the people lived in houses scattered over the country-side.

yard, surrounded by buildings for brewing, cooking, and general farm purposes; and at some distance, situated if possible on a stream, was a mill. The houses of the tenants were likely to be thatch-roofed, one-roomed, cheerless, and closely adjoined by stables and granaries. From the village stretched in all directions the open fields, the cultivated portions lying nearest, with the meadows and waste-land beyond. The most characteristic feature of agriculture in the Middle Ages, and one which persisted in some regions until the nineteenth century, was the open-field system. Not only were the holdings of different persons on the manor not fenced off from one another; there were no durable enclosures at all. Growing crops were protected by rudely constructed barriers, as were the meadows during the weeks while the hay was maturing. But after harvest the hedges were removed, the cattle were turned in to graze, and the arable land was treated as common waste or pasture. In the lack of scientific schemes of crop rotation and of fertilisation it was not feasible to cultivate a piece of ground uninterruptedly year after year. Hence there had been devised, very early, the "two-field" and the "three-field" systems. Under the two-field system the arable land of the manor was divided into two large tracts, each to be cultivated in alternate years. Under the three-field system the arable land was divided into three parts, two being cultivated and one lying fallow every year. Of the cultivated fields under the latter arrangement, one was planted ordinarily with wheat, rye, or other crops sowed in the fall and harvested the next summer and the other with oats, barley, peas, or other crops planted in the spring and harvested in the fall. By rotating the three fields, each was given an opportunity every third year to recuperate. Although not so widely prevalent as at one time was supposed, the three-field system was probably the more common.[1]

A further important feature of the open-field system was the division of the cultivated plots into strips for assignment to the tenants. The origins of this practice are obscure, and several con-

[1] That the two-field arrangement was commonest in England was affirmed a half-century ago by J. E. T. Rogers, in *History of Agriculture and Prices* (London, 1866), I, 15. The soundness of this view has been demonstrated with reasonable conclusiveness in H. L. Gray, *English Field Systems* (Cambridge, 1915). For drawings illustrating three-field arrangements in various parts of England see G. Slater, *The English Peasantry and the Enclosure of Common Fields* (London, 1907).

flicting theories respecting them have been advanced. There is no need to assume that they were everywhere the same. The basis of the strip system seems very generally to have been, however, the desire to ensure equity of allótment. Fields were likely not to be uniform in fertility and ease of cultivation, and their minute division into strips was calculated to prevent the more desirable areas from being monopolised by favoured or fortunate persons.[1] In large portions of England the strips were arranged to be forty rods, or a furlong (i.e., a "furrow-long," or the normal length of a furrow), in length and four rods in width, giving an area of one acre.[2] Strips two rods wide contained a half-acre and one rod wide a "rood," or quarter-acre. The strips were separated by narrow belts of unploughed turf, or simply by little ridges, which might be marked also with stones. The ridged surface of the fields in many districts to-day bears testimony to the employment of these primitive division lines, or "balks." On the continent arrangements varied in detail, but the strip system was universal. An arable field was thus made up of any number of blocks of strips set at right angles or inclined one to another, presenting the checkered and variegated appearance of a patchwork quilt.

Manorial Organisation: Holdings and Tenants. To every land-holding inhabitant of the manor was assigned a number of the strips, not contiguous, but lying in different fields, and frequently in different parts of the same field. In very early times the strips were re-assigned every year or at other stated intervals. But before the Middle Age was far advanced such re-distribution generally ceased, and throughout the great era of manorial organisation a tenant retained his holdings from year to year and, indeed, transmitted them to his sons. With respect to the aggregate extent of a tenant's holdings there was no approach, even on the same manor, to uniformity. But it has been shown that in England the number of acres in a *virgate,* i.e., the scattered strips

[1] This consideration was re-enforced by the invention among the Germanic peoples, at an unknown time, of a plough that could turn a furrow. The earliest plough was only an adaptation of a pointed stick, which broke sod but did not turn a furrow. With its use, cross-ploughing was necessary; and this called for square plots. The Romans never improved upon the plough of this primitive type. When, however, in the early Middle Ages, there was introduced a plough so constructed that it could cut under the turf and turn a furrow, cross-ploughing ceased to be necessary and long furrows in a single direction with few turnings of the heavy implement became highly desirable.

[2] The length of the rod varied somewhat according to local usage, but the commonest figure was that prescribed by statute, i.e., 16½ feet.

cultivated by one man or by two or three men in common, was more often thirty than any other.

On every manor were meadows sufficient to produce the supply of hay required for the sustenance of the live-stock through the winter months. Sometimes these lay in a block; sometimes they comprised two or more tracts interspersed with the cultivated fields. In England they continued throughout the Middle Ages to be divided into strips, which, unlike the strips of arable, were commonly re-allotted every year. In continental countries practice varied. In any case the meadows, after the hay was mown, were thrown open for common use as pasture, as were the cultivated areas after the crops were harvested. Beyond the arable and meadow lands lay stretches of pasture and woodland, denominated "the waste" and, under varying restrictions, open at all times for the use of the manor's inhabitants. It is to be observed that even in the utilisation of the arable lands the element of communalism entered prominently. The average tenant was not equipped with oxen and implements to cultivate his acres singlehandedly, and accordingly the principal agricultural operations, especially ploughing and hauling, were likely to be carried on by co-operative effort. There was, however, no sharing of the produce. Considerable portions of the manor—sometimes half, or even more—were reserved for the immediate use of the proprietor. These were designated the *demesne,* and besides strips of arable, either contiguous or scattered, they included, as a rule, much of the meadow and pasture land and frequently all of the woods, reserving, however, to the tenantry certain rights of use therein. The cultivation and care of the demesne constituted one of the primary obligations of the tenants, and it was from its produce principally that the lord and his family were fed and clothed.[1]

The proprietor of the manor was usually a knight, a count or duke, a bishop or abbot, or even a king; and proprietors of higher station usually possessed many manors, often widely scattered. A manor was ordinarily part of a fief, although a small fief might consist of a single manor. From the proprietor upwards and outwards, relations were feudal; that is, they involved obligations and rights pertaining to lords and vassals. But from the proprietor

[1] Sometimes only a small portion of the demesne was in scattered strips. See F. G. Davenport, *Economic Development of a Norfolk Manor* (Cambridge, 1906), 26.

downwards, relations were manorial, presenting indeed certain analogies to feudal relations, yet not feudal. The status of the mass of the inhabitants of the manor is impossible to define in fixed terms, because it was determined commonly by custom rather than by statute, because it varied enormously in any given country at any given time, and because as the Middle Ages progressed it underwent, in all parts of western Europe, sweeping and permanent changes. Certain great facts, however, can be stated briefly. The first of them is that, speaking broadly, the manorial populations of the earlier Middle Ages consisted of serfs. These serfs were not slaves; for in the era of the collapse of the Roman Empire in the West slavery as an institution had well-nigh disappeared. The serf could not be bought and sold in the open market. He was not a chattel, but a person. Nevertheless he was not a free man. He passed with the land when it changed hands; he was restricted in his rights of holding and alienating property and in freedom of marriage; and he owed numerous specific obligations to the lord of the manor upon which he lived. Among these obligations were included commonly (1) the *corvée,* which was manual labour on the demesne, in varying amounts but frequently aggregating half of the peasant's working time; (2) financial dues, taking the form of a capitation (or poll) tax, of the *taille,* or impost levied on moveables, or of a relief paid on inheriting rights on the manor; and (3) observance of the privileges accruing to the lord from the *banalité,* or monopoly of mills, ovens, wine-presses, and weights and measures.[1]

Advantages and Disadvantages of the Manor. Under mediæval conditions, the manorial type of rural organisation possessed certain distinct advantages. It enabled masses of men who otherwise could have acquired no interest in the soil to become settled occupiers of land and to attain a degree of economic independence. In an age of violence it assured a certain amount of physical protection. It contributed to the maintenance of standards of tillage and afforded opportunity for thrift to find its reward. It fully embodied the corporate, or co-operative, principle upon which mediæval society was based.[2] The manor was a compactly organ-

[1] C. Seignobos, *The Feudal Régime* (New York, 1904), 9-21; P. Vinogradoff, *Agricultural Services,* in *Econ. Jour.,* Sept., 1900; Lipson, *Introduction to the Economic History of England,* 33-39.

[2] On the self-sufficiency of the manor see W. J. Ashley, *Introduction to English Economic History and Theory* (4th ed., London, 1913), I., 33-43.

ised, economically self-sufficing, and socially independent unit. Defects, however, are obvious. The acquisition of land by small proprietors was rendered difficult. The dealings of the lord, or of his steward or bailiff, with the tenants were likely to be arbitrary and harsh. The scattered character of the holdings involved waste of the cultivator's time and effort. The lack of permanent fences tempted to trespassing and produced much quarrelling. The rotation of crops, the time of ploughing and sowing, the use of meadow and pasture, the erection and removal of hedges, and the maintenance of roads and paths were determined entirely by the community, on the basis usually of rigid custom, and the individual enjoyed little or no freedom of initiative. Experimentation was almost impossible.

In consequence, largely, of the restraints which have been mentioned, agriculture continued throughout the Middle Ages to be extremely crude. It is doubtful, indeed, whether prior to the eighteenth century the soil was cultivated again in any considerable portions of Europe with either the science or the practical skill which were common in rural husbandry in the best days of the Roman Empire. Large stretches of land, notably in Germany and eastern France, were covered with forests or swamps, and clearing and drainage were intermittent and largely ineffective. Crops were few, seed varieties were unimproved, methods of cultivation were antiquated, agricultural machinery was of the simplest sort, and the product, small at best, was ever liable to unanticipated shortage in consequence of flood, drought, or other natural visitation. Under the most favourable circumstances the yield of wheat and rye in England was but eight or nine bushels per acre, whereas the average to-day is thirty. Potatoes were unknown, and all root crops were rare; fresh vegetables were grown only sparingly; clover and other improved grasses were yet to be introduced. By reason of the smallness and uncertainty of the agricultural product, as well as in consequence of the lack of means of transportation of bulky commodities over considerable distances, a large proportion of the population of all countries continually faced possible want, and even starvation. Rural life, in general, was monotonous, and often miserable. Houses were small and ill-kept, food was unpalatable, labour was incessant under every sort of climatic condition, impetus to enterprise and opportunity for betterment were meager.

Decline of Serfdom in England. In the later Middle Ages and earlier modern times the agrarian system which has been described underwent widespread modification; and in order that agricultural developments in the nineteenth century may be intelligible it is necessary that some account be taken of these remoter changes in at least three principal countries, i.e., England, France, and Germany. In England the fundamental fact is the break-up of the manorial system and the rise of a scheme of agrarian organisation based on the personal freedom of the labourer and the more widely diffused proprietorship of land. Discernible in the transformation are two main factors: (1) the disappearance of serfdom and (2) the rise of new methods of using the land, involving, among other things, the alienation of the demesne. In the thirteenth century the bulk of the population of England was unfree. Slaves had risen, generally, to the rank of serfs; but freemen in large numbers had been depressed to this same rank, chiefly by adverse economic circumstance. Among the serfs were wide differences of rights, obligations, and legal status.[1] The "villeins" were accorded larger holdings of land than the "cottars," and their rights at law were better established, although their obligations were heavier. But, in general, the theory of the servile relation was no less harsh in England than in continental countries.

After the thirteenth century serfdom began slowly to decline. The fundamental cause was the outgrowing of a system adapted only to a smaller population, to less diversified agriculture, and to times of disorder. The factors which contributed were numerous. One of the earliest was the conversion of arbitrary exactions, whether in produce or in labour, into fixed obligations, to the end that the peasant might be relieved of excessive requirements and might have the advantage of knowing in advance what would be demanded of him. A second was the commutation of services and of dues in kind for money rents. This was of mutual convenience to lord and tenant. With the money so obtained the lord could employ wage labour, thereby gaining increased flexibility and efficiency in his agricultural operations; while the tenant, freed from the requirement of labour on the demesne and no longer obliged to utilise his surplus products in meeting his dues, was enabled to devote his energies entirely to his own acres and to dispose of his grain, chickens, and pigs wherever he could do so

[1] For a useful summary see Lipson, *Economic History of England*, 30-46.

most advantageously. Commutation, beginning in the thirteenth century, proceeded slowly and irregularly, on the basis of much close bargaining. But it was accelerated by the growth of a class of free labourers and by the increased circulation of money, and after the fourteenth century it became a cardinal fact in the economic situation in every important portion of the kingdom. Under its operation the position of the peasant tended to be assimilated to that of a modern rent-payer. The commuted payments, once fixed, rested upon solemn contract, and in later times were rarely changed, even after the decline in the purchasing power of money in the sixteenth century threw the advantages of the arrangement entirely to the peasants. Inevitably, although by no clear design, the essentially manorial relationship was dissolved, and serfs became free tenants, able if they so desired to withdraw from the manor altogether.

It is to be observed, further, that large numbers of serfs gained freedom by manumission. Some were liberated through philanthropic or religious considerations. But usually the favour was one which had to be paid for, and impetus to unremitting industry on the part of servile tenants was frequently supplied by the ambition to accumulate money wherewith to purchase personal liberty. In great numbers of instances serfs were permitted to leave the manor on the condition that the rights of the proprietor over them be recognised through the payment of a nominal poll-tax. In theory such persons were yet serfs and might be recalled to the manor. In practice, however, few were ever recalled; the burdensome collection of the tax was gradually abandoned; and in this manner, without formal act of legislation, many serfs became entirely free. A final mode of liberation, very common in the fourteenth and fifteenth centuries, was flight to a distant manor or to a town. In the second half of the fourteenth century the readjustment was accelerated—although in no sense originated—by the economic unsettlement incident to the Black Death in 1348-50, the enactment of the successive Statutes of Labourers (beginning in 1351), and the Peasants' Rebellion in 1381.[1]

[1] G. T. Warner, *Landmarks in English Industrial History* (London, 1899), 95-115; H. de B. Gibbins, *Industry in England* (London, 1896), 149-179; E. P. Cheyney, *Industrial and Social History of England*, 99-125; A. Jessopp, *The Black Death in East Anglia*, in *The Coming of the Friars* (London, 1889), 166-261; B. H. Putnam, *The Enforcement of the Statutes of Labourers during the First Decade after the Black Death*, 1349-1359, in *Columbia Univ.*

In the fifteenth century the mass of the English rural population clearly emerged from the servile status, and in the sixteenth century serfdom ceased to have any practical importance; although a survey undertaken in 1607 brought to light scattered individuals who were serfs, and there are on record occasional emancipations at somewhat later dates. At no time was the institution formally abolished, by either a general act or a series of local acts; and the great mass of the peasantry gained final relief from manorial dues and obligations, not by any sort of legal or other formal action, but in consequence of the simple discontinuance of the enforcement of rights and claims which had become valueless or obsolete. "With their labour services commuted to money and the other conditions of their villainage no longer enforced, they [the former serfs] became an indistinguishable part either of the yeomanry or of the body of agricultural labourers." [1]

Abandonment of Demesne Farming. A second important factor in the break-up of the manorial system was a series of changes which took place in the internal economy of the manor, involving principally the alienation of the demesne, the growth of large holdings, and the enclosure of the common lands. During the earlier Middle Ages the demesne was the central feature of the manor. Its cultivation was carried on by the lord, under the immediate management usually of a bailiff and with the labour owed by the serfs, and the lord's profits consisted mainly in the products drawn from it for consumption or for sale. It has been pointed out that in the thirteenth and fourteenth centuries the commutation of services for money rents, together with the rise of a class of free wage-earners, brought it about that much of the labour on the demesne lands was performed by hired workmen. The Black Death, however, carried off approximately half of the population, with the consequence that labour became scarce and wages, already rising for a generation, were increased by fifty per cent. In the Statutes of Labourers attempt was made to regulate

Studies in Hist., Economics, and Public Law, XXXII (1908); C. Oman, *The Great Revolt of 1381* (Oxford, 1906); G. M. Trevelyan, *England in the Age of Wycliffe* (new ed., London, 1909); F. A. Gasquet, *The Black Death of 1348 and 1349* (2nd ed., London, 1908).

[1] Cheyney, *Industrial and Social History* (rev. ed., 1920), 113. See H. L. Gray, *Yeoman Farming in Oxfordshire from the Sixteenth Century to the Nineteenth*, in *Quar. Jour. Econ.*, Feb., 1910. An excellent brief account of the break-up of the manor in England is R. E. Prothero, *English Farming, Past and Present* (London, 1912), 31-54.

the labour supply and to keep wages at earlier levels. But the legislation was largely ineffective, and the landlords found it impossible to derive from the small money rentals paid by the customary tenants on their estates funds sufficient for the hire of such labour as was required on the demesne. Commutation had deprived the landlord of compulsory labour; the rise of wages had made it impracticable for him to employ hired labour; in a word, the mediæval manorial organisation of labour had broken down.[1]

The consequence was that the landlords gradually abandoned demesne farming and the demesne lands were leased to tenants. Leasing of demesne land was by no means unknown in earlier times, but in the fourteenth and fifteenth centuries the practice became general. To attract tenants, seed-corn and stock were commonly supplied by the proprietor; although eventually the "stock-and-land" system was supplanted by the modern arrangement under which the proprietor furnishes only the land and buildings, while the tenant supplies the stock and capital. At all events, the tenants were likely to be in a more favourable position than the lord to carry on the cultivation of the lands, for "with the assistance of their households they could provide a large amount of the labour, they were spared the cost of maintaining a staff of manorial officials, and, seeking immediate returns on their outlay, they were able to reduce the expenses of farming."[2] So far as feasible, the demesne was rented to a single tenant as one large farm. But it was often necessary to divide it among a number of tenants. In distinction from the non-demesne tenants, whose tenure was by freehold, copyhold, or tenure at will, the demesne tenants were leaseholders for fixed terms of years. Clinging to the idea that their food-supply should be derived from the demesne, the proprietors frequently required, until as late as the seventeenth century, that the rentals of demesne tenants be paid in produce. But by the changes that have been mentioned the character of the manor was profoundly altered. The proprietor became a landlord of the modern type, living mainly or wholly from money rentals. Having given up demesne farming, he hastened to commute any remaining labour dues of his customary tenants for money payments. By one process or another the great bulk of the cultivators

[1] The process is fully described in R. H. Tawney, *The Agrarian Problem in the Sixteenth Century* (London, 1912), Part I.

[2] Lipson, *Economic History of England*, 102.

of the soil became tenants at a money rent. And from these free renting farmers,[1] together with the smaller freeholders, was developed the industrious and substantial "yeoman" class.

A further consequence of the abandonment of demesne farming was growth of inequality of holdings. In its earlier form the manorial system not only facilitated the acquisition of land by large numbers of persons but operated to maintain substantial equality of holdings. Until the thirteenth century the typical holding in England was the "yardland" of thirty acres. And so long as the lord of the manor looked to the labour dues of his tenants for the cultivation of the demesne there was strong disposition to preserve an essential parity of obligations, and hence of holdings. With the reconstruction of manorial economy in the fourteenth and fifteenth centuries (especially after the Black Death), however, the force of custom was weakened and the regularity of existing arrangements was destroyed. Under the new order it mattered little to the proprietor whether his money rentals were paid in small amounts by many persons or in large amounts by few; indeed, the second alternative offered some advantages. As a rule the demesne lands were so leased as to constitute holdings of exceptional size; while industrious and thrifty tenants were permitted, and even encouraged, to add to their holdings at will. The consequence was that there arose marked inequality of holdings, with the general effect of concentrating the land in fewer hands and of laying the foundations for the capitalistic type of farming which emerged in the seventeenth and eighteenth centuries.[2]

The Beginnings of Enclosure. The term "enclosure" is employed to designate four different processes converging in the disintegration of the open-field system and the emancipation of the individual agriculturist from community control. They are (1) the consolidation of scattered strips into compact properties of arable land, set off by permanent hedges; (2) the conversion of arable into pasture; (3) the concentration of holdings, i.e., "engrossing"; and (4) the occupation of the waste, diminishing or terminating rights in common.[3] The defects of the open-field

[1] The term "farmer" was originally employed to designate a tenant who held land for which there was paid a *firma*, or "farm," i.e., a fixed amount.

[2] See Chap. VI. Cf. Tawney, *The Agrarian Problem in the Sixteenth Century*, 200-213.

[3] Lipson, *Economic History of England*, 118. Cf. W. Hasbach, *History of the English Agricultural Labourer* (London, 1908), 365-368.

system, with its scattered tenancies, its joint labour, and its compulsory rotation of crops, were early recognized, and from the thirteenth century proprietors were consolidating their demesne lands, while tenants stood ready to seize any opportunity to surrender their scattered strips for compact holdings which could be enclosed and operated independently. In the fourteenth and fifteenth centuries enclosure of arable ground progressed rapidly, with results which at the time were deemed beneficial.

Of different character was the form of enclosure involving the conversion of arable into pasture. This also began as early as the thirteenth century, although it assumed importance only two hundred years later. Its impetus was supplied almost wholly by the growth of sheep-raising, which in turn was caused in part by increased demand for wool in the industrial centers of Flanders and other continental countries and in part by the rise of woollen manufacturing in England. Under the industrial conditions which have been described sheep-raising possessed a number of advantages over arable farming. It required fewer hands, so that high wages constituted a less serious obstacle; it afforded superior opportunity for capitalistic enterprise; and wool, unlike foodstuffs, was easily transported and always salable. Consequently, after the thirteenth century there were widespread readjustments, designed to fit the manor for the growing industry. What these readjustments involved was, in the main, the laying out of fields which could be permanently fenced as "sheep-walks." Sometimes this was undertaken by the proprietor of the manor, sometimes by a richer or more ambitious tenant—often by a tenant on the old demesne. Sometimes it involved only the enclosure of open pastures, meadows, and waste; but more frequently it involved, as well, the consolidation of large numbers of the arable strips. Even in the former case much injury was inflicted upon the tenantry, because the common rights in the pasture and waste were a traditional and more or less indispensable element in the tenant's scheme of subsistence. In the latter case the readjustment was certain to be ruinous, for the required land could be had only by the partial or complete eviction of some of the villagers. Tenants who lost their holdings were commonly the newer settlers on the manor or persons whose tenure was for other reasons specially insecure. Once dispossessed, they became landless wage-earners, and not infrequently were reduced to destitution and vagabondage.

Legislation of enclosure began in the first half of the thirteenth century. The Statute of Merton, ratified by a parliament convoked by Henry III in 1235, recognised the lord's right to occupy waste land provided he left a sufficient amount of pasture for his free tenants;[1] and the right was confirmed in the Statute of Westminster in 1285. For a century the attitude of the state was not unfavourable, and legislation was but moderately restrictive. The continued spread and the direful consequences of the practice, however, aroused strong feeling, and eventually the government was led to intervene with all of the force which it could bring to bear. In the sixteenth century the movement was especially deprecated and resisted. During the reign of Henry VIII, Sir Thomas More wrote about it disapprovingly in his *Utopia*. In a court sermon of 1549, Bishop Latimer lamented that "wher as have bene a great many of householders and inhabitantes, there is now but a shepherd and his dogge." And in a dozen or more contemporaneous pamphlets which are extant the practice was denounced with vehemence. Throughout the Tudor period there were repeated attempts to impose restraint. In 1489 a statute was enacted prohibiting the conversion of arable land into pasture. In 1514 the measure was re-enacted and strengthened, and three years later a commission was set up by Wolsey to make a study of the subject.[2] In 1548 another investigating commission was appointed, and in 1552, 1554, 1562, and 1598 fresh legislation was enacted. The current of agrarian change, however, was too powerful to be stemmed, and the efforts of the government were largely ineffective. In 1624 all the laws upon the subject were repealed. In no small degree, the increase of poverty, disorder, and crime which led to the enactment of the Elizabethan Poor Law of 1601 is traceable to the social dislocation incident to the widespread enclosures of the preceding century.[3] In the seventeenth century enclosures were fewer, partly because of the reclamation of vast tracts of fen and marsh and partly because the capacity of the wool market had been reached. The number continued to be small

[1] Bland, Brown, and Tawney, *British Economic History, Select Documents*, 87-88.

[2] *Ibid.*, 262-264.

[3] On many occasions during the century popular disapproval of enclosure found expression in rioting and destruction of hedges. The most notable were the Pilgrimage of Grace in 1536, the rising under Kett in Norfolk in 1549, and an insurrection in Buckinghamshire in 1552. J. Clayton, *Leaders of the People; Studies in Democratic History* (London, 1910).

in the first half of the eighteenth century; although it is to be observed that in 1710 there was instituted a new method of enclosure, i.e., enclosure under special act of Parliament rather than by simple private action, which was destined greatly to facilitate the progress of the movement.

English Tenures in the Sixteenth and Seventeenth Centuries. The conditions under which land was held in England in early modern times were complicated and widely varied. The first fact which appears is that under the common law there was, as indeed there is to-day, strictly no absolute private ownership of the soil. Since the Norman Conquest the ultimate owner of all land has been the crown, and the highest interest in land which can be acquired by a subject, i.e., an estate in fee simple, is only a tenancy. In this sense all landholders, therefore, were, as they remain, tenants.[1] Having, however, impressed this fact, it will be proper to continue to employ the terms "proprietor" and "tenant" after the manner of common usage. Among classes of landholders in the period under survey there were, then, first, the proprietors, or freeholders. In scattered districts aggregating upwards of one-half of the total area of the kingdom, and being regions in which the manorial system had never flourished, the land was possessed outright by such freeholders, sometimes in large tracts, but as a rule in comparatively small parcels. The manor, taken as a whole, may be regarded also as a freehold, the "property" of its proprietor. As a result of the developments which have been recounted, however, there had arisen on the manor at least three principal forms of tenure. These were freehold, leasehold, and copyhold.[2] Of the three, freehold was the most secure and the most favoured, although not until late the most prevalent. The freeholders of the manor were tenants who, in a variety of ways, had come into a position in which they were protected by the common law from eviction, confiscation or forced purchase of holdings, arbitrary fines, and other exactions. Enclosure affected them only in so far as they voluntarily exchanged and consolidated their strips or sold

[1] "By English law the king is the supreme owner or lord paramount of every parcel of land in the realm. English law then recognises property in, but not absolute ownership of, land: the most absolute property in land that a subject can have is but an estate. . . . In law a landholder's estate is his interest in the land of which he is a tenant." J. Williams, *Law of Real Property* (19th ed., London, 1901).

[2] For full description see Tawney, *The Agrarian Problem in the Sixteenth Century*, 281-312.

them to a proprietor who was seeking to extend his pastures. The leaseholders were persons to whom, after the abandonment of demesne farming, the lord leased the demesne land, together, frequently, with holdings which had escheated and land reclaimed from waste. Leases were sometimes for a term of years, sometimes for one or more generations, and sometimes at the lord's will. Except under the last-mentioned condition, tenure was substantially secure. Enclosure was much promoted, however, by the eviction of leaseholders at the expiration of indentures, as well as by arbitrary eviction in cases where the protection of a fixed term was lacking.

To be distinguished from the freeholders with their permanently secure tenure on the one hand, and the leaseholders with their temporarily secure tenure on the other, were the copyholders. This class of tenants originally held by simple custom, i.e., the custom of the manor, which existed only in the form of oral tradition. At times of emancipation and of commutation of services, however, the altered arrangements were very generally set down in writing, becoming a matter of record in the "roll" of the manor. The copy of this record which was given him became the tenant's evidence of his status and rights. Just as in earlier times the custom of the manor conformed to no general law, so the conditions of copyhold tenure displayed wide variation, even in a single locality, and hence cannot be described in general terms. Many kinds of copyhold, indeed, sometimes existed on the same manor. Concerning the security of copyhold tenure there has been wide difference of opinion. Two facts, however, are fairly clear. The first is that originally the copyholder was protected by little save the good faith of the lord. The second is that eventually he was extended very substantial protection at law. Legal protection came first from the equity courts, beginning as early as the fourteenth century.[1] But gradually, after the fifteenth century, the common law courts assumed jurisdiction, and during the reign of Elizabeth the manorial law was very largely absorbed in the common law, so that thereafter the copyholder's rights were fully enforceable by judicial process. In the earlier stages of the enclosure movement copyholders were dispossessed with impunity. After legal protection was acquired eviction was more difficult. There remained,

[1] A. Savine, *Copyhold Cases in the Early Chancery Proceedings*, in *Eng. Hist. Rev.*, Apr., 1902.

however, many expedients whereby holders could be deprived of their land. One was resumption of occupation by the lord at the expiration of the term of a grant. Another was declaration of forfeiture for mismanagement, for unlicensed cutting of trees or mining of coal, or for other real or pretended reasons. In the confused state of the law there was endless opportunity for arbitrary interpretations and acts, and open browbeating and violence were by no means rare. At the close of the sixteenth century, and for a long time after, the courts were clogged with copyhold cases. Much copyhold land went to swell the areas enclosed for sheep pasture. Nevertheless, the incorporation of the manorial law in the common law, and its partial enforcement through the courts, considerably impeded the process, with the result that a large class of small holders was able to survive through several centuries.

Serfdom in France. In France and Germany agrarian conditions during the Middle Ages and in earlier modern times differed even more widely from region to region than in England. France, from the agrarian point of view, fell into two main parts, separated by the Loire River; and the northern half of the country was readily divisible into eastern and western sections. The northeast was the region in which feudalism took deepest and most lasting hold, and there it was that the manorial system, with its nucleated village and its open fields, most widely prevailed. In the northwest the situation was exceptionally confused. In Normandy the development of a powerful ducal authority imposed a check upon feudalism, without perceptibly curtailing the organisation of agriculture upon a manorial basis. But in Brittany, where feudalism was weak, where the nobles were notoriously poor, and where the Celtic custom of divided inheritance persisted, manorial arrangements were less general. South of the Loire neither feudalism nor the manorial system predominated; although feudalism existed, and in places, as the vicinity of Bordeaux, the open-field type of agrarian economy was common.

Where the manorial system prevailed the peasantry consisted principally of serfs; although even within a single community the members of this class showed wide variation of status. Serfdom was most general in the northeast, and it was there that, until the Revolution of 1789, peasant conditions continued to be most unfavourable. The obligations of the serfs to their lords were many,

and in most instances they were highly burdensome. Among the seigniorial rights were included the *taille*, the *corvée*, the *banalité*, *gîte* (or entertainment), and even limited military service. As late as the thirteenth century the serf was commonly regarded as a chattel, although he was likely to be sold only in connection with the land to which he was attached. Not later than the century mentioned, however, emancipation began to work important changes. As in England, commutation of labour dues for money payments contributed to the peasant's liberation, and, also as in England, many serfs gained freedom by flight. In the main, however, it was emancipation at the hands of the lords that, between the thirteenth and fifteenth centuries, raised the great serf class to a status of substantial freedom.[1] The motives underlying the practice have been variously interpreted. It has been asserted that they were based on considerations of piety or of humanitarianism. Without doubt they were so founded in some instances. But contemporary evidence goes to show that in the great majority of cases serfs were emancipated for reasons of a practical, economic nature. One such reason was the desire for a more productive system of agriculture.[2] Another was the desire to hold the serfs on the domains, it being realised by the lords that this could be accomplished only by improving the peasant status. It was always a matter of no great difficulty for a serf who considered himself ill-treated, or who aspired to be independent, to lose himself in the maze of estates, towns, and privileged districts which composed the French kingdom in the later Middle Ages. A yet more important cause of emancipation, however, was the seigneurs' need of money. After the twelfth century luxury grew, crusades and other enterprises demanded heavy outlays, and the expenditures of the feudal classes were augmented in many other ways. In this situation the seigneurs were likely to be not unwilling, especially at times of emergency, to strike bargains with their serfs whereby freedom was conferred in return for immediate or continuing money payments. Emancipation proceeded not only on the estates of the lay nobility and on the lands belonging to the Church, but also on the holdings of the crown. The last serfs on the royal domain were freed by proclamation in 1315, during the reign of

[1] Scattered instances of emancipation appear as early as the sixth and seventh centuries.

[2] Doniol, *Serfs et vilains au Moyen Age*, 137.

Louis X[1]; although the terms of the decree were not fully carried out at the time, but only by stages through the next forty years.

French Agrarian Conditions in the Eighteenth Century. Through the emancipation of the serfs and the gradual dissolution of the manorial system French agrarian conditions underwent general change. In the first place, the mass of the peasantry became legally free. It is estimated that at the accession of Louis XVI, in 1774, the number of persons in the kingdom who were in law more or less unfree did not exceed 1,500,000, and the number was further reduced before the outbreak of the Revolution. In the second place, a considerable proportion of the peasants became landholders. What this proportion was cannot be ascertained with exactness. But there is evidence that two-fifths of the soil of France in 1789 belonged to the so-called Third Estate—which means, very largely, to the peasantry. Certain it is that in the eighteenth century the quantity of land owned and occupied by the peasantry was steadily tending to be increased, and there are reasons for thinking that immediately before the Revolution France held, in reality, a hardly less notable position among the nations by reason of the quantity of her petty proprietorships than she holds in our own day. The finance minister Necker says that in France in his time there was "an immensity of small rural properties."[2] It is true that most of the small proprietors had obtained their land, not by clear purchase, but by agreement to render to the former owner perpetually certain rent-charges, and that, these obligations being as a rule rigidly enforced, the land-owning peasant was still subject in 1789 to exactions at the hand of some great proprietor of his community. Yet by writers who have sought to portray the social and economic condition of France on the eve of the Revolution the number, independence, and relative well-being of this element of the country's population have been commonly underestimated. Of the great mass of free non-landowning peasants it may be said that a substantial majority (especially south of the Loire) were *métayers*, i.e., tenants on the estates of the crown, the nobles, and the clergy, while some were

[1] *Ordonnances des rois de France*, I., 583.

[2] Attention was first directed in an authoritative manner to this aspect of the pre-Revolutionary situation by Alexis de Tocqueville in his *State of Society in France before the Revolution of 1789*, Bk. II., Chap. I.

simple hired labourers.[1] The status of such serfs as remained was similar to that of their ancestors of earlier centuries.

Aside from readjustments involved in the break-up of some of the manors and the growth of small proprietorships, the technique of French agriculture underwent slight modification until within the past seventy-five years. This fact has been well stated by a French writer, as follows: "A peasant of the thirteenth century, could he have returned to a farm in Normandy at the middle of the nineteenth century before the introduction of agricultural machinery, would have been only mildly surprised at what he saw. In his day farming was carried on already with horses as well as with oxen. The plough which he used was in no way different from our wooden implements of modern times. His flail and his farming apparatus were the equals of those which one still sees in our country. The goodly barns of modern farms would have recalled to him those of his lord. In the fields he would have observed a certain decrease in cereals, flax, hemp, peas, and the disappearance of tinctorial plants and largely of vines; but on the other hand he would have seen with astonishment the culture of field-cabbage and of *sainfoin*, especially the decrease of fallow-land, the development of meadows, and the opening of ways of communication. And finally he would have found cattle less numerous than in the thirteenth century when, on account of the abundant pasture lands, they were found in droves everywhere and constituted the principal source of wealth of the peasant. All in all, the conditions of rural life would not have been found changed in any considerable degree." [2]

Agrarian Germany: Southwest and Northwest. In Germany, as in France, agrarian development in mediæval and earlier modern times was essentially regional. The three portions of the country chiefly to be differentiated are (1) the Southwest, (2) the Northwest, and (3) the East. For many centuries the Southwest—including the important modern states of Bavaria, Baden, and Württemberg—was peculiarly notable by reason of the confused social and economic conditions prevailing in it. In the late Middle Ages serfdom was widely prevalent, and the number and variety

[1] Métayage was a tenure based on the principle of "farming on shares," such as has long been prevalent in northern Italy. King and Okey, *Italy To-day*, 168-175.

[2] M. Coville, in Lavisse, *Histoire de France*, IV, Pt. I, 21. See also A. Joubert. *La vie agricole dans le Haut-Maine au XIV^e siècle*, 39 ff.

of local laws and customs operating to convert freemen, willingly or unwillingly, into serfs was extraordinary. From an early time, moreover, the land was held in smaller quantities than in most parts of Europe, and the overlapping of jurisdictions was such that a peasant not infrequently owed duties, payments, and services simultaneously to as many as a half-dozen different proprietors. During the fifteenth and sixteenth centuries many forms of service were commuted for money payments, while certain dues (as the "marriage due" in Bavaria) were abolished. And serfdom itself entered upon decline. There was much emancipation, commonly for a pecuniary consideration and resembling emancipation in other countries. The complexities of prevailing arrangements, especially the splitting of dues and services among many superiors, afforded constant opportunity to escape such obligations altogether. Many men sought and gained freedom in order that they might enter the ranks of the clergy. And after the middle of the sixteenth century large numbers became free through the efforts of the greater lords to bring to an end the intolerable system of scattered rights, to concentrate their landed possessions, and even to expel serfs upon whom other persons had claims.[1] The Thirty Years' War hastened the several processes of liberation, and after 1650, speaking broadly, serfdom survived only in scattered communities. Not until the last quarter of the eighteenth century, however, was the institution formally abolished in any state. Such action was taken first in Baden, in 1783, and last in Hohenzollern-Sigmaringen, in 1833. The cardinal fact is that the effort to concentrate the land in larger holdings was only moderately successful and that by one mode or another most of the soil passed, in small pieces, into the ownership of peasants. In this way the Southwest became, like France but unlike the remainder of Germany, a country of small proprietors. It is to-day the principal field of peasant political influence in the Republic.

In the Northwest—comprising Lower Saxony, Westphalia, and adjacent territories—matters took a different course. Here, in districts at one time comprising portions of the great Frankish Empire, there developed early a form of tenure known as *meier-*

[1] The Peasants' Revolt of 1525 served to air the grievances of the peasantry of this portion of the country. It, however, was inspired only partially by conditions of an economic character, and it produced no clear economic results. C. W. C. Oman, *The German Peasant War of 1525*, in *Eng. Hist. Rev.*, Jan., 1890.

recht, which was a life lease of a large estate peopled and cultivated by serfs. For a variety of reasons (one of them being the traditions of Frankish administration), the land was never broken up as in the Southwest, and the large-estate system was at all times prevalent. Serfdom, furthermore, early disappeared, and without necessity of formal abolishment. As early as the fourteenth century the serfs were very generally emancipated. The landlords thereupon consolidated the servile holdings in larger farms and turned them over as leaseholds to enterprising peasants who had accumulated the capital necessary for the operation of such farms, while the mass of the peasantry became hired labourers.

Agrarian Germany: East. The capital fact in early agrarian development east of the Elbe is the withdrawal of Germanic population from the region during the era of the great migrations, together with the contemporaneous occupation of the country by Slavs. It is probably this circumstance principally that prevented the institution of serfdom from gaining, in the Middle Ages, a hold comparable with that acquired in more western lands. For, in the course of the long-continued colonising movement whereby, from the ninth and tenth centuries onwards, the East was reoccupied by people of Germanic stock it was necessary to offer to settlers inducements in the form not only of land but also of personal and economic liberty. Many of the colonists were, indeed, western serfs who were attracted by the opportunity for freedom. There were at all times traces of serfdom in the eastern lands; and it is not improbable that at certain stages considerable portions of the subject Slavic population were actually, if not legally, of servile status. By the fifteenth century, however, the mass of the people, both German and Slav, were free. They paid rents to the great proprietors who owned most of the soil, and they were heavily burdened with public obligations, especially the contribution of military supplies. But they owed the proprietors no menial services; they were free to marry and to leave the estates on which they had been reared; and they commonly possessed their pieces of ground on these estates by hereditary right, on the analogy of the English copyhold.

But in this case the triumph of serfdom was only delayed. As conditions in the country became more settled the knightly class turned to farming, with the result that there arose an intense rivalry for land, prompting the newer and more ambitious pro-

prietors to resort to every sort of effort to deprive the peasants of their holdings and to consolidate their own growing estates. Harsh customs were developed whereby the peasants could be compelled to sell their rights and holdings could be declared forfeit on slight pretext. Great numbers of holdings were absorbed in the demesne lands; others were leased afresh, on harder terms. Under the altered conditions the peasant population found itself shorn of most of its earlier rights and immunities and bound hand and foot to the lords, owing them not only rents but dues and services approximating those owed by a tenth-century serf of France or England. Until the Thirty Years' War, the services which were owed were commonly fixed in amount by custom. But during the upheaval caused by that prolonged conflict protection arising from this source generally disappeared; indeed, "household services" of the peasants' children, formerly paid for, were thereafter required without compensation. When the peasants undertook to gain freedom by going to the towns, the law was invoked, with much effect, to prevent their doing so. In short, by 1700 the mass of the former free men of eastern Germany proper, together with Silesia, Livonia, and Esthonia, had been depressed to a status of abject serfdom.[1] In the first half of the eighteenth century peasants were not infrequently bought and sold independently of the land. From an early point in that century the Prussian government sought to secure for the peasantry some measure of relief. Decrees were promulgated with the purpose of encouraging emancipation, and toward the close of the century most of the serfs on the crown estates were liberated. Throughout the country generally, however, the government's measures had slight effect, and serfdom continued to flourish until 1807, when, during the great era of Prussian reconstruction following the defeats of Jena and Auerstadt, the institution was finally and totally abolished.[2] To the present day the eastern territories have continued to be a region of great estates cultivated by hired labourers and interspersed with only an occasional small holding.

[1] A corresponding development, under conditions approximately similar, was in progress in Russia.

[2] See p. 105.

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CHAPTER III

INDUSTRY BEFORE THE RISE OF THE FACTORY SYSTEM

Beginnings of Mediæval Industry. Since the early Middle Ages Europe has known three principal types of industry, each predominant throughout a prolonged but ill-defined epoch. The first is the handicraft type, closely associated with the craft gild, and prevailing almost universally until the fifteenth century. The second is the domestic type, which, introducing industrial capitalism, was prevalent, notably in England and Germany, in the seventeenth and eighteenth centuries. The third is the factory type, which, first arising on a considerable scale in England during the second half of the eighteenth century, gained ascendancy in France in the second quarter and in Germany in the third quarter of the nineteenth century. Some aspects of the first two of these types will be surveyed at this point. The transition from the domestic system to the factory system, together with the character and effects of the newer order, will be described subsequently.[1]

The industry of the early Middle Ages was scant and simple. The decay of towns and the general ruralisation of life brought an end, largely, to such forms of manufacture as, in the more advanced portions of the Roman Empire, had assumed importance. Trade declined, and communities became self-supporting, so that, speaking broadly, there was no reason to produce more foodstuffs and manufactured commodities than could be locally consumed. Industry was itself ruralised; and the manor became the seat of most of such manufacturing operations as were carried on. The lord's mill, bake-house, wine-press, and brewery were utilised in the preparation of food and drink. Clothing, furniture, candles, and other useful articles were manufactured from materials locally produced. Implements were made and kept in repair by a village smith. Tinkers, itinerant or attached to the manor, helped meet needs as they arose. Prior to the twelfth century industry was

[1] See Chaps. VI, IX, X.

largely servile, although thereafter it rapidly acquired a status of freedom.

The growth of industry in volume, in independence, and in organisation in the later Middle Ages is inextricably bound up with the development of commerce and with the revival of towns and town-life. The three movements set in in the eleventh century and proceeded at an accelerating rate throughout two or three hundred years. The Crusades supplied impetus; yet industry, trade, and town-life alike developed fundamentally in response to deep-seated economic conditions which the Crusades did not produce. These conditions included the growth of population, the increase of wealth, the larger demand for manufactures incident to an improving standard of living, and the social flexibility created by the emancipation of the serfs and the gradual break-up, in many regions, of the manorial system. Slowly, as ancient towns regained prosperity and new ones sprang up, an important urban element was detached from the rural masses. And this new element was industrial or commercial, or both. To the development of industry and commerce alike the growth of towns was essential. It was necessary that people concerned in enterprises of these types be brought together and that they acquire, by corporate action, freedom to move about, to hold property, to effect new kinds of organisation, and even to control local taxation and justice. In Italy and Germany, where strong central government was lacking, these rights were early and easily obtained. In England and France, where the power of the crown was considerable, they were obtained more slowly and with greater difficulty, commonly through charters granted by lords or by the king. In all western countries the town, with its free industrial and trading population, became one of the prime contributions of the Middle Ages to modern times.[1]

General Aspects of Mediæval Industry. Certain general characteristics of industry in the Middle Ages can only be mentioned. The first is the universality, until late, of the handicraft system. The processes of manufacture were few and simple, and such machinery as was utilised was crude and inexpensive. Steam-

[1] On the growth of towns see Lipson, *Economic History of England*, 163-196; G. T. Warner, *Landmarks in English Industrial History* (London, 1899), 45-61; W. J. Ashley, *Introduction to English Economic History and Theory* (4th ed., London, 1913), II, 5-55; *ibid.*, *Surveys, Historic and Economic* (London, 1900), 167-212; F. W. Tickner, *Social and Industrial History of England* (London, 1915), 42-57.

power, of course, was unknown, and water-power was but rarely employed. Articles of all kinds were literally hand-made. The term "handicraft" denotes, however, a form of industry not only based on hand-labour, but devoid of a capitalistic element. In most industries hand-work continued to be employed exclusively until the eighteenth and nineteenth centuries. But, as will be explained, the injection of capitalism, beginning as early as the fourteenth century, caused the handicraft *system* to be widely superseded, in early modern times, by a new form of organisation, the domestic system.[1] A second fact is that under the handicraft system the family, or the family re-enforced by a very small number of helpers, was the unit of industrial organisation. Economic and social conditions made small, household industry inevitable. The tradition of the economic separateness of the family group was broken down only slowly and with difficulty, as capital gradually undertook the re-building of industry upon the modern principle of concentration. A third fact is that the raw materials of manufacture were obtained, in the main, close at hand. The forests yielded wood and wax, the gardens dyes, the farms grain, hides, and horns. Metals and oils were sometimes obtainable near by, although more often they were not; while cotton, silk, fur, and frequently wool were to be had only by importation from considerable distances.

A further feature of mediæval industry was the division of labour along lines which were longitudinal rather than transverse. Crafts were essentially separate one from another, and in each craft the individual group of workers carried the work of manufacture through all of the required stages, from the acquisition of the raw material to the placing of the product on the market. Furthermore, in industry as in agriculture, the productivity of labour was low. No fair comparison between mediæval hand labour and modern machine production can be drawn. But it appears that, making all due allowance for the unavoidable difficulty and slowness of mediæval manufacturing processes, the output, considering the number of hands employed, was small. Strong evidence of this is afforded by the high prices of manufactured commodities. Another aspect of the mediæval industrial situation is the exceptional stability, not only of the supply of labour and of raw materials, but also of the conditions of sale of products.

[1] See p. 56.

Mediæval society was immobile. Changes were slow and variations of fashion few. As a consequence the balance between supply and demand was very evenly maintained. Local and temporary dislocations were produced by wars, famines, and other visitations. But there were no great periods of over-production when markets were glutted, to be followed by general crises and prolonged depressions. Of large consequence was the lack of means of speedy and cheap transportation. Speaking broadly, it was characteristic of mediæval handicraft industry to produce only for local, small-scale consumption. A principal reason lay in the prohibitive cost of transportation both of raw materials and of finished products. To take a typical case, when a hundred pounds of English wool cost ten and one-half florins (about $21) the expense of transportation to Florence amounted to about three times as much, so that in the Italian city the commodity had a value of from forty to fifty florins. The effect upon both quantity and price of the output of the Florentine woollen industry was very great.

The Craft Gild Organisation. The most noteworthy feature of mediæval industry, however, remains to be described, i.e., the organisation of the workpeople in gilds. The gild was but one of many expressions of the propensity of mediæval peoples to corporate, or collective, activity. It developed in two principal forms, the merchant gild and the craft gild. The merchant gild, comprising a group of persons engaged in or interested in trade, was older, appearing in the Italian cities and other centers of reviving commerce about the opening of the eleventh century. Craft gilds emerged in the twelfth century, being first mentioned in France in 1134; although their origins may be somewhat more remote. In the thirteenth century they began to supersede or absorb the merchant gilds, and in the following hundred years they became the dominant organisations among the non-agricultural populations, rising in many cases to the possession of controlling political power in the municipalities. Their importance lasted into modern times, and only after the French Revolution was their hold upon industry in continental countries fully relaxed.

A craft gild was an association of the artisans in a town or district engaged in the same occupation. Ordinarily there were several gilds in a town. The weavers might constitute one, the dyers another, the candle-makers a third, the goldsmiths a fourth. In earlier times membership was intended to be inclusive. No one

might carry on a trade in the town unless identified with the gild maintained by his fellow-craftsmen. But conditions of admission were easy, embracing as a rule only evidence of reasonable proficiency in the trade, payment of a small fee, and an expression of willingness to abide by the regulations of the association. Full membership was reserved for men who were master-craftsmen. In the mediæval organisation of industry there were three clearly defined grades of workmen, namely, masters, journeymen, and apprentices. The apprentice was the boy or young man who was learning the trade. The period of apprenticeship, being determined by custom, varied in different trades and in different localities, but seven years was most common. As a rule, the apprentice was given lodging with the family of his master, in return for such assistance as he could render. He was not paid wages. After the period of apprenticeship was ended the young man became a journeyman, i.e., a travelling workman, practising his craft for wages. And finally, after accumulating the modest funds necessary to enable him to set up a shop of his own, and after gaining admission to the gild of his fellow-workmen in the place in which he proposed to settle, he became a master. As has been pointed out, the master-workman, assisted by the members of his family and usually by one or two journeymen and one or more apprentices, constituted the typical group by which industry in the Middle Ages was carried on. As a rule, all members of the group dwelt under the same roof; the living apartments being situated on upper floors, while the ground floor was given over to business, with work-rooms in the rear and a sales-room in front.[1]

Objects and Methods of the Gild. The fundamental object of the gild was to secure and maintain for its members substantial equality of opportunity and a permanent basis of subsistence through the restriction or exclusion of competition. To this end, each gild group was compactly organised, with officers (in England variously called wardens, stewards, and masters), meetings, and rules or ordinances; and not infrequently the sanction and assistance of the town authorities was sought and obtained. The regulations of the gild in behalf of the economic status of its members were two-fold, according as they were designed (1) to protect the group as a whole, and (2) to maintain equitable relations among

[1] On apprentices and journeymen see W. J. Ashley, *Introduction to English Economic History and Theory* (4th ed., London, 1913), II, 84-124.

the members of the group. Protection of the group as a whole was sought through monopoly of the town market in respect to the wares which the gild produced and the prevention of competition in the neighbourhood. In most cases monopoly of the town market was obtained only gradually and comparatively late. But it was always an object consistently sought. In earlier times there was likely to be little or no competition in the immediate vicinity of the town. But by the fifteenth century there was widespread effort to escape irksome regulations by setting up shops outside the towns, and the gilds were feeling it to be necessary to prevent and punish such evasions of their jurisdiction. This they undertook systematically to do by direct prohibition of manufacture in suburban districts, by withholding cotton, silk, and other materials which were obtainable only through the town, and by guarding trade secrets.[1]

But it was equally the purpose of the gild to preserve a parity of rights and opportunities among its own members. This it sought to do in three principal ways, i.e., by controlling the supply of materials for manufacture, by regulating production, and by supervising the sale of products.[2] Rules against forestalling, i.e., buying up commodities before they were thrown on the market, and engrossing, i.e., "cornering" the market on a given commodity, were imposed commonly by the town, but were supplemented and enforced by the gild. There were rules fixing market hours, and others requiring that any member discovering an exceptional opportunity for the purchase of materials should share his knowledge with all of his fellow-craftsmen. The regulation of production was accomplished in a number of ways. First, the number of employers was controlled through the exercise of discretion respecting the admission of new gild members. Originally, as has been said, conditions of admission were easy. But gradually the policy was shifted, in most branches of industry, from one of inclusion to one of exclusion, with a view to limiting the output and maintaining closer monopoly. Production was controlled, also, by regulations concerning the number of journeymen and appren-

[1] At Venice persons who gave unauthorised information concerning the processes employed in the glass industry were put to death. In lieu of patent laws, secrecy was generally relied on to protect industrial methods and knowledge.

[2] To these may be added the adjustment of disputes among members in the interest of justice.

tices that a gild member might employ, and by rules governing wages and hours of labour. After the fifteenth century it was not unusual to fix maximum amounts which might be produced in a year. Regulation was directed, furthermore, to quality as well as quantity. It was in the interest of the gild that the workmanship of its members be of uniform excellence, and accordingly provision was made for close and continuous inspection of products. The practice operated to protect the consumer, although that was not its primary purpose. Finally, the gild regulated the activities of its members relating to the sale of products. If the town itself did not fix prices, the gild was likely to do so. In any event, it could be depended on to make and enforce rules equalising the conditions of sale, in respect to time, place, and manner. Enticing customers from a fellow-gildsman was likely to be strictly forbidden.

Uses and Abuses of the Gild. The gild was primarily an association for the regulation of industry. It early acquired, however, various subsidiary purposes. It was a social unit, and its members were accustomed to join in celebrations, entertainments, and other festivities, as well as in the amelioration of distress among their number.[1] It formed, likewise, a group for the observance of religious ceremonies and for the administration of elementary education, embodying, indeed, in its regulations a "whole social system, into which the individual was completely absorbed by the force of public opinion and the pressure of moral and social conventions."[2] Not infrequently it assumed, or was given by the town, the duty of policing the district in which its members chiefly lived, including perhaps the organisation of fire companies and the equipment of a contingent of the city militia. These and other semi-governmental functions were especially common in Belgium, Flanders, south France, and Italy. All in all, the gild in its best days served a varied and highly useful purpose. It protected the economic interests of its members; it afforded ample opportunities for technical training of workers; it maintained good standards of manufacturing; and it subordinated the interests of

[1] At the close of the Middle Ages the craft gilds in England were usually in charge of the cycles of mystery plays, such as were produced notably at York, Chester, Coventry, and Townley, commonly on Corpus Christi day. There were in various countries social and religious gilds which had no industrial or commercial functions.

[2] Lipson, *Economic History of England*, 296.

individuals to the welfare of the community. It was not, however, without disadvantages. Its underlying principle was monopoly; its rigid rules discouraged enterprise; it depressed wages; it fostered a type of industrial organisation productive of mediocrity.

Comparisons have been drawn between the gild and the modern trade union. There are some resemblances. The two have the same underlying motive, namely, to elevate and maintain the standard of living, by means of collective bargaining and the restriction of competition.[1] As yet, the trade union seeks to be inclusive as did the gild in its earlier stages. And the methods of the two exhibit some similarity. There is, however, this fundamental difference, that whereas the craft gild consisted of persons who were at the same time employers and workmen, the trade union consists of persons who are only hired labourers. The gild was the less inclusive in that it contained as active members only the skilled workers, the masters. But it was the more inclusive in that it contained the employer, middleman, *entrepreneur* element. It would not be true to say that in the gild era there was no differentiation of capital and labour. But, until late, the differentiation had progressed only so far that the "capitalist" was able to maintain a shop and to employ a small group of persons. He had not yet given up manual labour and turned exclusively to managerial enterprise. It is thus apparent that the trade union and the gild are not really comparable. On the contrary, both their composition and the economic setting in which they appear are totally dissimilar.[2]

Gild Decline in England: Internal Causes. In all industrial countries of western Europe the gild system flourished through many hundreds of years, and at the close of the Middle Ages it was everywhere essentially intact. Elements of disintegration, however, had long been present in it, and in earlier modern times—notably in the fifteenth and sixteenth centuries—the system passed rapidly into decay. The conditions and forces contributing to the decline will be most readily understood if viewed successively in three principal countries, England, France, and Germany. In the case of England they fall into five main groups, as follows: (1) the adoption of an exclusionist policy, and the consequent rise of the rival "yeoman," or journeyman, gilds; (2) the triumph of

[1] S. and B. Webb, *History of Trade Unionism* (rev. ed., 1920), 18-20.
[2] Lipson, *Economic History of England*, 343-347.

the aristocratic over the democratic principle in the gild's internal organisation; (3) the changed geographical distribution of industry, involving a large degree of ruralisation; (4) the growth of capitalism and the increasing application of capital to industry, and (5) the opposition and intrusion of the government.

The adoption of the policy of exclusion was gradual, but probably inevitable. Everywhere the gild displayed a tendency to fall away from earlier principles of democracy and altruism and to become selfish and narrow. Especially was this true after the institution had passed into decline and was fighting for very existence against the forces which slowly overwhelmed it. But the tendency was apparent under favourable conditions as well. There was strong disposition to gather and retain the advantages of membership in a small, non-expanding group. To this end, the requirements for admission were raised until frequently they became practically prohibitive. Entrance fees were increased inordinately, and the standard to be reached by the masterpiece (i.e., the sample of workmanship which the candidate was usually required to submit as evidence of his attainments) was manipulated arbitrarily to admit or debar as was desired. The consequence was that increasing numbers of journeymen were unable to become masters and that there was gradually developed a distinct and permanent class of industrial wage-earners.[1] In the course of time these artisans began to organise among themselves. Journeymen's gilds are heard of shortly after the Peasants' Rebellion of 1381, and within a hundred years they became numerous Some were affiliated, in a subordinate relation, with the craft gilds within the trade; some were independent. In any event, the relations between the two groups of organisations were not likely to be altogether friendly, for despite various "working agreements" there were endless opportunities for dispute concerning wages, hours, the use of funds, the proneness of the journeymen to become independent producers, and many other matters.[2] In the contests which arose extensive use was made of the strike. Eventually the journeymen's organisations won, in most parts of Eng-

[1] It hardly requires mention that at all stages of gild history there were journeymen who, from misfortune, incapacity, or indolence, failed to become masters and that these supplied a nucleus of the class mentioned.

[2] Lipson, *Economic History of England*, 347-355; Bland, Brown, and Tawney, *English Economic History, Select Documents*, 282-316; W. J. Ashley, *Journeymen's Clubs*, in *Pol. Sci. Quar.*, Mar., 1897.

land, a recognised position, and even became props of the gild system; but not until after that system had fallen palpably into decadence.

A second factor in the gild's decline in England was the change for the worse which took place in internal organisation. Originally the gild was broadly democratic, not only with respect to the conditions of admission, but in its structure and operation. The master artisans had equal voice in the regulation of its affairs. Gradually, however, there arose, in the larger organisations at least, a sharp differentiation between those members who were "of the livery" and those who were "not of the livery." The former were the well-to-do, who purchased and on ceremonial occasions wore the livery of the organisation, and who monopolised the offices and dictated policy. The liveried members became, thus, a distinct class, an inner circle; and inasmuch as the actual administration of the gild's affairs fell into the hands, commonly, of a yet smaller group—at first elected by the gild, but later chosen by co-operation—the internal economy of the organisation took on a character entirely aristocratic.[1]

Gild Decline in England: External Causes. A third important circumstance contributing to gild decline was the growth of industry in rural districts and in newer towns in which the gild system was not permitted to gain a foothold. At all times there had been workers who, although denied gild membership or unwilling to accept it, contrived to pursue their trade independently. As a rule, these persons lived and worked in the suburbs of the greater manufacturing centers, where, despite the hostility of the authorised organisations of their respective industries, they were virtually immune from control. In the fifteenth and sixteenth centuries the number of such workmen grew rapidly. And in the same period certain forms of industry which had become especially profitable, notably the manufacture of woollen cloth, were taken up extensively in the remoter villages and in country communities, as well as in towns which were free from gild domination. Industry thus burst the shell of gild regulation, and the effects were perceptible not alone in the weakening of the gild system but in the diminution of the prosperity of many of the larger towns. A

[1] See Adam Smith's criticism of the policies of the gilds, in *The Wealth of Nations*, Bk. I, Chap. X, reprinted in part in C. J. Bullock, *Selected Readings in Economics* (Boston, 1907), 104-114.

fourth and highly important cause of gild decline was the rise of the capitalistic form of industrial organisation. The entire structure of the gild system rested upon small-scale handicraft industry, in which, as has been explained, capital played but a modest part. This type of industry, however, could not be permanent. Either of two great forces, capital and invention, was capable of destroying it. Capital appeared first on a considerable scale and became the victor over the gild; although, as will be pointed out, in time invention also came and destroyed the first great product of capitalism, i.e., the domestic system.[1]

Finally must be mentioned the intervention of state authority. In the earlier days the gild system was accepted and fully supported by the state. But after the fifteenth century it was subjected, by degrees, to regulation which deprived it of much of its vitality. In 1547 the Protestant government of Edward VI confiscated all gild moneys and other property employed for religious purposes, and the organisations lost the religious sanction which had constituted one of their bulwarks. In the Elizabethan Statute of Apprentices, enacted in 1563, the period of apprenticeship, the hours of labour, the character of contracts—in short, substantially all phases of industrial relationships—were minutely prescribed, so that the discretion of the gild in the management of its affairs almost totally disappeared.[2] These are but conspicuous examples of a long succession of regulating measures by which the gilds were restricted in their functions and brought under effective public control.

"Thus," as is stated by one writer, "the gilds lost the unity of their membership, were weakened by the growth of industry outside of their sphere of control, superseded by the government in many of their economic functions, deprived of their administrative, legislative, and jurisdictional freedom, robbed of their religious duties and of the property which had enabled them to fulfil them, and no longer possessed even the bond of their dramatic interests.[3] So shorn, they lasted through generations, and even centuries. Relics of them survive to-day. But they altogether lost their grip upon the nation's industry and tended to become little more

[1] See p. 130.

[2] For documents relating to the regulation of industry in England by the state, see Bland, Brown, and Tawney, *English Economic History, Select Documents*, 317-365.

[3] Cheyney, *Industrial and Social History of England* (rev. ed., 1920), 137.

than petty cliques whose importance was social, or at the most political, and not economic. Scattered efforts after the sixteenth century to keep alive the original principle and purpose by bringing together several, or even all, of the crafts of a town in a single organisation proved uniformly unsuccessful.

Gild Decline in France and Germany. In both France and Germany the great era of gild development was the thirteenth century. A tax list of Paris in 1292, when the total population of the city did not exceed 30,000, names 128 gilds, with an aggregate membership of 3,795. By the close of the fifteenth century the gild system was in decline. As in England, the gilds had lost their democratic character. Certain ones—especially the drapers, furriers, mercers, and goldsmiths—had assumed superiority over the others; while the membership of the individual organisations had fallen into sharp-cut classes, dominated by narrow cliques of officials. As in England, too, journeymen and poorer masters, finding themselves shut out, had begun to form organisations of their own.

Interference from the national government was more frequent than in England, although it was consistent only in being dictated by the motive of fiscal advantage. Louis XI (1461-83) granted to large numbers of men who were not gild members the privilege of working in the suburbs of the towns, and in succeeding centuries the privilege was commonly maintained. The same sovereign instituted the practice, so obnoxious to the gilds, of granting to non-masters *lettres de maîtrise,* admitting them, for a pecuniary consideration, to membership in a gild. In the sixteenth century the exclusiveness and arbitrariness of the gilds became notorious, and royal interference was redoubled. Decree followed decree, and *lettres de maîtrise* were offered in such profusion that the supply far exceeded the demand. When, in the second half of the seventeenth century, the gild régime was fast dissolving, it was revived in full vigour by Colbert, who conceived of the gild as a necessary agency in the regulation of industry and the maintenance of standards. Again in the eighteenth century, however, the institution passed into decline, and until the outbreak of the Revolution it continued to display all of the anomalies and abuses of which it was capable. In 1776 Turgot, while serving as controller-general under Louis XVI, issued a decree withdrawing privileges from the gilds, with a few exceptions, throughout the

country. The order, however, was not fully enforced, and in the same year, following its author's dismissal, it was revoked. It remained for the National Assembly, in 1791, to close the chapter of French gild history.[1]

In Germany the gild system became general in the thirteenth century, and in the south the gilds acquired large political power. In the fourteenth and fifteenth centuries, however, the organisations showed the same tendencies that were manifest in England and France. Entrance fees were raised, especially in the south, until they were bitterly complained of, and the masterpiece was freely employed as a means of arbitrary exclusion. The element of inheritance crept in, to the extent, at all events, that children of masters were given preference as candidates for admission. Journeymen, in increasing numbers, were compelled to abandon the hope of becoming masters, and in the fifteenth century journeymen's gilds, or "unions," were extensively organised. These unions carried on struggles with the master-gilds concerning wages and hours. But a principal purpose was to provide lodging and food for wandering journeymen until they could find employment, and to this end *Herbergen*, or inns, were maintained, which were not without their counterparts in days shortly preceding the outbreak of the World War.[2]

The period of greatest prosperity in the history of the journeymen's unions was 1450-1550. Thereafter they lost importance, largely in consequence of princely opposition. Not many were formally extinguished, but almost all became dormant, and in the seventeenth century little was heard of them. In England the gild, having become obsolete, shrivelled up and comparatively early fell to one side of the main current of industrial life. But in Germany, although from 1550 a fossilised institution, it kept its hold upon industry until very late—until, indeed, long after the opening of the nineteenth century. Tradition and vested interest, together with the economic backwardness of the country (especially the scarcity of capital), kept it alive and intact. There were sporadic attempts to reform, and even to abolish, the system. In 1669 the Elector of Brandenburg proposed total abolition. Not even regulation, however, was accomplished successfully, save by some of the town authorities, and gild monopoly

[1] See pp. 204-205.
[2] See p. 568.

continued to the nineteenth century to work untold injury to the industrial progress of the country.

Rise of the Domestic System. As the gild declined there arose a new type of industrial organisation known as the domestic system. The transition was so gradual that dates can hardly be assigned; although it may be said that the earliest known reference to the domestic system in England is in 1464, and that the system appeared in the textile industries of Flanders and Italy still earlier. Under the gild system the master-craftsman bought his raw material, worked it up in his own shop with the aid of his family and employees, and sold the finished product, usually on the spot, to his customers. Under the domestic system, on the other hand, an *entrepreneur,* or manager, gave out work to employees who did not live under his roof, and who performed their labour in their own homes. Sometimes the employee furnished both the materials and the tools; but more frequently either the materials or the tools, or both, were provided by the employer. Under the commonest arrangement the employer furnished both, and the employee, after paying a rental for the tools, received a piece-wage, i.e., a wage gauged by the volume of his output. The new system was promoted by the expansion of markets, the development of trade technique, and the growth of population. But its principal stimulus lay in the increase of capital and the rise of a new class of industrial promoters, or *entrepreneurs;* and its most distinguishing feature was the interposition of the *entrepreneur* between producer and consumer. The new type of employer was primarily a merchant. He, at all events, was not a craftsman. He gave his attention to purchases and sales, on a considerable scale, and neither worked with his own hands nor spent time in the supervision of manufacture save as was necessary to enforce the fulfilment of contracts. He was rarely a gild member, and his employees, commonly living in suburban districts or in the country, were usually entirely without organisation. To the degree in which the domestic system became prevalent the gild was pushed farther into decline.

Although the history of the domestic system has never been fully written, the chief facts in it, especially with respect to development in England, are fairly well established. In England the system arose and flourished principally in connection with the cloth-making industry. As, in the fifteenth century, the manufac-

ture of woollens rapidly increased, there arose large numbers of "clothiers," or "merchant manufacturers," who bought raw wool, gave it out to carders, spinners, weavers, fullers, and other workmen, and paid them for their contributions to the process of manufacture, and finally gathered up the product and disposed of it, to either home or foreign customers.[1] The work of manufacture was performed by persons living in their own homes, assisted sometimes by a journeyman or two and a few apprentices, but frequently by only the members of their families. It was carried on mainly in country villages or suburbs of larger towns, and in combination, frequently, with the cultivation of the soil. Sometimes the work was carried through all stages under a single roof; sometimes, especially in the western districts, household groups specialised in particular branches, as spinning or weaving or dyeing. In the sixteenth and seventeenth centuries the technique of manufacture underwent appreciable improvement, partly in consequence of the ideas and methods brought in by Flemish, Walloon, and Huguenot artisans whom persecution drove to the English industrial centers, and partly because of certain minor inventions of the period, notably the "stocking frame," or knitting machine, which appeared in the reign of Elizabeth. Machinery continued, however, to be simple and inexpensive, and in most industries every process could be, and was, carried on under the roof of the humblest cottager.[2] The portions of England in which the domestic system developed most extensively were the southwest, the center and the northwest.

Advantages and Disadvantages of the Domestic System. To the mass of the English common people the spread of the domestic system brought distinct advantages. Especially was it helpful to agricultural tenants, most of whom, in the sixteenth and seventeenth centuries, found it difficult or quite impossible to support their families solely from the product of their bits of ground. In the woollen industry, in nail-making, in soap-boiling, in pottery manufacture, and in numerous other crafts, these persons found opportunity to augment their means of livelihood without abandoning the soil or altering their social or economic status in any

[1] W. J. Ashley, *Introduction to English Economic History and Theory* (9th ed., London, 1913), II, 218-237.

[2] J. W. Pratt, *Machinery in Sixteenth-Century English Industry*, in *Jour Pol. Econ.*, Oct., 1914.

other fundamental way. They could work as much or as little as they pleased; they could turn to advantage inclement days and the winter months; and the women and children could assist in the support of the household by participating in work which, as a rule, was neither unhealthful nor unpleasant. For the operation of such simple implements as were employed patience rather than skill was the qualification most needful. In his *Tour through Great Britain,* published at the close of the first quarter of the eighteenth century, the novelist and essayist Daniel Defoe gives an interesting glimpse of domestic manufacturing as he had observed it in the region of Halifax, in Yorkshire. "The sides of the hills," he says, "which were very steep every way, were spread with houses; for the land being divided into small enclosures, from two acres to six or seven each, seldom more, every three or four pieces of land had an house belonging to them . . . hardly an house standing out of a speaking distance from another . . . At every considerable house was a manufactory . . . Then, as every clothier must necessarily keep one horse, at least, to fetch home his wool and his provisions from the market, to carry his yarn to the weavers, his manufacture to the fulling-mill, and when finished, to the market to be sold, and the like; so every one generally keeps a cow or two for his family. By this means, the small pieces of enclosed land about each house are occupied . . . As for corn, they scarce sow enough to feed their poultry. Though we met few people without doors, yet within we saw the houses full of lusty fellows, some at the dye-vat, some at the loom, others dressing the cloths; the women and children carding, or spinning; all employed, from the youngest to the oldest; scarce anything above four years old, but its hands were sufficient for its own support. Nor a beggar to be seen, nor an idle person except here and there in an alms-house, built for those that are ancient, and past working. The people in general live long; they enjoy a good air; and under such circumstances hard labour is naturally attended with the blessing of health, if not riches." [1]

That from the point of view of the worker the domestic system possessed some real advantages over the factory type of

[1] [Daniel Defoe.] *A Tour through the Whole Island of Great Britain.* By a Gentleman. 4 vols. (London, 1724-27), III, 144-146 (ed. of 1769). It may be observed that while some of the material presented in this interesting book was the fruit of personal observation, the work as a whole is rather a product of dexterous compilation.

manufacture of subsequent times is too apparent to require demonstration. The contrast has been emphasised by an English writer as follows: "They [the labourers] still lived more or less in the country and were not crowded together in stifling alleys and courts, or long rows of bare, smoke-begrimed streets, in houses like so many dirty rabbit-hutches. Even if the artisan did live in a town at that time, the town was very different from the abodes of smoke and dirt which now prevail in the manufacturing districts. There were no tall chimneys, belching forth clouds of evil smoke; no huge, hot factories with their hundreds of windows blazing forth a lurid light in the darkness, and rattling with the whir and din of ceaseless machinery by day and night. There were no gigantic blast furnaces rising amid blackened heaps of cinders, or chemical works poisoning the fields and trees for miles around. These were yet to come. The factory and the furnace were almost unknown. Work was carried on by the artisan in his little stone or brick house, with the workshop inside, where the wool for the weft was carded and spun by his wife and daughters, and the cloth was woven by himself and his sons. He had also, in nearly all cases, his plot of land near the house, which provided him both with food and recreation, for he could relieve the monotony of weaving by cultivating his little patch of ground, or feeding his pigs and poultry." [1]

The picture here drawn is somewhat idealised, and it must not be forgotten that the domestic system had its darker side.[2] The worker was not independent. He frequently did not own the tools which he used; he rarely owned the raw material; and he was obliged to accept such wages, and labour on such conditions, as the employer was willing to offer. Occasionally he became indebted to his employer and on that account was subjected to extraordinary restraints. In later times the employers were often represented in their dealings with the employee by factors, and personal contact between employer and employee largely or wholly disappeared. There was introduced widely, too, the truck system, under which work was paid for, wholly or in part, in products rather than in money. Employers were prone, also, to settle in the

[1] H. de B. Gibbins, *Industrial History of England* (4th ed., London, 1895), 148-149.

[2] In general, conditions attending it in England were more agreeable in Yorkshire than in the south and southwest.

larger cities, with the result that workmen were obliged to spend an excessive amount of time in carrying materials and finished products back and forth. Competition grew keen and sometimes ruinous, and not infrequently workingmen were compelled to give up their lands because of inability to find time in which to cultivate them. Child labour, although presumably mitigated by home influences, was a source of grave abuse, and one of the most serious problems of the modern labour world, i.e., that of sweating, was a direct and natural product of the system.[1] In short, while having certain clear advantages, domestic manufacture lent itself to some of the most baneful practices of industrial exploitation.

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[1] O. J. Dunlop, *English Apprenticeship and Child Labor* (London, 1912). On sweating see pp. 373-375.

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CHAPTER IV

COMMERCE TO THE DECLINE OF MERCANTILISM

Trade Revival in the Middle Ages. A predominating characacteristic of the economic organisation of Europe in the early Middle Ages was the absence of commerce on any considerable scale. In the era of Roman disintegration and of barbarian invasion trade languished and almost disappeared. And when society was reconstituted on rural and feudal lines, the manors and other local units were organised, and so far as possible maintained, on a basis of self-sufficiency. Every village group sought to produce the things that it needed, and only in such quantity as it required.[1] There was, of course, at all times some trade. Metals, salt, tar, furs, fish, and other articles had frequently to be brought from a distance; and the demand for fine fabrics, wines, spices, jewels, and miscellaneous products of remote countries never wholly died out. But, all things considered, commerce was at the lowest level in the history of the civilised world.

Beginning in the eleventh century, the situation was gradually altered. Commerce increased in volume, in value, in distances covered, and in degree of organisation. Speaking broadly, the revival took place first in Italy and southern France, where trade had survived in somewhat exceptional measure; and the growth which appeared in the more northern countries was induced somewhat by the activity of the southern merchants. Other contributing factors were the increase of population, the gradual elevation of the standard of living, the growth of industry, the increased use of money, and especially the introduction of new wares and of new habits and tastes in consequence of contact with remote peoples in the era of the Crusades. In relation to most of these matters the growth of commerce appears as both effect and cause. Thus, trade was stimulated by the production of manufactured wares, and at the same time the development of industry was promoted by the opening of markets.

[1] See p. 21.

After the twelfth century the advance of trade was rapid. The countries chiefly affected were Italy, France, Germany, Scandinavia, and England; and Europe may be regarded as having fallen, commercially, into three great zones, distinguishable as northern, southern, and middle. The northern zone comprised the trading countries about the Baltic and North seas. Its commerce consisted principally in bulky commodities—lumber, grain, fish, skins, furs, tallow, amber, pitch, tar—which were carried on the seas and rivers in large, slow-moving boats.[1] The southern zone consisted of the Mediterranean basin. Its trade consisted chiefly in finer, costlier, and less bulky wares—silks, muslins, spices, drugs, dyes, perfumes, jewels, paper, glass—which were carried in light, swift vessels built to cope with the piratical craft with which the southern waters were infested. The middle zone comprised the lands lying between the northern and southern zones. Its commerce was of an essentially negative character, consisting in the interchange of goods, by both sea and land routes, between the other two areas.

Aspects of Mediæval Trade. Certain general features of trade in the later Middle Ages require a word of explanation. The first is the dominance of the merchant, or trade, gild. As has been indicated, the merchant gild appeared rather earlier than the craft gild.[2] The first mention of a merchant gild in England occurs in a town charter granted in 1087,[3] and after the close of the eleventh century organisations of the kind sprang up rapidly both in England and in France, Germany, and Italy. For several centuries the mass of traders in the more advanced commercial countries were gild members. And the members included not only merchants in the strict sense, but any persons who bought and sold, e.g., master craftsmen and independent artisans. Originally the organisations were purely private, but in time they were given public recognition, being frequently admitted to a share in the government of the town. Like the craft gild, the merchant gild had for its fundamental purpose the promotion of the economic and social interests of its members. To this end it took precau-

[1] This was the field of operations of the Hanseatic League, an affiliation of trading towns led by Lübeck which flourished in the fourteenth and fifteenth centuries. At one time or another more than seventy towns were included in the League, and its trading posts stretched from London to Novgorod.

[2] See p. 46.

[3] Gross, *Gild Merchant*, I, 5.

tions to protect life and property of members travelling and trading at a distance; it cared for members who fell into want; it discouraged competition among members and ensured equality of opportunity, going so far, in many instances, as to secure to every member the privilege of "lot," i.e., participation in any commercial transaction of a fellow-member; and, above all, it maintained a monopoly of the retail trade of the town. It was never practicable or desirable to exclude from the town's trade all merchants from outside; and, in England especially, it was customary to permit "foreigners," i.e., people from another town (in the same country or otherwise), to buy and sell wholesale, provided they should sell to gildsmen only and should comply with other regulations laid down by the gild or by the public authorities.[1] "The gilds were not like modern 'trusts,' for, in the first place, their membership was very broad, and, in the second, they were associations of men, not of capital, and there was no division of profits among the members."[2] It is to be observed, however, that while the gild existed primarily to regulate and protect the trade which was carried on by its members individually, it often engaged, as a corporate body, in commercial transactions.

A second cardinal feature of mediæval trade is the prominence of markets and fairs. From a comparatively early time petty, local, individual trade tended to be inadequate to meet the needs of the people, and as the demand for goods increased "markets" arose to supply more favourable opportunities for merchants and others to effect an interchange of wares. The times and places of these markets were fixed gradually by local custom, supplemented sometimes by law. In many cases the dates were determined originally with reference to feast days of the saints. The fair was like the market, except that it was likely to cover a longer period of time and to attract traders from greater distances. Both were instrumentalities of periodic, rather than continuous, trade. Both were likely, furthermore, to be maintained under the patronage of a lay or ecclesiastical lord, who extended protection to merchant strangers, provided means of adjudication of disputes, and in other ways encouraged the concourse of traders and people from which

[1] On the status of foreign merchants in mediæval England see W. J. Ashley, *Introduction to English Economic History and Theory* (9th ed., London, 1913), I, 102-109.

[2] Day, *History of Commerce* (rev. ed., 1922), 48.

he was likely to derive, by taxation and in other ways, a good deal of revenue. The great era of the fair was the thirteenth and fourteenth centuries. The institution appeared in every country of Europe, but reached its height in central England and in the French county of Champagne. The six great fairs of Champagne lasted each more than six weeks and, being held in rotation, provided an almost continuous market. They were visited by merchants from France, Flanders, Italy, Spain, Germany, and England, and the wares which were handled included almost every article of the commerce of the time. After the fourteenth century the fair passed into decline, principally because of the increasing insufficiency of the periodic form of trade upon which it was based. In its later stages the commercial aspect largely disappeared and only the element of amusement remained; although in Germany the fair as an instrumentality of trade survived into the seventeenth century, and in Russia it is of much importance at the present day.[1]

A third fundamental aspect of trade in the Middle Ages is the prevalence of close, continuous, and restrictive regulation. The gild, the feudal lord, the town, the Church, the king—all imposed rules and fees and other obstacles, so that of freedom of business enterprise, such as nowadays is deemed indispensable, there was hardly a shred. There were, first of all, certain deep-seated conceptions which, on the basis of custom or of law, or both, operated as powerful restraints. One of these was the idea that everything had a "just" price, and that it was an iniquitous act to charge more than this price, whatever the state of the market. Another was the belief that it was sinful to take interest on borrowed money, a practice which, indeed, was forbidden by the Church. A third was the view that the operations of wholesalers and middlemen were obnoxious, leading to heavy prohibitions upon "engrossing," i.e., buying up products before they had been placed on the market and holding them for high prices, upon "forestalling," i.e., buying up goods on their way to market in order to get them more cheaply, and upon "regrating," i.e., purchasing commodities in the market at advantage and selling them again

[1] On mediæval fairs and markets see Day, *History of Commerce*, 63-70; Lipson, *Economic History of England*, 196-237; J. G. Pease and H. Chitty, *The Law of Markets and Fairs* (London, 1899); P. Huvelin, *Essai historique sur le droit des marchés et des foires* (Paris, 1897); C. Gross, *The Court of Piepowder*, in *Quar. Jour. Econ.*, Feb., 1906.

at higher prices. Another class of restrictions arose from the regulation of prices, either by gild authority or by state or local governments. An illustration which will readily occur to students of English history is the "assizes of bread and ale," establishing a sliding scale determining the weight of bread according to the price of wheat and the price of ale according to the price of wheat, barley, and oats.[1] Finally, there were the more serious obstacles arising from the imposition of tolls and duties by local lords or by the national government. This was especially serious in Germany and Italy, which continued to be mere aggregates of wholly or largely independent principalities. But even in France, despite the consolidation of the country under the authority of the crown, local privileges of exaction from traders were hardly interfered with before the eighteenth century. For the use of highways, bridges, ferries, and fords tolls were freely levied; while upon goods brought into a region or carried from it to another region, duties were imposed with slight regard for the interests of either the community or the commercial class. Many of the restrictions which were maintained were intended, somewhat blindly, to protect the consumer from the greed and fraud of unscrupulous dealers. But many were conceived entirely in the interest of the local governing authority.

Trade Expansion in Early Modern Times. After the fifteenth century the trade of western Europe took on a new character. The gild decayed and lost its hold; the market and the fair declined; while the increased volume and variety of commercial operations propagated new ideas and compelled the adoption of new methods. The transition from the mediæval system to the modern was slow, and many relics of mediæval practice persisted into the nineteenth century. But in their fundamentals commercial organisation and procedure were completely transformed. Four aspects of the change stand out with special prominence: (1) the opening of the remoter parts of the world by the great discoveries, making possible the development of trade over unprecedented areas; (2) the establishment of great trading companies, marking the extensive introduction of wholesale traffic; (3) the development of national, as contrasted with essentially local, commercial policies and regulations; and (4) the expansion

[1] Ashley, *Introduction to English Economic History and Theory* (9th ed.), I, 187-195.

of such indispensable facilities of large-scale trade as currency, banking and credit, and shipping.

In the closing decade of the fifteenth century the prolonged search for a sea-route to eastern Asia was rewarded, and at the same time the great continents of the western hemisphere began to be revealed to an astonished world. A generation of further exploration was sufficient to convert a European—or, at the most, a European-Asiatic—commerce into a world commerce. The ultimate effects are difficult to over-estimate. Oriental products which by reason of the difficulties of their transportation had been so costly that only the rich could purchase them declined sharply in price, so that the market for them was increased many fold. In the more advanced countries commodities such as sugar, coffee, and tea first came into common use. And in time products formerly unknown, especially tobacco, potatoes, and maize from America, became standard articles of trade. The new and wider commerce formed the basis of increased wealth and power, first in Spain and Portugal, and subsequently in England, France, Holland, and to some extent other states, and desire for its extension became a prime motive in the planting of colonies, in both Eastern and Western worlds, whereby international rivalries were sharpened and wars of far-reaching consequence were instigated.

The new commerce was of such character that it could be carried on advantageously only on a large scale and by closely organised co-operative effort. Merchant vessels were everywhere subject to attack, as well as to destruction by storm, and for security must travel in flotillas. The spices, fabrics, and metals of the outlying lands must be brought to the ports for shipment under the direction of European "factors." And the chances of total loss in a small venture were so large that merchants could hope to survive only by co-operating in ventures of magnitude such that some portions were almost certain to be successful. Furthermore, the governments which assumed control of distant dependencies preferred that the trade with these dependencies should be gathered in the hands of one or more great corporations, chartered, controlled, and taxed by the state. The result was that in the second half of the sixteenth century Europe entered upon a prolonged period during which the dominant agency of trade was the commercial company, composed, as a rule, of richer and more venturesome merchants (especially of the sea-

ports), and endowed with a monopoly of trade in some designated section of the world. The companies were of two types, i.e., "regulative" and "joint-stock." The regulative company was one whose members traded with their own capital and kept their profits or bore their losses alone, although their operations were regulated in common. The joint-stock company was one whose members put their capital in a common fund and entrusted the management of the business to a board of directors or other smaller group. Most of the earlier companies—for example (in England), the Russia, or Muscovy, Company of 1555-56, the Turkey Company of 1581, the Morocco Company of 1588, and the Guinea Company of 1588—were of the regulative type. And some, as the English East India Company of 1600 and the Dutch East India Company of 1602, started on a regulative basis and were later reorganised on the joint-stock principle. In later times the joint-stock plan was almost universal. In France alone the number of commercial companies founded or reorganised in the period from 1599 to the death of Richelieu in 1642 was twenty-two, including in their scope Canada, the West Indies, the West coast of Africa, Madagascar, and the East Indies.[1] The aggregate number of joint-stock companies established in the western countries in early modern times to carry on commercial and colonial enterprises over seas is thought to have been at least one hundred. Although throughout the period the bulk of European trade continued to be domestic or with near-by lands, the enlargement of the area of active commerce through the agency of the companies is a fact of prime importance.

The development of national, as opposed to local, control of commerce antedates the discoveries and the rise of the trading companies. It was in the fourteenth century that, in both England and France, the power of the crown became sufficient to institute general tariff policies and to compel the towns to yield priority in commercial regulation. The widening of the field and the increase of the volume and value of trade incident to the discoveries served, however, to accentuate interests which were distinctively national and to promote control by national authority. In earlier times it could hardly be said that nations as such had commercial policies. But by the seventeenth and eighteenth centuries the statement could be made with entire truth concerning not only England and

[1] Cf. Day, *History of Commerce* (rev. ed., 1922), 234.

France, but the Netherlands, Spain, Portugal, and perhaps other states.

Finally may be mentioned the increase of facilities of trade with respect to money, credit, and shipping. In the Middle Ages commerce was greatly hampered by the scarcity of currency and by the multiplicity of issues and uncertain values of the coin in circulation. The influx of the precious metals from America in the sixteenth and seventeenth centuries produced an enormous increase in the stock of money, causing a rise of prices which deranged business and injured certain classes, but affording, none the less, much ampler means for carrying on trade than had ever existed. Of even larger importance was the extension of banking and the multiplication of the instrumentalities of credit. Bills of exchange were introduced in Italy as early as the thirteenth century, and the more essential banking operations were in fairly common use in that country not long afterwards. In the sixteenth and seventeenth centuries banking was developed extensively in France, Germany, and England, and at Antwerp there appeared the first great bourse, or exchange, where trade was carried on daily, not with the display and scrutiny of wares, but by the use of paper "securities" representing the wares. The rise of the joint-stock companies brought upon the market securities of the sorts with which the modern stock-exchange is familiar; and, indeed, as early as the seventeenth century fully organised stock-exchanges appeared at London, Frankfort, Hamburg, Amsterdam, and other commercial and industrial centers. In the matter of shipping the principal changes which took place were the increase of the size of vessels and the introduction of facilities for the more accurate determination of a ship's location and course. As distances to be traversed were extended and cargoes to be carried demanded larger and larger carrying capacity, the mediæval galley gave place to the caravel, and the caravel to the galleon and the carrack; while the introduction of the log in the seventeenth century and the invention of the chronometer in the eighteenth enabled the ship's captain to measure distances and to compute longitudes with an accuracy never before possible.[1]

Trade Restriction in the Eighteenth Century: Customs Duties. Notwithstanding its broadened area and its increased facilities, trade continued everywhere in the eighteenth century

[1] Day, *History of Commerce* (rev. ed., 1922), 137.

to be subject to rigid and vexatious restriction. The obstacles with which it was obliged to contend were both natural and artificial. The principal natural impediment was the lack of means of quick and cheap communication and transportation. Roads were few and generally poor. Sailing and rowing craft were inadequate. The railway was unknown, and likewise the steamship. Before the application of steam-power to transportation the moving of goods between the extreme north and south of Great Britain involved a larger expenditure of time and effort than does carriage to-day between Great Britain and Australia or Japan. Most of the obstacles by which trade was hampered, however, were artificial, in the sense that they had been created by the acts of governments or individuals. Some—as the confusing local variations in laws and in weights and measures—were more or less accidental and unavoidable. Others, including a great variety of tolls and fees, were inheritances from the feudal and gild systems of the Middle Ages. Still others, however, were the fruit of deliberately adopted policy. In this category two are of principal importance, namely, customs duties and the economic-political system known as "mercantilism."

The origins of customs duties are exceedingly remote. By the eighteenth century such duties were employed under two main forms. On the one hand, they were collected on goods carried from one province or district to another within the same country. On the other, they were collected on goods brought into a country from a foreign land or sent out of a country to a foreign land. In many states, as France and Spain, they were employed under both of these forms simultaneously. In England internal customs were unknown, but throughout mediæval and early modern times duties were laid systematically upon both imports and exports. Prior to the fourteenth century imports and exports were taxed impartially, the sole object being revenue. From the fifteenth century onwards, however, there was more or less consistent adherence to the plan of taxing imports and regulating, even prohibiting, exports with a view to the upbuilding and protection of woollen and other home manufactures. The retention of raw materials for the uses of home industry and the export of the manufactured product became the predominating policy. In the year of the accession of Elizabeth (1558) there was prepared a Book of Rates, enumerating the articles subject to regulation and

specifying how each should be valued for customs purposes; and so rapidly did the system grow that a century later (1662) the Book enumerated 1139 articles of import and 212 of export which were affected, in one way or another, by existing customs rules. England's effort to make herself wealthy and powerful by shaping the channels of trade in her own interest was emulated by rival nations, with the consequence that in the seventeenth century the laws imposing restrictions upon foreign trade were everywhere tightened up. With one accord the more ambitious nations fell into the habit of harassing the commerce of their neighbours by customs legislation.

In the eighteenth century the English government drew a considerable portion of its revenue from customs duties. In introducing tariff changes the object chiefly in mind was always, however, not revenue but the manipulation of industry and trade in such a manner as to give England an advantage over other states. The importation of manufactured wares which could be produced in England was taxed heavily or forbidden outright. Raw materials, like wool, which could be utilised in English industry were kept in the country by duties or by prohibitions on export. The export of wares which involved foreigners in debt to England was encouraged. In short, trade was subjected without compunction to any and every sort of regulation which was thought to be conducive to the augmentation of national power. The tariff system was extraordinarily confused, and its effectiveness was much impaired by the prevalence of smuggling. But only rarely was the essential righteousness of the restrictive policy called in question—never in an authoritative manner until the eighteenth century was far advanced. In France the situation was yet more unfavourable, for in that country an old and cumbersome system of internal customs regulations was perpetuated until the Revolution. With respect to foreign trade, conditions were substantially identical with those existing across the Channel. As in England, the customs duties levied at the frontier had been conceived originally as a means of raising revenue. But in France likewise, during the first half of the seventeenth century, was developed the plan of utilising the customs as a means of protecting home industries; and it was this idea which underlay the elaborate tariff system devised and put in operation, in the reign of Louis XIV, by the finance minister Colbert. Duties on wares

imported from foreign countries were pushed up until they became, in many instances, prohibitive. Exportation, under varying conditions, was restricted or forbidden. Trade would have been reduced to narrow lines indeed but for the fact that in France, as in England, a safety valve was found in smuggling. High tariffs, arbitrarily administered, produced interminable friction with other countries and became one of the causes of open war with the Dutch.

The Rise of Mercantilism. The tariff policies which have been described were a natural outgrowth of a general theory of trade—the so-called "mercantilist" theory—which, taking form in the second half of the sixteenth century, dominated commercial relations until it was eventually broken down some two hundred years afterwards. The historical basis of mercantilism is to be found in the ambition for national power which was especially characteristic of the Elizabethan Age, and the system had already won acceptance as a matter of public policy before its principles were worked out upon the lines of economic theory. By professing to be a scheme of trading operations conceived in the interest of the commonwealth rather than in the interest of the individual, it commended itself as a distinct advance upon all earlier principles of trading.

The essential elements of mercantilism can be stated briefly. The assumption upon which the system was based was that the strength of a nation is absolutely dependent upon the possession of a large and permanent stock of the precious metals. It was a matter of common observation that the precious metals were in universal demand, that they were always acceptable in payment for goods, that wealth was generally estimated in terms of money. It was observed, too, that so long as Spain and Portugal had been in receipt of liberal supplies of gold and silver from the New World these states had been powerful and apparently prosperous. Specie is especially needful in war, and it is not strange that in an age when wars were frequent it should have been felt that the supreme object of national policy in time of peace should be the storing up of ready money, in the coffers of the state and in the purses of the people. Gold and silver, however, were produced in few European countries, and in limited quantities. It became the idea, therefore, of the mercantilists to control the courses of foreign trade in such a way as to cause to be brought into the country the

largest possible quantity of the precious metals, while the exportation thereof should be kept at a minimum. The policy found forceful and influential exposition in a pamphlet by Thomas Mun published in 1664 under the title *"England's Treasure by Forraign Trade."*[1] "The means," wrote Mun, "to increase our wealth and treasure is by Forraign Trade, wherein wee must ever observe this rule; to sell more to strangers yearly than wee consume of theirs in value." The plan, in short, was to keep imports less than exports, and so to produce a favourable balance, thereby assuring an abundance of money which could be drawn upon in time of need. This idea of the "favourable balance of trade" became the cardinal feature of the mercantilist doctrine, and for two hundred years it was the dominating factor in national commercial ambition, not alone in England, but in all countries of western Europe.

Mercantilism in Operation. The practical measures advocated by Mun as means of realising the mercantilist ideal included prohibition of the exportation and encouragement of the importation of gold, promotion of the exportation of manufactures, and restriction of importation in general, save of the raw materials of industry. The devices which were actually employed in the efforts of the nations to attain the desired end were many. Together they comprised the entire regulative, protective system with which Europe entered the nineteenth century. They were by no means the same in all countries, and it would be an error to think of the mercantilist system as always and everywhere identical, or perhaps even as a single "system" at all. Four features of practical policy, however, always appeared in it, in varying proportions. One was the effort to promote trade and the circulation of money and to maintain generally prosperous conditions inside the country. A second was the discouragement or prohibition of the importation of commodities, save the precious metals and raw materials. A third was the encouragement of exports, by the payment of bounties and in other ways, especially when the goods exported were paid for by foreigners in specie; also the encouragement of home manufactures, and of shipping and the fisheries as auxiliaries of trade and naval strength. A fourth feature was the negotiation of commercial treaties which were intended to

[1] A convenient edition of this book has been published by the Macmillan Company (New York, 1895).

open new vents for surplus goods and to secure some exclusive advantage to one or both of the parties concerned.[1]

Under conditions existing in the seventeenth and eighteenth centuries there was undeniably a good deal to be said for the mercantilist policy; and the entire scheme was well in accord with the prevailing beliefs and sentiments of the times.[2] The assumptions upon which the policy was based, however, were even then dubious, and subsequently they became wholly fallacious. One of these assumptions was that money is the supremely desirable form of capital. Another was that imports are bad *per se* and exports good, and that the relation between the inflow and outflow of specie constitutes a true barometer of national prosperity and security. Nowadays it is understood by economists and statesmen (although there lingers in the popular mind much confusion upon the subject) that money is only a means of procuring other forms of capital by exchange, that so long as capital in other forms is abundant the money supply is not a matter of vital consequence, that an artificial accumulation of money can take place only by giving up other forms of wealth, as the miser adds to his hoard by denying himself more needful things, and that the true advantages from international trade, and the relative gains of different countries, are to be gauged in other ways than by a mere comparison of exports and imports.[3] Under the delusion, however, that a country can compel the indefinite accumulation of gold and silver within its bounds, and that by doing so it adds more surely to its power than in any other way, the nations struggled throughout the period under survey to obtain possession of specie, and their commercial activities were regulated predominantly with this end in view.

The effects of the efforts which were made were in a number of ways very important. In the first place, let it be noted, however, that the main object was but moderately attained. Despite the most stringent regulation, gold and silver continued to flow from country to country as the necessities of business demanded,

[1] The Methuen treaty of 1703 between England and Portugal is a good illustration.

[2] It is the opinion of the German economist Schmoller that, all things considered, mercantilism was quite defensible in its day. *The Mercantile System*, p. 50 ff.

[3] For a clear discussion of this matter see Taussig, *Principles of Economics*, I, Chaps. XXXIV-XXXV.

and inasmuch as all nations were seeking to apply substantially the same principles in much the same way, there tended to be an all-round counterbalancing of achievement. Even Spain, which not only had the best opportunity to accumulate treasure but pursued the mercantilist policy with less reservation than any other nation, is found complaining rather steadily of a dearth of gold and silver. Ineffective at the crucial point, mercantilism was, however, productive of large results. As has been suggested, it was mainly as an outgrowth of it that there arose the tariff systems of modern states; and protectionism in our own times, in both Europe and America, has by no means lost all traces of its mercantilist origins. Mercantilism, furthermore, dominated the colonial policy of all states in the seventeenth and eighteenth centuries, suggesting the notion that the colonies existed for the economic advantage of the mother country and prompting the policy of rigid monopolistic control calculated to prevent foreign states, or the colonists themselves, from depriving the colonising power of the fruits of its undertakings. Still further, as practised by England, mercantilism gave rise to the attempt to safeguard shipping by means of the Navigation Laws of the seventeenth century, a policy which was persisted in long after it had served as a principal cause of the loss of the American colonies. Finally, while it would be exceeding the bounds of demonstrable truth to say that mercantilism was the main underlying cause of the numerous international wars by which European economic life was hampered in the seventeenth and eighteenth centuries, there was in this period a strong tendency on the part of nations to be friendly toward those states with which trade showed a favourable balance and unfriendly toward those with which the balance was unfavourable, and international alignments were apt to be determined accordingly. Thus the fact that England's trade with France persistently showed an unfavourable balance had much to do with keeping alive the traditional hostility toward that country.

English Trade in the Eighteenth Century. When one inquires into the actual character of European commerce in the eighteenth century one finds that, notwithstanding the limitations imposed by mercantilism and by war, there was noteworthy increase alike in volume, in geographical range, and in variety of commodities exchanged. Speaking broadly, the conduct of trade by monopolistic chartered companies, which had been characteristic of the seven-

teenth century, now gave way to free private enterprise; and the fact that this change took place most completely in England is to be regarded as a principal reason why that country rose during the eighteenth century to a position of supremacy among commercial states. The political situation there likewise was favourable. The events attending the Revolution of 1688-89 brought to a close a prolonged internal crisis, involving the establishment of a new measure of political freedom, and the popular attention henceforth was turned more largely than formerly to commercial and colonial activities. It is not without significance that the Bank of England was founded in 1694 and the Board of Trade in 1696. From the great series of wars which culminated in the overthrow of French colonial power in 1763 England derived large gains, both in territory and in commercial privileges and opportunities.

The consequence of the interplay of these various factors was the increase of English foreign trade five or six fold in the course of the century. In 1700 the total volume of the country's exports was 317,000 tons; in 1801 it was 1,958,000 tons. In the period 1698-1701 the average annual value of exports was £6,400,000 and of imports £5,500,000; in 1802 the figures were £41,400,000 and £31,400,000, respectively.[1] At the opening of the eighteenth century the trade with European countries comprised more than three-fourths of the total; at the close, on account of the rapid development of trade with America and Asia, it comprised only a little more than one-half. Manufactures of wool were at the close of the century the most important exports, with manufactures of cotton and manufactures of iron and steel occupying second and third places, the three comprising almost half of the total. Among imports the most important were sugar (£7,100,000), tea (£3,100,000), grain (£2,700,000), Irish linen (£2,600,000), cotton (£2,300,000), and coffee (£2,200,000).[2]

Continental Trade in the Eighteenth Century. England's principal commercial rival was France, and in this country the growth of trade progressed in the eighteenth century even faster than in the island kingdom. In area, population, soil, and climate

[1] It is to be observed that eighteenth-century commercial statistics are not at all reliable, the principal reason being the prevalence of smuggling. Goods exported and imported in contravention of law may at times have equalled in value the goods entered at the customs houses.

[2] On English exports and imports in the eighteenth century see Day, *History of Commerce*, Chaps. XXII-XXIII.

France was superior to England, having, indeed, long enjoyed the reputation of being the richest state in Europe. In earlier times France had been prevented by her defective political system and by her numerous exhausting wars from fulfilling her promise as a commercial state, and in the eighteenth century these conditions continued to impose upon her a serious handicap. Notwithstanding a mistaken and unsuccessful foreign policy and a vicious organisation of internal trade and manufactures, the country was able, however, to increase the total volume of its external trade between 1716 and 1787 from 214,900,000 to 1,153,500,000 livres.[1] At the date first mentioned the trade with European countries aggregated 176,600,000 livres, that with America 25,800,000 livres, that with Asia 9,200,000 livres, and that with Africa 1,100,000 livres. In 1787 the figures were: Europe 804,300,000; America, 269,900,000; Asia, 52,100,000; and Africa, 6,500,000. From these statistics it is manifest that throughout the century the trade of France continued to be confined to European countries more largely than did that of England. One obvious reason was the cutting off of markets by the dissolution of the French colonial empire. But another is to be found in the character of the goods which France produced for exportation. In contrast with English exports, consisting principally of great staple commodities—woollen cloth, iron and steel products, coarse linens, and leather wares of simpler kinds—French exports comprised mainly fancy goods, including fine woollens, silks, laces, wines, brandies, and special metal and leather products. English wares were "quantity" goods, French were "quality" goods. The English products were much more generally within the range of wants of the relatively undeveloped outlying world.

Of the commercial condition of other European countries in the eighteenth century it is not necessary to speak at length. In Germany, where the ruinous consequences of the Thirty Years' War had as yet by no means disappeared, trade was hampered by an interminable network of tariffs and tolls imposed by the numerous semi-independent states and cities. Many localities, especially in the south, continued steadily to decline in commercial importance, and of German trade as a whole in 1800 it can be said only that it was limited and sluggish. The most promising development of the century was the consolidation of the kingdom

[1] The value of the livre was approximately twenty cents.

of Prussia, foretokening a larger measure of commercial unity and vigour in at least those portions of the country which were brought under Hohenzollern dominion. Certain of the great trading countries of earliest times barely held their own in the eighteenth century, or suffered positive decline. Thus the commerce of Holland practically stood still. It showed no absolute falling off, but relative to the commerce of England or France it declined sharply. The glory of Italian commerce was departed. Spain, pressed by circumstances over which she had no control, reformed her commercial system about the middle of the century by rescinding the prohibition on commerce among her colonies and by opening Havana and several other American ports to the European trade. But the commercial quickening which ensued redounded to the advantage principally of the colonists and of the English, and had little effect upon the fast diminishing volume and value of the trade of Spain herself.

Liberalising Economic Theory: the Physiocrats and Adam Smith. There was a time when the tenets of mercantilism not only were accepted almost universally but, as has been pointed out, were measurably justified by current economic conditions. As the eighteenth century advanced, however, circumstances changed and a revolt set in against the regulations and restraints which mercantilism imposed alike upon industry and trade. In both France and England the reaction found able spokesmen—in the one case, the writers of the Physiocratic School of "Economistes," in the other, Adam Smith. The founder of the Physiocratic School[1] was François Quesnay (1694-1774), physician to Louis XV, philosopher, and economic writer; and the principal original exposition of the physiocratic doctrines was made in Quesnay's *Tableau Économique,* published in 1768.[2] Quesnay and his co-labourers attracted a wide following. Turgot was one of Quesnay's pupils, and Adam Smith not only sought the acquaintance of the school's leaders but in his *Wealth of Nations* paid a high tribute to their scientific attainments and services. The fundamental ideas of the Physiocrats were that society is the product of a compact among individuals, all of whom have the same natural rights; that government is a necessary evil, whose functions should be limited strictly

[1] The name, derived from two Greek words, meaning "nature" and "to rule," was coined by Dupont de Nemours, a member of the group.

[2] The full title of the book is *Tableau économique avec son explication, ou extrait des économies royales de Sully.*

to the prevention of the interference of men with the rights of others; and that in the economic sphere the individual has a right to such natural enjoyments as he can acquire by his labour, every man being free to make the most of his capacity in his own way, without regulation or restriction. It was the teaching of the Physiocrats, further, that only agricultural labour is truly productive, in the sense of adding something to the stock of materials available for man's use. They, however, considered commerce and manufacturing necessary, and they contended that commerce, whether domestic or foreign, should be free from all avoidable impediments and restrictions. By the vagaries of their thought upon many subjects the Physiocrats were prevented from acquiring large direct popular influence, even in their own country, and in the era of the Revolution they disappeared as a school of thinkers. In the hands of the more practical Turgot, however, and, still more, in those of Adam Smith, the views of trade which they propounded found authoritative expression and gained a wide and thoughtful hearing.

Adam Smith (1732-90) was a professor of moral philosophy at the University of Glasgow and the first patron of the inventor Watt.[1] One of the four principal subjects upon which he lectured was "political regulations which are founded, not upon justice, but upon expediency"; and among the regulations of this character which were taken up were those relating to commerce and finance.[2] There is testimony that Smith early held liberal views of commercial policy; and, while he criticised the Physiocrats upon many grounds, it appears that his eighteen months' visit with their leaders in 1764-65 brought him substantially to the position which he occupied when, in 1776, he published his monumental *Inquiry into the Nature and Causes of the Wealth of Nations.* It is not true, as has sometimes been said, that Smith was the creator of the science of political economy. The science was founded by no one man, and the elements of it were already recognised when Smith wrote. In his *Réflexions* Turgot, indeed, had developed an organ-

[1] When the city of Glasgow refused to permit Watt to work at his trade because he was not a member of the gild at that place, Smith invited him to set up a shop on the grounds of the University, which were outside the city's jurisdiction. "Thus," remarks one writer, "the two great forces that created the revolution were born close together." Ely, *Outlines of Economics*, 36.

[2] E. Cannan [ed.], *Lectures on Justice, Police, Revenue, and Arms, delivered in the University of Glasgow by Adam Smith* (Oxford, 1896).

ised body of economic doctrine. Smith, however, took up the science when it was somewhat advanced and, by producing a classical treatise upon it, contrived to render most of his predecessors obsolete.[1] In his book he propounded the view, which at that time was novel and even to-day has not attained general popular recognition, that the mutual dependence of nations is a factor in their individual progress, and that exclusiveness is an impediment to normal national development. He demonstrated that, contrary to mercantilist conception, nations are not necessarily and inherently antagonistic one to another, and that it is possible for them to sustain working relations, commercial and otherwise, with profit to all and loss to none. He drew an indictment of protective tariffs and other prevailing obstructions to commerce, which was so keen and so comprehensive that from the time of its publication until to-day free traders have hardly required further argumentative material. He contended that commercial restrictions check the growth of wealth and tend to the impoverishment of the people, that bounties on exports only force special industries artificially at the expense of the community, that taxes on food, whether home-grown or imported, are "a curse equal to the barrenness of the earth and the inclemency of the heavens." He did not condemn protective tariffs under all conceivable conditions. He thought that they might be permissible for retaliatory use to procure the repeal of foreign tariff laws, i.e., as a weapon. He would maintain them, also, where they could be shown to be necessary for purposes of revenue or national defence.[2] And he would at least proceed slowly to abolish them in instances where industries supported by them should have become the means of livelihood of large masses of men; although he considered that the mobility of labour in England rendered this safeguard unnecessary in that country. The publication of Smith's book took place in the same year as the declaration of independence by the American colonies, an event which, of course, gave unmistakable point to many of the arguments advanced; and the impression which it made on the public mind was considerable.[3]

[1] See Cunningham, *Growth of English Industry and Commerce in Modern Times* (5th ed., Cambridge, 1912), Pt. I, 593-597.

[2] On the ground of national defence he held the Nevigation Laws to be justifiable.

[3] L. H. Haney, *History of Economic Thought* (New York, 1911), 158-189.

The Decline of Mercantilism and the Beginnings of Trade Liberalisation. The decline of mercantilism, caused by the slow change of economic circumstances and ideas in western Europe, and prompted specially by the writings of the Physiocrats and Smith, was very gradual. Smith himself had little hope that the old school of thought would ever entirely die out. "To expect," he wrote, "that the freedom of trade should ever be entirely restored in Great Britain is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the public, but, what is more unconquerable, the private interests of many individuals, irresistibly oppose it." [1] It is indeed true that to this day mercantilist conceptions have never wholly ceased to influence the public mind, even in England. Mercantilism as a general system of economic and political thought, however, has long since been superseded. In England it had quite lost its hold by the opening of the third decade of the nineteenth century. On the continent its dominance lasted somewhat longer, but the outcome was substantially the same. Its fallacies had been exposed to view from every angle. The growth of an ampler system of credit had given rise to a new method of meeting extraordinary expenditure by loans, obviating the necessity for the accumulation of specie. And dissemination of the teaching of Smith to the effect that true national wealth was to be built up only by encouraging individual wealth broke down the conception of commerce as a mere instrument of the accumulation of revenue. To a considerable extent the notion lingered that trade involves gain on one side and loss on the other, that commerce is a species of warfare, and that it is injurious to a country to import an article which can be produced at home. None the less, the second quarter of the nineteenth century witnessed the general triumph of *laissez-faire*—the doctrine that the individual has a right to full and free range of economic activity and that public regulation should go no further than the simple maintenance of law and order. *Laissez-faire*, whose chief exponents in England were the members of the Manchester School, became rather more a political maxim than an economic doctrine. The idea underlying it originally, however, was essentially economic.

Even before the close of the eighteenth century there were in France, England, and some other countries, promising, if not per-

[1] *Wealth of Nations*, Bk. IV, Chap. II.

manently successful, efforts to place trade upon a freer basis. In France these efforts found expression in the fiscal reforms of Turgot during the brief period of his ministry in 1774-75, and in liberal commercial treaties with Great Britain, Holland, and Russia concluded in the decade 1783-93, together with the moderate tariff law of 1791. In England, from a point at least as early as the reign of William and Mary, the Tories, comprising the "country" party, had been inclined to low tariffs, or even free trade, while the Whigs, in whose ranks the industrial and urban elements of the population predominated, had stood for protection. Throughout most of the eighteenth century the Whigs were in power; and modifications in the existing tariffs were confined to a transfer of the main burden from exports to imports and a reduction of the duties on imported raw products, both accomplished during the period of the ministry of Walpole.

The reconstruction of commercial relations made necessary by the achievement of American independence raised in pointed fashion the question of a general overhauling of the British commercial system. Pitt was not slow to seize the opportunity to carry into effect some of the free trade principles which he, as a representative of the Tory country party, cherished—principles which recently had acquired the sanction imparted by Adam Smith's book. It was now that free trade came for the first time, in Great Britain, definitely within the range of practical politics. Three things, mainly, were accomplished. In 1784 the duty on tea, formerly so high that two-thirds of the product consumed in the kingdom had been smuggled in, was reduced to 12½ per cent. In 1786, after persistent effort, there was concluded a great Anglo-French commercial treaty whereby each state engaged to reduce the duties levied upon certain stipulated products imported from the other state.[1] And in 1787 the customs system was reconstructed in such manner that scattered and contradictory provisions were consolidated and rates hitherto based on valuations dating from 1660 were brought into relation to the actual contemporary values of the commodities taxed.

English and French Trade, 1789-1815. The revision of the tariff system and the negotiation of commercial treaties were only

[1] France reduced the duties on British woollens and cottons to 12 per cent. *ad valorem* and on British hardware and cutlery to 10 per cent. Great Britain reduced the duties on French wines, brandies, oils, glass, and other manufactures by about one-half.

two of the many phases of reform in England which suffered instant check from the outbreak of the Revolution in France; and a full generation elapsed before the removal of trade restrictions was actively resumed. The French treaty of 1786 was in operation long enough, however, to prove its worth. Under it, trade between the two countries was doubled within the space of three years. But after 1789 it ceased to be effective, and at an early date it was abrogated altogether. In the early years of the Revolution tariff reform in France continued to make progress. In 1790 the Constituent Assembly abolished all provincial tariffs and other restrictions upon internal trade, and in the following year it took another long step in advance by establishing a uniform tariff against all foreign countries. The rates imposed were moderate and the prohibitions of imports and exports were few and unimportant. In 1792, however, France became involved in war with Austria and in 1793 with England, and soon thereafter commercial relations displayed all of the anomalies which war commonly entails. Tariff rates were increased; prohibitions and restrictions were multiplied; treaties, including that of 1786, were annulled; a warfare of decrees and orders in council was entered upon. By 1800 the French flag was driven from the seas and French trade almost extinguished.

Following the reopening of the war in 1803, after a brief interval of peace, a fundamental part of Napoleon's policy became the commercial strangulation of England by the exclusion of her goods from continental Europe. The Berlin Decree of 1806 and the Milan Decrees of 1807 and 1808 prohibited all commercial relations between Great Britain and the countries under Napoleon's control, proclaimed Great Britain to be in a state of blockade, and declared all vessels which touched at British ports to be lawful prize. By 1809 the whole of the continent had been closed to British trade except Portugal, Sicily, and Turkey. At the same time, French tariffs were pushed upward until, by 1810, they had reached an unprecedented level.

The French decrees were answered by no less spirited British orders in council designed to drive the commerce of Napoleon's allies from the seas and to utilise neutral trade in the British interest. The effect upon neutrals was disastrous, and a result was to drive the United States into war with Great Britain. In the end Napoleon himself was obliged to recognise that the "continental

system" had been a failure.[1] Means of making the blockade effective were lacking, and commercial forces proved too powerful to be overcome by mere political restrictions. In both of the principal belligerent countries the contest caused a certain amount of commercial decline. In France there was steady falling off until 1799, then substantial recovery until 1806, and thereafter decline again. In Great Britain the results were less serious, for although there was some decrease of exports, the trading elements found new openings, lawful or otherwise, almost as fast as old ones were closed against them, and after the collapse of Napoleon's power the country promptly regained all that had been lost, and a good deal more. The commercial primacy of the world rested no less securely with the British in 1815 than in 1793.

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[1] The subject is fully treated in E. F. Heckscher, ***The Continental System; an Economic Interpretation*** **(Oxford, 1922).**

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CHAPTER V

REVOLUTIONARY AND NAPOLEONIC REORGANISATION IN FRANCE AND GERMANY

Nature of the French Revolution. In a characteristic vein of flamboyancy Disraeli once declared that there are only two events in history—the siege of Troy and the French Revolution. No assertion, of course, could well be more absurd; but underlying the remark is at least this truth, that from no enumeration of really great historical occurrences, it matters not how restricted, can the French Revolution by any possibility be omitted. By the phrase "French Revolution" must be understood, not the carnival of license and disorder through which France was called upon to pass, between the storming of the Bastile and the fall of Robespierre, but rather the fundamental transformation which, between the assembling of the States General in 1789 and the establishment of the Constitution of the Year III in 1795, was wrought in the political, social, and economic texture of the French nation. The importance of the Revolution arises, first, from the far-reaching effects of the movement upon the development of modern France, and, second, from the stimulating and reforming influences which it exerted in some measure upon all the states of western Europe. In France its full consequences were by no means realised within the period of years that has been mentioned, and in other lands it was not until after the opening of the nineteenth century that, largely in the epoch of the Napoleonic ascendency, the transforming influence of the French overturn began to produce practical effects on a considerable scale. "The nineteenth century," says Mr. Frederic Harrison in one of his suggestive essays, "is precisely the history of the work which the French Revolution left. The Revolution was a creating force even more than a destroying one; it was an inexhaustible source of fertile influences; it not only cleared the ground of the old society, but it manifested all of the elements of the new society." [1] More immediately, the assertion

[1] *The Meaning of History and Other Historical Pieces* (London, 1894), Chap. VI.

applies to France; but, in the stretch of time, it expresses not inaptly the significance of the Revolution for the whole of western continental Europe.

For the purposes in hand there is no need to review here the general history—military, diplomatic, political—of the Revolution. Our interest lies rather in the changes of a permanent character which were wrought by the movement, immediately and ultimately, in the economic and social status of the individual Frenchman and in that of the men of other nationalities who were brought under French revolutionising influence. The Revolution proper began with the proclamation of the National Assembly, in June, 1789 and closed with the fall of Robespierre, in July, 1794, or perhaps better, with the establishment of the government of the Directory, under the Constitution of the Year III, in November, 1795. Most of its permanently important achievements, however, fell within the first twelve months of this period. It remained for the revolutionists later, and subsequently Napoleon, merely to co-ordinate, amplify, and readjust the modifications of the social order for which the National Assembly was in the first instance responsible.

Declaration of the Rights of Man and of the Citizen. The most comprehensive and authoritative statement of the principles underlying the Revolution is contained in a memorable instrument adopted by the Assembly, August 26, 1789, and entitled *A Declaration of the Rights of Man and of the Citizen.*[1] In many of the *cahiers* (statements of grievances and of suggested reforms drawn up throughout the country, at the request of the king, when the members of the States General were being elected) it was urged that there be framed a systematic statement of the rights of the individual citizen, and it was in compliance with this demand, as well as for the guidance of its own deliberations, that the Assembly promulgated the Declaration. The instrument comprised from the outset the working program of revolution in France, and in subsequent times it became a touchstone of liberalism in many other nations. Principles set forth in it are embodied to-day in all European constitutions.

Assuming that "ignorance, neglect, or contempt of the rights of

[1] Text in J. B. Duvergier et al., *Collection complète des lois* (Paris, 1834 ff.), I, 38; translation in Robinson and Beard, *Readings in Modern European History*, I, 260-262. The Declaration was subsequently incorporated in the constitution of 1791, printed in Duvergier, *Lois*, III, 239-255, and translated in Anderson, *Constitutions and Documents*, 58-95.

man are the sole cause of public calamities and of the corruption of governments," the authors of the document proceeded, first, to define what seemed to them the fundamental principles of society and, second, to enumerate more specifically the "natural, inalienable, and sacred" rights arising inevitably from those principles. The principles may best be stated in the language of the Declaration. "Men," it is affirmed, "are born and remain free and equal in rights. Social distinctions may be founded only upon the general good. The aim of all political association is the preservation of the natural and imprescriptible rights of man. These rights are liberty, property, security, and resistance to oppression. The principle of all sovereignty resides essentially in the nation. No body or individual may exercise any authority which does not proceed directly from the nation. Liberty consists in the freedom to do everything which injures no one else; hence the exercise of the natural rights of each man has no limits except those which assure to the other members of the society the enjoyment of the same rights. These limits can be determined only by law. Law can prohibit only such actions as are hurtful to society. Nothing may be prevented which is not forbidden by law, and no one may be forced to do anything not provided for by law. Law is the expression of the public will. Every citizen has a right to participate personally, or through his representative, in its formation. It must be the same for all, whether it protects or punishes."

From these general principles the framers of the Declaration advanced to an enumeration of specific rights. The rights which they named were naturally those, for the larger part, that had most commonly been ignored or violated in the days of the Old Régime. Some pertained to the status of the individual and some to property. "No person," it was asserted, "shall be accused, arrested, or imprisoned, except in the cases and according to the forms prescribed by law. . . . The law shall provide for such punishments only as are strictly and obviously necessary, and no one shall suffer punishment except it be legally inflicted in virtue of a law passed and promulgated before the commission of the offence. . . . No one shall be disquieted on account of his opinions, including his religious views, provided their manifestation does not disturb the public order established by law. The free communication of ideas and opinions is one of the most precious of the rights of man. Every citizen may, accordingly, speak, write, and print with

freedom, but shall be responsible for such abuses of this freedom as shall be defined by law. . . . All the citizens have a right to decide, either personally or by their representatives, as to the necessity of the public contribution [i.e., taxes]; to grant this freely; to know to what uses it is put; and to fix the proportion, the mode of assessment and of collection, and the duration of the taxes." With respect to the rights of property it was declared that "since property is an inviolable and sacred right, no one shall be deprived thereof except where public necessity, legally determined, shall clearly demand it, and then only on condition that the owner shall have been previously and equitably indemnified." [1]

The Declaration was promulgated at a stage comparatively early in the development of the Revolution, and two years subsequently, when the National Assembly formulated the first of the Revolutionary constitutions (adopted in September, 1791), it was deemed desirable not only to reiterate the principles of the Declaration but to include in the new instrument a preamble summarising and confirming the reforms achieved in recent legislation. With considerable naïveté it was proclaimed that "the National Assembly . . . abolishes irrevocably the institutions that have injured liberty and the equality of rights"; and there follows a striking enumeration of the principal social and economic institutions which had been, or were about to be, suppressed.[2] It is not to be inferred that at any time, even when the zeal of the Revolution was at its maximum, the idealised system of democracy, justice, and order set forth in the Declaration and the Preamble was anywhere completely in operation. Even the leaders of the movement were prone, at the test, to shrink from the fullest application of their theories. Thus, despite the clear-cut views which it avowed concerning the right of every citizen to participate, "personally or through his representative," in the making of law and the levying of taxes, when the Assembly came to the framing of the constitution which has been mentioned it excluded from the franchise all citizens who did not pay to the state a direct tax equivalent to at least the value of three days' labour, an arrangement which involved a very serious limitation upon manhood suffrage. After full allowance has been made, however, the fact remains that much of the theory embodied in the pronounce-

[1] Robinson and Beard, *Readings*, I, 260-262.
[2] Anderson, *Constitutions and Documents*, 61.

ments of 1789 and 1791 was carried into practical application—quite enough to work a deep change in the society and economy of the country. And a large portion of the principles enunciated have lain continuously at the basis of French law and policy to our day.[1]

Social Changes. The changes wrought between 1789 and 1794 in the structure and workings of French society may be grouped under five heads: (1) social; (2) economic; (3) ecclesiastical; (4) governmental; and (5) legal.[2] The most irritating and indefensible aspect of the Old Régime was the prevalence of privilege, and the most signal achievement of the Revolution was the bringing of privilege, in its grosser forms at all events, substantially to an end. This supreme object of the reformers was attained, in the main, through a series of measures adopted during a frenzied session of the National Assembly on the night of August 4-5, 1789.[3] Following the reading of a report describing the acts of violence which were being committed throughout the provinces, the aristocratic members of the Assembly, in what Mirabeau termed "an orgy of sacrifice," literally vied one with another in the surrender of privileges and exemptions which through hundreds of years had been clung to with the most uncompromising tenacity. The feudal system was declared, at the outset, to be completely abolished. All rights and dues originating in, or incident to, serfdom were likewise abolished without indemnification, and all other dues were declared "redeemable." All manorial courts were suppressed and it was stipulated that the existing magistrates should continue the performance of their functions only until a new judicial system could be created. The exclusive right of the lords to maintain pigeon-houses and dove-cotes was swept away, and thereafter the peasant might drive off or kill with impunity the game that sought to prey upon his growing crops. It is true that before final action was taken regarding the redemption of

[1] On the Declaration of Rights see J. H. Robinson, *The French Declaration of the Rights of Man of 1789*, in *Pol. Sci. Quar.*, Dec., 1899; G. Jellinek, *Die Erklärung der Menschen- und Bürgerrechte* (Leipzig, 1895), trans. by M. Farrand as *The Declaration of the Rights of Man and Citizen* (New York, 1901); and Blum, *La Declaration des droits de l'homme et du citoyen* (Paris, 1902).

[2] The last three categories do not fall within the limits set for this book and, accordingly, are not commented upon.

[3] Texts in Duvergier, *Lois*, I, 33-35. English versions in Anderson, *Constitutions*, 11-14; *Univ. of Pa. Translations and Reprints from the Original Sources of European History*, I, No. 5.

the dues which were not immediately abolished there was prolonged delay, also bitter controversy. Not, indeed, until July 17, 1793, were the last survivals of feudal obligation stamped out. None the less, from the adoption of the decrees of August, 1789, the principle was clearly established.

But the decrees mentioned went much farther. They provided for the abolition of tithes of every description, and of every sort of ecclesiastical dues which had been substituted for the tithes, as soon as there should have been devised some alternative method of providing for the necessary expenses of the Church. They abolished the sale of judicial and municipal offices and prescribed that justice should be dispensed *gratis*. Highly important was the provision that all exemptions from taxation should be terminated—that taxes should be collected "from all citizens, and from all property, in the same form." Local differences of law were proclaimed to be abolished through absorption of all the peculiar privileges, pecuniary or otherwise, of the provinces, districts, cantons, cities, and communes into the law common to all Frenchmen. And, finally, it was stipulated that all citizens, without distinction of birth, should be eligible to any office or dignity, whether ecclesiastical, civil, or military, and that no profession should imply derogation. The guarantee of social democracy was carried farther in the constitution of 1791, wherein it was asserted: "There is no longer nobility, nor peerage, nor hereditary distinctions, nor distinctions of orders, nor feudal system, nor patrimonial jurisdictions; nor any titles, denominations, or prerogatives derived therefrom, nor any order of chivalry, nor any corporations or decorations which demanded proofs of nobility or that were grounded upon distinctions of birth, nor any superiority other than that of public officials in the exercise of their functions." [1] In legal status, in public obligation, and in public and private right, the principle of substantial equality was effectively established; and although in later days there still existed, of course, in France some measure of that cleavage which appears in all nineteenth century European societies, the fundamental achievement of the Revolution in the abolition of fixed status and privilege was never subverted.

Economic Changes. Most of the changes just mentioned involved conditions and interests that are at least partially economic.

[1] Anderson, *Constitutions and Documents*, 61.

It may be pointed out that the Revolution had two important additional economic results, i.e., the diffusion of the ownership of land and the liberation of industry and trade. As has been indicated, the number of small proprietors in France prior to 1789 is now understood to have been larger than formerly was supposed. Nevertheless, in consequence of the breaking up of the great estates of the nobles and the widespread sales of the confiscated lands of the Church, the number of landholders was, between 1790 and 1795, perceptibly increased; and it is mainly from the Revolutionary era that one must trace that interesting development which has made France pre-eminently the land of the petty, but prosperous, proprietor. Early in the course of its work the National Assembly proclaimed the liberty of industry and labour and suppressed, as Turgot had vainly sought to do, the gilds and all other corporations of artisans and workmen. To maintain the full industrial liberty of the individual, the Assembly, in the *Decree upon the Organisation of Trades and Professions* of June 14, 1791,[1] prohibited, furthermore, all associations between workers or employers, lest the gilds, or other organisations analogous to them, should be revived. It, indeed, went so far as to forbid and make punishable, as being contrary to the Declaration of the Rights of Man, all combinations, strikes, and agreements between workmen to refuse to work or between employers to refuse to give work except on specified conditions. The nineteenth century was far advanced before this policy of restriction was relaxed and before the principle of the trade union was permitted to be legalised; although, as will appear, under the régime of Napoleon quasi-corporations approximating the character of gilds were allowed to be established and to dominate a number of important fields of industry.

The National Assembly abolished the *taille* and most other taxes of the Old Régime. The stamp duties, in altered form, were retained, and likewise customs duties, but only at the frontiers for foreign trade. Indirect taxation of objects of consumption was brought to an end, to be revived only in part in the days of the Directory. Of the new taxes laid, the most important was a direct impost upon land; others included the capitation, the tax on personal income, and the *patentes* paid by traders. These various imposts have been modified a great deal in later times, but they

[1] Duvergier, *Lois*, III, 22; Anderson, *Constitutions and Documents*, 43-45.

comprise to-day the most essential elements in the French system of direct taxation.

Napoleon and the Revolution. At an early stage of the Revolution, Edmund Burke expressed the opinion that if the republican experiment in France should fail, it would be followed by the rise of the most completely arbitrary power that had ever appeared on earth. In the career of Napoleon the prophecy found substantial fulfilment. With the establishment of the Consulate, and still more with that of the Empire, the era of French revolutionary idealism was left behind and that of practical, constructive, militant statesmanship was inaugurated. "We have done with the romance of the Revolution," declared the First Consul to his Council of State at one of its earlier sessions. "We must have eyes only for what is real and practicable in the application of principles, and not for the speculative and hypothetical." Napoleon had passed through the Revolution without entertaining a shred of sympathy with its ultimate ideal. The thing of principal value he saw in it was the opening which it created for men of talents such as himself—the *carrière ouverte aux talents* which he conceived to be the basic principle of all properly constituted society. In the "idle vapourings" of philosophy he saw small value. He called Rousseau a madman and was quit of him. The rallying cry of liberty, equality, and fraternity made no appeal to him, for he did not believe human society capable of being constructed upon these principles, and he had no hesitation in avowing the opinion that the French in reality loved neither liberty nor equality. During a decade the idealists had occupied the seats of authority. If their assumptions were warranted, Napoleon was wont to reason, the fruits of ten years of power ought to be expected to demonstrate the fact. The France, however, whose government fell to the First Consul in 1799 was disorganised, disheartened, and to all appearances helpless. The first enthusiasm of innovation had worn off, and what the ultimate state of the nation would be no one could so much as predict. One thing was clear, namely, that for stability and reassurance there was a yearning which was both real and deep. No one better understood this aspect of the national temper than did Napoleon, and it was a matter of no great difficulty for him to turn it directly to account. For the sake of France, so ran his logic, the theorisers and experimenters must at last be made to

give place to the administrators and the builders; and that he was himself the agency through which the need of the nation at this point was to be met he cherished never a doubt. "I swear," he avowed upon one occasion, "that I do nothing except for France; I have nothing in view but her advantage." It was not theories of government, as he saw it, that France at the beginning of the nineteenth century stood in need of, but simply government.

Conservation of the Revolution's Results. There was, of course, on the part of Napoleon, no tinge of regret that the Revolution had occurred, or that it had taken the course that has been described. The cataclysm had manifestly prepared the way for his own ascendency, first, by sweeping the field clear for the establishment of a new monarchy, and, second, by introducing modifications in the social order of which he fully approved but for which he was willing enough not to be obliged to shoulder responsibility. Much less did he contemplate a restoration—save at one point only, i.e., the revival of strong monarchy—of the *ancien régime*. The basis upon which he proposed to build was not the institutions of the eighteenth century, but the new order of things established by his despised "philosophers." No one understood better than he that a nation cannot permanently be strong unless its citizens are contented and their industries are productive; and this, he was well aware, means equality before the law and equality of economic opportunity. The equality in which Napoleon believed bore no relation to the philosophic query as to whether men are born free and equal. It meant simply that political and economic distinctions of class should not be tolerated and that there should be a free and general competition among citizens of all ranks for offices, honours, wealth, and success. There would still be rich and poor, learned and ignorant, industrious and shiftless, good and bad. But these inevitable differences should not be allowed to work any cleavage in the essential solidarity of the state. Public burdens should fall upon all, public rewards be open to all, public protection be guaranteed to all.

Thus it came about that most of the positive achievements of the Revolution in France—a secular state based upon a large peasant proprietary, a civil law emancipated from ecclesiastical influences, a system of land-tenure devised to secure the maximum of equality, a law of persons which proclaimed that all men have equal rights—were faithfully conserved throughout the Napo-

leonic domination and were wrought yet more deeply into the new social and industrial economy of the nation. No vestige of serfdom was permitted to be restored; the nobility and the clergy were allowed to regain no part of their ancient privileges; the new land-settlement was carefully secured; against the tradition of ancient "customs" and "ordinances," public trial, the jury, and the new justices of the peace were rigidly maintained; the restrictions which prior to 1789 had operated to keep men perpetually in a given status were in no case allowed to be revived. And at a number of points—especially in relation to taxation, law, education, and the Church—the work of reform was carried far beyond the stage which it had attained during the revolutionary period.

Phases of Napoleon's Economic Policy. On account of the prevalence of war there was small opportunity in France in the Napoleonic period for the development of a coherent and permanent national economic policy. In the matter of taxation, for example, it is impossible to ascertain what the methods of Napoleon would have been in a decade of peace. As it was, the tax policy of the Revolutionary period was profoundly modified. The most notable aspect of that policy was the emphasis which was placed upon direct taxation. The old indirect taxes, the *aides* and the *gabelle,* had been extremely unpopular; and while in the decade 1789-99 revenue continued to be derived from the customs, the postal service, and certain registration and stamp duties, direct taxes had been utilised in so far as was feasible. For a time Napoleon's government refrained from the revival of indirect taxes upon any considerable scale. The emptiness of the treasury which it inherited, however, together with the mounting cost of war and of public improvements, soon compelled it to give way. Even by 1801-02, indirect taxes yielded twenty-seven per cent. of the total revenue, and thereafter the proportion was raised until in 1811 it reached forty per cent. The customs duties and the duties on the manufacture and consumption of liquors were increased; despite the unpopularity of the old *gabelle,* a salt tax was levied in 1805; and in 1810 tobacco was made a government monopoly. The aggregate burden of taxation upon the peasantry, however, never became even approximately as heavy as before 1789.

The tariff policy of Napoleon was frankly protectionist, and of the two principal tariff measures of the period, those of 1803 and

1806, the second served as the basis of all customs tariffs of France during the greater portion of the nineteenth century. The "continental system," which during the middle period of the Empire comprised the sum and substance of Napoleonic commercial policy, is characterised in another chapter and, representing in any case but an ephemeral and indifferently successful undertaking, need not be described here.[1] In the domain of labour there was both progress and retrogression. In principle, the liberty of labour which, with some limitations, had been established by the Revolution was upheld; and against a general revival of the gild system Napoleon set himself firmly and effectively. On the other hand, a law of 1803 compelled every workingman to provide himself with a paper supplied by the police, on which were recorded his successive engagements, and it was made unlawful to employ any labourer not so equipped. And in a number of branches of industry, chiefly those having to do with the production and handling of foodstuffs, "corporations" were permitted to grow up which closely approximated the earlier gilds. A noteworthy aspect of Napoleon's activity was the planning and construction of public works. During the period 1804-13 more than a billion francs were expended in this manner. The old highways were renovated and large numbers of new ones were built, ensuring France better facilities for communication than were possessed by any other European country. Canals and other waterways, in large numbers, were made available for trade and travel. Marshes were drained, dykes were strengthened, harbours were enlarged and fortified. Palaces were restored and adorned, and the Louvre was brought to completion. Provincial towns were favoured with appropriations for their improvement. Libraries and art galleries were founded or endowed.[2]

Germany at the Opening of the Nineteenth Century. The ultimate importance of the Revolutionary and Napoleonic era arises scarcely less from the changes which that eventful epoch brought beyond the French borders than from the reconstruction which it witnessed in the society of France itself. These changes are conspicuous in the Netherlands, in Switzerland, in Italy, and in Spain, but most of all in Germany; and in view of the large

[1] See p. 270.

[2] The progress of industry and agriculture during the period is described elsewhere. See pp. 181-182, 205-206.

place filled by the last-mentioned country in the economic and social developments which form the subject-matter of this book, it will be well to mention specially the pertinent aspects of the regeneration accomplished therein during the Napoleonic ascendency. The Germany of the eighteenth century was very much larger than the Germany of to-day, for it included not only the lands lost by Germany in 1919 but the whole of Austria as that country stood in 1914. Its political system, however, was so decentralised that the country cannot be said to have constituted a real nation. Nominally it was an empire, and its principal dignitary bore the mediæval title of Emperor of the Holy Roman Empire; actually it was a federation of states, and, as Montesquieu pointed out, a very bad kind of federation at that. There were, in all, some three hundred and sixty of these states—some large and some small, some powerful and some weak, and representing, as one writer has said, "every grade in the feudal hierarchy from the knight to the Emperor," so that "a day's journey might take a traveller through a free city, through the territory of a sovereign abbot, through a village owned by an imperial knight, through the possessions of a landgrave, a duke, a prince, and a king." [1]

With respect to economic conditions and the status and relations of social classes, the Germany of the eighteenth century was very much more backward than was the France of the same period. Trade was shackled by the most antiquated and absurd restrictions, and its volume was small. Industry was similarly handicapped by gild monopolies, by state supervision, and by faulty taxation. Roads were few and poor; the towns were in decline in numbers and prosperity; the population—no larger than it had been before the Thirty Years' War—was stationary, and in many regions diminishing. In Prussia, and largely elsewhere, the law recognised three classes of men, i.e., nobles, citizens, and peasants, and made it virtually impossible for a person to pass from one class into another. Even a monarch so enlightened as was Frederick the Great entertained the idea that each historic class had its proper sphere and calling, and that from any attempt to introduce variation into the arrangement there could arise only confusion and disaster. The system of land tenure was regulated rigidly in accordance with the social hierarchy, and the transfer of land from members of one class to those of another could be

[1] Fisher, *Studies in Napoleonic Statesmanship: Germany* (Oxford, 1903), 7.

legalised only by a special dispensation of the crown. The noble was forbidden to take up an occupation recognised by law to be vested in the citizen class, and the citizen might not engage in any sort of labour performed ordinarily by the peasantry. Social status, landholding, occupations were held fast in a mesh of feudal law and custom. In France there was a greater degree of social flexibility and it was not uncommon for the peasant or artisan to lift himself by his own enterprise into the ranks of the bourgeoisie and for the burgher to be ennobled in return for payments made or services rendered the crown.

In all the German lands a substantial majority of the rural inhabitants were serfs, and in the two principal states of Prussia and Austria not fewer than two-thirds of the entire population were legally unfree. In Prussia the peasants attached to the lands belonging to the crown were generally better off than those on the estates of the nobility. Yet they were likely to be required to spend three or four, or even five, days of every week at labour under the command of the king's contractor-general, besides being subjected to numerous burdens and tasks of a special character. For the peasants on the private domains the *corvée* was almost unlimited. They were subject to corporal punishment at the hand of the lord; their marriages were controlled by him; and they must eke out an existence from what remained after their dues to him were paid. As a class, the peasantry were wretchedly poor, illiterate, incapable of formulating their grievances, and wedded blindly to the ancient ways. Whereas in France the peasants were constantly acquiring more land, in Prussia Frederick the Great and his successors laboured vainly to prevent the complete absorption by the great estates of such peasant properties as existed. Before the close of the century most of the little proprietors had lost their land and had fallen to the status of simple agricultural labourers. Occasionally the lot of the peasantry was made a subject of inquiry or complaint; but as a rule it attracted little attention. Goethe, who through four years held high office in the government of Weimar, was interested in liberating the peasants from feudal burdens and in increasing the number of peasant landowners, but so strong was the aversion to change on the part of the great proprietors that he was unable to attain results. "No one," points out a recent writer, "loved or appreciated the German country-folk more deeply than Justus Möser, the learned and

fanciful historian of Osnabrück"; yet he defended serfdom as an institution and argued in all seriousness that unpropertied persons were not entitled to the benefits of the ordinary forms of law.[1]

The Napoleonic Subjugation of Prussia. In the last quarter of the eighteenth century there sprang up in Germany a national literary movement, led by Goethe, Schiller, Herder, and Lessing, which gave promise of better things. The French Revolution, however, found German society still unprepared to accept, or to be greatly influenced by, principles of liberalism. The reactionary governments thought it necessary to exercise a special surveillance over the student centers, and even, in the case of Prussia, to prohibit the circulation of French publications. The mass of the people, however, remained unaffected. Prussia and a number of the other German states were approaching an era of sweeping transformation. But the impetus compelling change was destined to come from circumstances which arose only after the revolution in France had run its course.

In Prussia the regeneration came as an immediate consequence of the humiliations suffered at the hand of Napoleon in the years 1806-07. After a decade of peace and inglorious self-aggrandisement, Prussia was moved, in 1806, to re-enter the war against the French. Despite the vacillation of the king and the unnecessary delay of preparations, there was confidence that the Prussian arms would prove equal to the heaviest demands that could be made upon them, and the conflict was entered upon with a light heart. Never was there speedier and more complete disillusionment. War was declared in the last days of September. On October 14th the armies of Napoleon fell upon the Prussians and defeated them simultaneously at Jena and Auerstadt. Both reverses were crushing, and a week later the French Emperor was in Berlin. With substantial truth he could announce to his subjects and to the world that the Prussian army had vanished like an autumn mist before the rising of the sun and that Prussia herself "had ceased to exist." A winter's campaign in the ancient Polish territories against the Russians culminated in the treaties of Tilsit (signed July 7, 1807), in which the doom of the Prussian kingdom was formally pronounced. With the assent of the Tsar, Napoleon took from Prussia all its lands west of the Elbe and almost all that had been acquired by the second and third partitions of Poland—

[1] Fisher, *Napoleonic Statesmanship: Germany*. 23.

in the aggregate more than half of the kingdom. The Polish territories were erected into the grand-duchy of Warsaw, to be governed by the king of Saxony; the lands farther west, under the name of the kingdom of Westphalia, became the dominion of the conqueror's brother Jerome. Prussia was compelled by treaty to accept these arrangements and to agree to the military occupation of her remaining territories by the French, pending the payment of a money indemnity whose amount was left intentionally indefinite.

The Prussian Revival: Fichte and Stein. For a time this disastrous turn of events involved the country in extreme demoralisation. Fortresses were surrendered without resistance; the royal family sought refuge in a remote corner of the kingdom; the people were too benumbed to lay plans for their own relief. The causes of the catastrophe were to be found, however, not in inherent weakness or unworthiness of the Prussians, but in the timidity and lack of statesmanship of the king and in the hitherto unsuspected decay of the splendid army whose exploits under Frederick the Great had been the pride of the nation. Long afterwards Napoleon declared that probably the greatest mistake of his career was his failure to dethrone the king of Prussia and to parcel out still farther the Prussian dominions when the opportunity to do so was in his grasp. It is doubtful, however, whether even a course so extreme could have prevented the revival of Prussian patriotism and power. For after the passing of the first effects of the shock, all Prussia began to rise to the demands of the hour. To despair succeeded hope, and from hope sprang a determination to redeem the nation from its disgrace by no less heroic means than the rebuilding of the very foundations upon which its political and social order was based. "Maimed and mutilated," says a recent writer, "with all the rottenness of her old institutions suddenly laid bare and her faith shaken in all her old divinities, with 150,000 Frenchmen quartered on her territory and more ready, if need be, to fall upon her, saddled with an indemnity that only grew larger the more it was paid,[1] [Prussia] rose from the very depths, shook herself free from the slime that adhered to her, created for herself a new form of government

[1] The total of the contributions exacted by the French from Prussia has been estimated at 601,227,000 francs. Duncker reckons it at not less than a milliard.

and a new army, and not only won back what she had lost but paved the way to undreamed of glory both for herself and for a united Germany." [1]

The story of Prussia's rehabilitation contains the names of many illustrious men, but perhaps the two leaders who deserve to be given highest rank are Fichte and Stein. The one was the patriotic philosopher who recalled the nation to a realisation of its possibilities, the seer of the new national movement; the other was the practical administrator by whose measures and influence chiefly the weaknesses of the eighteenth-century Prussian state were overcome. In a series of lectures in Berlin at the close of 1807, when the French troops yet garrisoned the city, Fichte expounded to his countrymen the lofty ideals of civic duty which he himself had absorbed principally from the teaching of Immanuel Kant. Selfishness and particularism, he maintained, were the bane of all Germany; he especially urged the need of an enlightened system of public education; and by linking up his doctrines of patriotic obligation with history, religion, and learning he imparted to his call for a national awakening a remarkable breadth of appeal and an irrefutable sanction. Stein, after filling a number of minor administrative and diplomatic posts, was created a minister of state in 1804, with the portfolio of excise, customs, manufactures, and trade. In this capacity he abolished the internal customs duties throughout Prussia and carried into execution a number of other needed reforms. In his effort to induce the king to abandon the attempt to govern through inexperienced privy cabinet councilors and to extend to the regular ministers the power to which their positions entitled them he was, however, unsuccessful. And when, after the battles of Jena and Auerstadt, the ministry was reconstituted, he refused to accept membership in it unless the reform upon which he had insisted should be undertaken; whereupon the king ungraciously dismissed him from the public service. Within six months, however, the sovereign found himself obliged to recall so able a servant, and on October 4, 1807, Stein took office as minister-president, virtually upon his own terms.

Political and Economic Reforms in Prussia. The ministry of Stein lasted little more than a year, for the policies which were entered upon became a source of apprehension to Napoleon and at

[1] Henderson, *Blücher and the Uprising of Prussia Against Napoleon*, 28-29.

the conqueror's demand the king was obliged, reluctantly enough now, to dispense with the reformer's services. But the period was not too brief for the achievement of large results. The most important were those pertaining to government and social organisation. It is a distinction of Stein not only that he conceived of a united German nationality as no other German conceived of it before the time of Bismarck but that he was the first to map out a comprehensive plan of political reform in accordance with which Prussia was to be converted from an absolute monarchy into a free representative state with a reformed administration and a national parliament. Time and circumstance did not permit this plan to be carried fully into effect. But in the abolition of the privy cabinet of favourites, followed by the creation, in an edict of November 24, 1808, of a regularly organised Council of State and a Cabinet of Ministers, there was distinct gain. Notable results were attained also in the reform of municipal administration. Stein's purpose was to inaugurate a thoroughgoing liberalisation of Prussian political institutions by introducing a larger measure of self-government in the local districts. Before substantial progress could be made the people, he recognised, must be aroused to an interest in the task of governing themselves—an end which he believed would be attained more readily by working from the local to the national than by a reverse procedure. Prior to the nineteenth century there had been in Prussia a tendency to draw the control of local affairs ever more closely into the hands of the central authorities, with the consequence that the vigorous civic life which once had characterised the German free cities was almost extinguished. Under date of November 19, 1808, there was issued a comprehensive *Städte-Ordnung,* or municipal ordinance, whereby, while the state was still to maintain a general supervision of municipal affairs, large powers were entrusted to the burghers and the rights of the lords of manors over towns and over villages of more than eight hundred inhabitants were terminated. New organs of local administration were created, and to these were committed the powers of raising and expending local taxes, enacting municipal ordinances, controlling civic property, and making such provision for local public services as should be found desirable. It was the intention of Stein to extend a similar measure of self-government to the rural communes. Time was insufficient for the execution of this purpose; but it is not too much to say

that the decree of 1808 laid the foundations of modern local self-government in the Prussian kingdom.

Even before Stein assumed office it was recognised by the king and his more enlightened advisers that a deep national sentiment could not be aroused unless the people were set free from feudal burdens; and the promulgation of a decree abolishing serfdom, such as Napoleon had issued for subjugated portions of Germany, was already under contemplation. Such a decree, known as the Edict of Emancipation, was issued October 9, 1808, only five days after Stein took office. The object of the measure was asserted to be the removal of every obstacle which hitherto had prevented the individual from attaining such a state of prosperity as he was capable of reaching. Conceived with a purpose thus ambitious, the decree became very comprehensive. The changes which it introduced may be summarised as follows: (1) new relations of serfdom might no longer be entered into, and on and after October 8, 1810, serfdom throughout all portions of the realm was entirely abolished; (2) all restrictions upon landholding and upon the buying, leasing, and selling of land were rescinded; (3) nobles were permitted to engage in citizen occupations, and citizens to perform peasant labour; and (4) the caste system was so far abolished that peasants might no longer be restrained from rising to the citizen, or even to the noble, class. The serfs on the royal domains were freed by a supplementary decree of October 28, 1807. A drastic measure of September 14, 1811, carried by Stein's successor, Hardenberg, but initiated by the king, gave farmers and peasants on feudal lands complete possession of their farms or holdings, on condition only that the lord should receive one-third of the land in lieu of his former agrarian rights and claims to personal service. Thus was accomplished in Prussia, at the instigation of the public authorities, and by peaceful means, the same abolition of the distinctions of caste and the same abrogation of feudal and manorial restrictions upon the free disposition of person and property which in France had been among the principal achievements of the Revolution. The nobles offered much opposition. But the realisation that the country's situation was desperate enabled the king and his ministers to execute projects which before Jena would have been in the highest degree visionary.

French Reforms on German Soil. In Prussia the work of modernisation was initiated by Prussians as a measure of national

defence. But in other large and important portions of Germany reorganisation was imposed from without, by the agents of Revolutionary France and of Napoleon. In the territories on the left bank of the Rhine, which were the earliest among the conquests of the Revolution, and where conditions of life already bore a strong resemblance to those existing in France, complete assimilation to the new order was assured by the process of formal annexation. French power was welcomed, for it brought to the inhabitants liberation from ecclesiastical and feudal burdens and gave substantial assurance of civil equality. The sale of the national domains at low prices created a multitude of peasant proprietors; industry, freed from intolerable restrictions, flourished; and a fortunate immunity from war, together with a fair and honest administration, made possible the attainment of a remarkable measure of prosperity. From the time of their annexation until 1814 the territories were organised as four departments of France. In the Grand Duchy of Warsaw serfdom was abolished (at least in theory), the *Code Napoléon* was introduced, equality before the law was guaranteed, and agencies of public education were encouraged. In the Duchy of Berg, created as a military outpost on the lower Rhine, were introduced the several codes, the French municipal system, and French taxes, coins, weights, and measures. The law forbidding burghers to acquire the land of nobles was abrogated, internal customs duties were abolished, the gilds were broken up, and public works were instituted. In the kingdom of Westphalia, the most important of the states erected by Napoleon on German soil, a written constitution was promulgated, the *Code Napoléon* was introduced, trial by jury was instituted in criminal cases, the French system of local administration was established, and serfdom and all exclusive privileges of the aristocracy were swept away.

For the time being, the benefits arising from these reforms were offset in no inconsiderable measure by the financial and military exactions of the conqueror. But after the wave of French conquest receded and the German lands had again become free, the social, legal, and economic changes that had been made were not entirely subverted, and it is from this fact that they derive their principal significance. When the project for the new German Civil Code came before the Reichstag in 1900 it was stated that seventeen per cent. of the fifty million inhabitants of the Empire

were still living under French law. In the Prussian, Hessian, and Bavarian Rhine provinces, and in Alsace-Lorraine, the *Code Napoléon* was administered in the original tongue; while a German translation, differing but slightly from its French prototype, was current in Baden.[1] Save in the Rhenish provinces, the agrarian reforms introduced by the French had insufficient time prior to 1814 to strike root deeply. And it is not improbable that, but for the support which they received from the agrarian legislation of Stein and Hardenberg in Prussia, they would have been undone. As it was, they were maintained, despite the appeals of the nobility for a return to the old régime; and they became the model for similar reforms in portions of Germany which had not been drawn so completely under French influence.

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[1] Fisher, *Napoleonic Statesmanship: Germany,* 379.

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PART II

AGRICULTURE, INDUSTRY, AND TRADE FROM THE NAPOLEONIC WARS TO THE WORLD WAR

CHAPTER VI

THE TRANSFORMATION OF ENGLISH AGRICULTURE, 1750-1825

The Two-Fold Economic Revolution. During the second half of the eighteenth century and the first quarter of the nineteenth England underwent a social and economic readjustment which in scope, consequences, and general importance is hardly secondary to the transformation that took place in the same generations in France, Prussia, and other continental countries. In England, however, the changes made were not, as were those of the period in France, the product of revolt. Nor were they, as those in Prussia, the handiwork of a benevolently paternal government. In contrast with the transformations in France, furthermore, they were essentially non-political. The democratisation of England, involving the extension of the parliamentary and the municipal suffrage, the reapportionment of seats in the House of Commons so as to correspond more closely to the distribution of population, and the overthrow of the rule of the aristocracy in local affairs, was delayed until the second and third quarters of the nineteenth century. The changes by which the England of 1750 was converted into the England of 1825 were almost entirely economic and social, and were such as, for the purposes of discussion, may be grouped conveniently under two general heads: (1) the transformation of agriculture, and (2) the revolution in industry. The growth of political democracy was destined, in the course of time, to be profoundly influenced by these changes. But the changes themselves came about by natural economic development, quite apart from political conditions or policies. Historically, the two groups that have been mentioned, the agricultural and the industrial, are closely bound up together; and neither can be considered wholly apart from the other. None the less, the interrelated developments are sufficiently distinct to enable it to be said that those in either group might conceivably have taken place unaccompanied by those in the other.

In the economic history of England, as in that of the continental countries, the phrase "industrial revolution" has, it must be observed, a signification which is precise and technical. It must not be employed to denote economic readjustments in general. The Revolution in France in 1789-94 and the reconstruction of Prussia in 1807-12 involved many fundamental changes which were essentially economic. The industrial revolution, however, did not take place in France before the second quarter, and in Prussia before the third quarter, of the nineteenth century. Properly considered, the industrial revolution was the transformation which came about in the processes and conditions of manufacture in consequence of the invention and increased use of machinery adapted to large-scale production, and especially machinery propelled by steam-power. Its most notable manifestations were the rise of the factory system and the growth of urban populations. No fixed dates can be assigned for it anywhere; but in England it may be said to have begun shortly after the middle of the eighteenth century and to have been largely complete by 1825. The agricultural revolution meant different things in different parts of Europe. What it meant in some of the continental countries will appear subsequently.[1] What it meant in England was, in brief, the concentration of the ownership and control of land in the hands of a decreasing number of proprietors, the revived enclosure of the common lands by whose use the tenant class had been accustomed in some measure to subsist, the reduction of large numbers of tenants and small owners to the status of wage-earning agricultural labourers, and the removal of many persons from agricultural employment altogether. It began toward the close of the eighteenth century and had run its course substantially by 1845.

Rural Conditions in the Eighteenth Century. In order to understand the nature and extent of the changes wrought by the agricultural-industrial revolution it is necessary to bear in mind certain facts concerning the economic situation at the middle of the eighteenth century. In the first place, England was still, in the main, an agricultural country. Not until 1792 did the production of grain fall below the volume of home consumption, so that it began to be necessary for the nation to rely habitually, in some degree, upon imported foodstuffs. Long past 1750 tillage

[1] See Chap. VIII.

of the soil was the normal occupation of the labouring masses. Cities were few and small, and city life was of minor, although increasing, consequence. In the second place, it is to be observed that large quantities of land were in the possession of small holders. Some of these holders were proprietors in fee simple, some were freeholders on ancient manors, some were leaseholders, and many were copyholders. In several parts of the country the consolidation of holdings, with resulting dispossession of owners or occupiers, had long since set in. But the great-estate system had not yet fastened its hold upon the kingdom inextricably.[1] Not only the forms of tenure, but the methods of cultivation, remained substantially as in earlier times. In large portions of the country the two-field and three-field systems survived intact.[2] A third fact is the continued intimate association of the cultivation of land with household manufacturing. The average country-dwelling family derived its support at the same time from tillage of the soil and spinning, weaving, nail-making, soap-boiling, or some other form of manufacture. Sometimes the work of manufacture was carried on independently, and the product was marketed by the head of the family group. But more often this employment was prosecuted under the form of the domestic system described in the preceding chapter. The nation's output of manufactures, which, even in the earlier decades of the century, was large, was to a considerable extent the product of rural industry.[3]

Judged by eighteenth-century standards, the condition of the great mass of Englishmen engaged in the twin pursuits of agriculture and domestic manufacturing was not bad. Arthur Young testifies that among workingmen in both country and town, in the later portion of the century, wheat bread had entirely displaced rye bread, that the consumption of meat and cheese was larger than at any previous time, and that every family now drank tea, formerly considered a luxury. "Indeed," he says, "the labourers, by their large wages and the cheapness of all necessities, enjoy better dwellings, diet, and apparel in England than the

[1] "About one quarter of the cultivated land was the property of small peasant owners who worked their own farms, and these with their families comprised about one quarter of the rural population." G. Slater, *The Making of Modern England* (Boston, 1915), Introd., xxiv.

[2] *Ibid.*, xv-xviii.

[3] On the status of the English village and its people in the eighteenth century see W. Hasbach, *History of the English Agricultural Labourer* (London, 1908), 71-102.

husbandmen or farmers in other countries." "Not only has grain become somewhat cheaper," wrote Adam Smith in his *Wealth of Nations*, "but many other things from which the industrious poor derive an agreeable and wholesome variety of food have become a great deal cheaper." When, in 1763, the Seven Years' War was terminated, more than a hundred thousand soldiers were thrown upon the country to find employment and sustenance; yet, as Adam Smith farther testifies, social conditions were so favourable that, "not only no great convulsion, but no great disorder, arose."

If one would correctly interpret the English agricultural-industrial revolution one must bear in mind this more favourable aspect of the eighteenth-century economic situation. As has been suggested, the readjustment by which the economic and social life of the nation was turned into new channels was quite unlike the regeneration of France. It was not the product of a sudden uprising—a striking away of the foundations of an old régime and the instant substitution of a newly devised social structure; and it came in response to no recognised needs or definite aspirations of the lower social classes. Indeed it was not, in its inception at least, a class movement at all. It was not directed toward economic or social liberation, the abolition of privilege, or the increase of political power on the part of the masses. In truth, it was to no great extent *directed* at all, being not so much a *movement*, as a natural, inevitable, automatic ripening of conditions. And the labouring masses, who certainly did not demand the changes that took place, were in a position to be much injured by them. From the enclosure of the common lands, the break-up of the household system of manufacturing, the introduction of labour in factories, and the herding of employees in overcrowded towns and cities the workingman was likely, during the time of readjustment at least, to derive only inconvenience and loss. Unemployment, destitution, disease, starvation were not infrequently his lot. It is, then, to be remembered that the revolution was not of the making of the working people or of any other distinct class, that it was accomplished in no slight measure over the protests of the masses, and that only slowly and comparatively late did the state of society which it produced compare favourably with that prevailing in an earlier and simpler age.

The Growth of Capitalism. The revolution in agriculture worked itself out in a variety of directions, but the principal

elements in it may be said to have been four, as follows: (1) the application of capital to agricultural enterprise; (2) the introduction of agricultural machinery and the improvement of agricultural technique; (3) increased enclosure of common lands, depriving the bulk of the tenant population of a subsidiary, but more or less indispensable, means of livelihood; and (4) the concentration of land in large holdings such as have continued to the present day to be characteristic of the English agrarian system. The growth of capitalism in England in the eighteenth century is a fundamental economic fact; and not merely the growth of capitalism itself, but the development of the social and political power of capital. Not until the period mentioned did industrial or commercial achievement begin to be regarded as a legitimate basis of political preferment and of social distinction. For centuries the holding of land had constituted the one dependable means of acquiring a place of influence in English society. The merchant or manufacturer, no matter how clever he might be or how wealthy he might become, was somehow held to be distinctly inferior to the great landed proprietor. To be known as an artisan or a trader, or to have descended immediately from such a person, constituted a social stigma. A considerable expansion of English industrialism between the sixteenth and eighteenth centuries, however, put this exclusive social principle sharply to test, and already by the close of the reign of Queen Anne it was showing signs of giving way. Defoe announced the startling fact that trade was not inconsistent with the estate of a gentleman, and that, indeed, it might prove the making of him; and Dean Swift testifies that in his day the social prestige which once had attached to land-holding exclusively was fast being transferred to any sort of successful money-making. By dint of sheer achievement and social power the capitalist of the eighteenth century forced himself up to the level of the landholder, although he was very likely to seek to clinch his hard-won status by becoming himself a landed proprietor. By the opening of the nineteenth century the rich mill-owner or iron-master was frequently quite as important socially, if not politically, as the great landlord.

While capitalism was thus developing within the domains of industry and trade and was effecting a conquest of society and politics, agriculture itself—and this is the matter which requires present emphasis—was taking on a new, capitalistic aspect. Not

until the eighteenth century did landowners in England begin systematically to employ funds in the improvement of the soil and in experimentation with new crops and methods of tillage. Returns from outlays of this kind are slow and uncertain, and naturally it was the richest, as well as the most enterprising, proprietors who first attempted and carried through the capitalistic innovations. Just as the well-to-do manufacturer gathered together his available funds and employed them in the building of factories and the purchase, on a considerable scale, of machinery, materials, and labour, so the affluent landed proprietor began to set aside portions of his capital for the acquisition of additional land, the introduction of new and costlier methods of cultivation, the purchase of machinery and fertilisers—in short, for the adoption of scientific tillage planned to yield some more or less definite percentage of profit on the capital invested. In many instances the capital employed in this manner belonged rather to the farmer, i.e., the manager of the estate, than to the proprietor. But in any case the new policy, as it slowly spread, was of large significance. It prompted the application of science and of experience to the processes of agriculture; it led to the substitution of machines for men, thereby lessening the demand for agricultural labour; it set up a competition of large-scale, scientific tillage which the small landowner was unable to meet;[1] and it stimulated the farther concentration of the land in large holdings.

Improvement in Agricultural Technique. A second phase of the revolution is, then, the improvement which took place in the technique of husbandry. The stimulus to such improvement came originally from the steady rise after 1760 in the price of agricultural produce, caused by the increase of population and of wealth derived from manufactures and commerce. With the growth, especially after 1775, of the factory system, there appeared large industrial centers whence came ever-increasing demand for food, and it was largely to meet this demand that farms, instead of being continued as small self-sufficing holdings, were extended and converted into large-scale capitalistic manufactories of grain

[1] "In agriculture, as in manufacture, enlargement of the business enables economies to be effected, crises to be weathered, the highest skill to be hired, and sales to be made at the most advantageous time and place." Perris, *Industrial History of Modern England*, 8. On the application of capital to agriculture see R. E. Prothero, *English Farming, Past and Present* (London, 1912), 207-223.

and meat. Within the domain of agriculture, as in that of industry, science and skill were brought to bear, to the end that the product might be greater and the cost of production less. Rational schemes of cropping replaced antiquated ones, the art of cattle-breeding was given fresh attention, and agricultural machinery which called for considerable initial outlays was widely introduced. To the close of the eighteenth century, it is true, development in these directions was slow. By 1800 new-modelled ploughs, wagons, and other kinds of implements had been introduced; but their use was yet to become common. The growing of certain crops of present importance, as clover and turnips, was in the initial stage. Scores of thousands of acres of moorland, heath, and fen lay entirely unused. Interest in agricultural development was, however, keen. During the Napoleonic wars this interest was whetted by increasing demand for foodstuffs and by rising prices, and large numbers of societies sprang up which were designed to promote both the discussion of agricultural subjects and the introduction of improved methods of cultivation and marketing. As will be explained, enclosure proceeded apace, and mainly for grain-growing rather than for pasturage. The social effects were not good, but large quantities of land were for the first time brought under drainage and tillage.

After the close of the wars there was a reaction, and for a time it appeared that the falling prices of grain would involve the landowning class in disaster and the art of agriculture in retrogression. For the landed interests, however, the corn laws —hardly less deleterious in their general social effects than were the enclosures—saved the day.[1] And, although for a score of years progress was halting, the aggregate of advance in technique and product was considerable. Gradually the scientific rotation of crops became a general practice and the wasteful custom of permitting arable land to lie fallow every third year was discontinued. The use of natural and artificial fertilisers increased, and the marling and claying of the light soils to fit them for wheat-growing became more common. Improved breeds of cattle and sheep, introduced in some instances before the close of the eighteenth century, were grown more widely, and the arts of feeding and fattening were given more serious attention. The progress of metal-working and machine-building permitted the introduction

[1] See pp. 246-249.

of new kinds of labour-saving devices, notably the horse-propelled threshing-machine, which was placed on the market shortly before 1800. After 1830 methods of field drainage were discovered which rendered the cultivation of heavy clay lands vastly easier and more profitable. Farmers' clubs and cattle-shows multiplied. The Board of Agriculture, established in 1783, came to an end in 1817.[1] But in 1838 the Royal Agricultural Society was organised, and in 1842 the Agricultural Chemistry Association. The results of the chemical researches of Liebig and his successors, first made available in the decade 1840-49, added materially to the stock of theoretical knowledge within the field and gave fresh stimulus to the practical application of scientific principles.[2]

The Revival of Enclosure. The application of capital to agriculture and the introduction of scientific methods of tillage adversely affected the small-farming population, which was unable to follow the lead of the great proprietors. Unfavourable, also, were the consequences of the break-up of the domestic system of industry, caused by the development of large-scale manufacturing and of factory methods; for most branches of household manufacturing upon which men had been accustomed to rely to eke out the meager returns of agriculture ceased to be profitable. And the embarrassments of the small cultivator were farther increased by a third important factor in the agricultural revolution, namely, the widespread revival, after the middle of the eighteenth century, of the enclosure of common lands. A fundamental reason for this revival was the increasing profitableness of arable farming, in consequence of the rise of industrialism, the growth of population, and the enlarged demand for foodstuffs. A second consideration was the ease of obtaining from a parliament dominated by landlords the special legislation which was now required.[3]

[1] The Board was not strictly a government institution, being only a publicly-subsidised, quasi-official corporation. Sir John Sinclair was its president and Arthur Young its secretary. Through the activities of these men principally, it sought with some success to introduce new seed varieties and implements, improved methods of tillage and of crop rotation, and better cattle-breeding. A Board of Agriculture of strictly governmental character was established in 1889. On Sinclair's suggestion that a federal Board of Agriculture be created in the United States see H. B. Learned, *The President's Cabinet* (New Haven, 1912), 300-301.

[2] For brief accounts of the principal leaders in English agricultural development in the eighteenth and early nineteenth centuries see F. W. Tickner, *Social and Industrial History of England* (London, 1915), 499-509, and R. E. Prothero, *English Farming, Past and Present* (London, 1912), 148-189.

[3] In his *Life of Cobden* (Chap. VII), Lord Morley estimates that even after

A third factor was the advocacy of enclosure by the economists, notably Adam Smith. It was easy to point out, as did Smith, the anomalies of the existing arrangements, and to show that the subdivided and open-field system of cultivation was wasteful, that it operated to prevent the introduction of scientific methods and the realisation of full returns from the land, and that the maintenance of the country on a self-sufficing basis required a more complete utilisation of agricultural resources. "Speaking generally, the farming of the old agrarian communities had deteriorated since the sixteenth century. They could make no use of improved methods of cultivation, rotations of crops, or machinery. Enterprising men were hampered by the apathy of less active partners. If one farmer drained his land, the others stopped up the drain so that his land was swamped. The strips were too narrow to admit of cross-harrowing or cross-ploughing. . . . Half the day was wasted in going to and fro between the different parcels. . . . Innumerable foot-paths to the various closes cut up and contracted the available land. Litigation was incessant, since self-interested farmers ploughed up the common balks or headlands, moved their neighbours' landmarks, and filched their land or crops." [1] In large farms and large capital, affirmed Smith, lay England's only possible relief from this intolerable state of things.

The methods by which enclosure was carried out in the eighteenth century varied considerably. Where it was found possible to secure the unanimous consent of the holders of rights and interests of all kinds within the parish, the change might be carried through by the parish authorities independently. Unanimous consent, however, was not likely to be forthcoming, and in practice the transaction was apt to involve two stages—first, the procuring of the assent of the possessors of four-fifths of the aggregate value of the land affected, and, second, the passage of a special act by Parliament authorising the enclosure and compelling the dissenting minority to acquiesce in it. As a rule, enclosure measures, in which were stipulated the necessary arrangements for surveys, compensation, and redistribution, were actually drawn by the large landholders and other persons of influence in the parishes concerned. In 1801 a statute was enacted to make easier the

the Reform Act of 1832, and until as late as 1846, four-fifths of the House of Commons represented the landowning class.

[1] Prothero, *Pioneers and Progress of English Farming*, 65.

passage of private bills for enclosure.[1] An act of 1836 went farther and made it possible, with the consent of two-thirds of the persons interested, to enclose certain kinds of common lands without specific authorisation of Parliament. And a General Enclosure Act of 1845 created a Board of Enclosure Commissioners authorised to decide upon the expediency of proposed enclosures and to carry them into execution if approved.[2] The object of the measure was to lessen the cost of the enclosure process, as well as to throw added protection about the rights of the poor.

Effects of Enclosure upon the Small Holders. The last great era of enclosure extended from about 1760 to the end of the fourth decade of the nineteenth century. The movement attained its maximum in the period 1800-19, when more than three million acres were enclosed; and by 1850 comparatively little open land remained.[3] The lands enclosed in these times, unlike those enclosed in the fourteenth, fifteenth, and sixteenth centuries, were intended for cultivation, and fairer effort was made, as a rule, to compensate possessors, either in land or in money, for the common rights of which they were deprived. The effects of enclosure upon the average small holder were likely, none the less, to be disadvantageous. Heretofore the tenant had been accustomed to utilise his individual allotments of land entirely for the growing of crops. His cow, his donkey, his flock of geese, found such sustenance as they could upon the common lands of the parish. Now the common lands disappeared and the cottager must not only grow foodstuffs for his family upon his bit of ground but

[1] 41 George III, c. 109. Bland, Brown, and Tawney, *English Economic History, Select Documents*, 537-541.

[2] 8 and 9 Victoria, c. 118. Bland, Brown, and Tawney, *English Economic History, Select Documents*, 541-542. In 1889 the functions of this board were transferred to the newly created Board of Agriculture.

[3] The number of enclosure acts passed by Parliament between 1700 and 1850 and the approximate area of the lands enclosed were as follows:

	No. of enclosure acts	*Acres enclosed*
1700-59	244	337,877
1760-69	358	704,550
1770-79	660	1,207,800
1780-89	246	450,180
1790-99	469	858,270
1800-09	847	1,550,010
1810-19	853	1,560,990
1820-29	205	375,150
1830-39	136	248,880
1840-49	66	349,747

provide upon it pasturage and meadow for his live-stock. To share in the use of a common might be, and generally was, more desirable than to occupy a petty enclosed holding exclusively. "By nineteen out of twenty enclosure bills," Arthur Young was compelled to admit in 1801, "the poor are injured, and some grossly injured."[1] Not infrequently the compensation obtained by the individual cottager for the common rights which he yielded took the form of money. Such sums, however, were easily expended, and the cottager was likely soon to find himself without anything to show for the valuable rights which he had once possessed. To his difficulties was added the fact that the application of capital to agriculture on the part of the large landholders, and the introduction of methods of cultivation which were for him impracticable, placed him at a heavy disadvantage in the growing of marketable produce. At the same time, as has been pointed out, the ruin of the domestic system of industry operated to deprive him of a supplementary means of livelihood.

The spread of enclosures was a continuous source of public discontent, and upon many occasions it provoked obstinate, and even violent, resistance. The point of view of the small holder is represented in a bit of doggerel current in the later eighteenth century:

> "The law locks up the man or woman
> Who steals the goose from off the common;
> But leaves the greater villain loose
> Who steals the common from the goose."

Protest, however, was unavailing. With the growth of population, the increase of demand for agricultural products, and the introduction of capitalistic and scientific methods of agriculture, the pressure for the closer utilisation of the arable land of the kingdom was irresistible. So far as the small-farming elements are concerned, what happened—not, of course, suddenly, but slowly and inevitably—can be stated briefly. Finding themselves unable, under the changed conditions, to gain a livelihood on their enclosed plots, the cottages turned to one of three principal expedients. Large numbers of them, attracted by the new opportunities offered by factory employment, drifted to the towns and became factory wage-earners. Many who could bring together

[1] *Inquiry Into the Propriety of Applying Wastes to the Better Support and Maintenance of the Poor* (London, 1801).

the necessary means migrated to the colonies or to other countries, including, in later times, the United States. Others, in perhaps greater number, remained on the land, sinking, however, to the status of labourers for a daily wage. The formerly numerous and substantial class to which they had belonged decayed and almost disappeared.[1]

Farther Concentration of Land-Ownership. From these developments arose the fourth cardinal feature of the country's agricultural revolution, i.e., the consolidation of land in large holdings and the reorganisation of the rural population upon lines which the large-estate system entails. As, one after another, the diminutive enclosed holdings were sold for a pittance and abandoned, they were added to other holdings—as a rule, to those of the lord of the old manor, who was fast becoming a great landed proprietor of the present-day type. The process of consolidation was accelerated by frequent purchases by industrial capitalists of lands owned by the smaller freeholders or yeomen. During the Napoleonic wars prices were high and land rose to a value forty times its rent. Even under such conditions the new industrial leaders, desirous of acquiring the social and political status still in a measure associated with the ownership of land, were willing to purchase freely. And in the great era of agricultural distress which followed the establishment of peace in 1815 the desire of the yeomanry to sell became almost universal, and the number of sales rose to astonishing proportions. Small freeholders very generally gave way to capitalist landlords; and by numerous intermarriages between the new capitalist and the old landowning families the consolidation of estates was carried still farther. By 1845 the process of concentration may be said to have passed through its most important stages.[2] Already it had come to be true, as it is to-day, that the country of western Europe in which

[1] Slater, *The Making of Modern England*, Chap II. On modern survivals of open fields see Slater, *English Peasantry and the Enclosure of Common Fields*, 8. On the demoralisation of the labourer see W. Hasbach, *History of the English Agricultural Labourer* (London, 1908), 172-216, and R. E. Prothero, *English Farming, Past and Present* (London, 1912), 290-331.

[2] The point at which the development had arrived in 1831 is indicated by the census returns for that year. Of 236,343 males twenty years of age who were occupiers of land in England, 141,460 employed labourers to an aggregate number of 744,407; the remaining 94,883 cultivated their land with their own hands. On the other hand, of 79,853 occupiers in Scotland, only 25,887, or not one-third, employed labourers, and of 108,608 in Ireland, only 20,789. Porter, *Progress of the Nation* (ed. of 1847), 159-160.

landholdings were of the largest average size, and in which the proportion of cultivators owning the soil upon which they worked was smallest, was England.

"The progress of agricultural improvements," says a leading English authority, "left its mark by drawing hard and fast lines of cleavage between the classes in rural society." [1] And the same writer goes on to remark not inaptly that "the small farmer who succumbed in the struggle was all the more to be pitied because the labouring class in which he had been merged was entering on a terrible period of privation and degradation." The classes which arose from the agricultural overturn were three, and they remain to-day the distinctive groups in English agrarian organisation. They are: (1) the landed proprietors, who let out their land in large quantities to farmers in return for as considerable a rental as they can obtain; (2) the farmers, who, possessing no proprietary interest in the soil and no direct community of interest with either landlords or labourers, carry on agricultural operations upon these rented lands as capitalistic, profit-making enterprises; and (3) the agricultural labourers who neither own land nor manage it, but simply work under orders for wages. Before examining farther the relationships existing among these classes, and the problems of contemporary interest arising therefrom, it will be desirable to explain more fully the great changes in industrial life by which the developments that have been described were accompanied.[2]

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[1] Cunningham, *The Industrial Revolution* (ed. of 1908), 562.

[2] For a vivid description of rural conditions in England about 1820-30 see Perris, *Industrial History of Modern England*, 125-132.

1914), 165-188; A. D. Innes, *England's Industrial Development* (London, 1912), 245-254; F. W. Tickner, *Social and Industrial History of England* (London, 1915), 541-548; G. Slater, *The Making of Modern England* (new ed., Boston, 1915), 21-48; D. H. Macgregor, *The Evolution of Industry* (New York, no date), Chap. VI; W. E. H. Lecky, *History of England in the Eighteenth Century* (London, 1887), VI, 188-205; H. D. Traill and J. S. Mann, *Social England* (illus. ed., London, 1902), V, 130-144, 617-625.

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CHAPTER VII

THE INDUSTRIAL REVOLUTION IN ENGLAND

Favouring Conditions. The transformation in agriculture which took place in England during the second half of the eighteenth century and the first half of the nineteenth was accompanied by, and closely interrelated with, far-reaching changes in the organisation and technique of industry. To designate these changes—which, indeed, had the ultimate effect of converting England from an agricultural into an industrial state—the English student of social affairs, Arnold Toynbee, some decades ago, introduced the now familiar phrase "Industrial Revolution." As has been explained, the changes themselves consisted, broadly, in the rise of the factory system of manufacture to replace the domestic system, even as the domestic system in times past had replaced, in the main, the gild system. Prominent manifestations of the transition were the localisation of industries in factory centers, the shifting of population to these centers, involving a notable growth of towns, and an enormous increase in the country's output of manufactured commodities. The causes of the revolution and the reasons why the development came first in England rather than on the continent, are numerous, complicated, and beyond a certain point elusive. Four or five favouring circumstances, however, are to be noted. One was the relative abundance in England of surplus capital. A second was a similar abundance of labour, skilled and unskilled. A third was the extension of markets, especially after 1760, involving an ever-growing demand for English goods. A fourth was the comparatively early breakdown of the gild system and the enlargement of the control of domestic industry by merchant-manufacturers, rendering easier the transition to the factory. And a fifth was the comparatively early and rapid progress of mechanical invention. If a sixth were to be added, it might be the fact that the manufactures of England, unlike those of France, were generally of such a sort, being staple commodities, that their production required no very high order of

individual technique and could readily be carried on in the mass in factories.[1]

Upon neither the volume nor the employment of capital in the eighteenth century have we statistics of value, for England or for any other country. All known facts, however, indicate that England offered larger opportunities and higher rewards for the accumulation of capital than did any other portion of Europe. Political and religious conditions were more favourable than in France and Germany, and the economic system, if not more liberal, was at least less obstructive. The establishment of the Bank of England (in 1694), and of other banks, supplied a decided impulse. In the second half of the eighteenth century the growth of wealth was retarded by war, yet the loss was by no means as great as that suffered by the country's closest competitor, France. Long before 1800, as has appeared, surplus wealth was being utilised in the building up of large estates, the introduction of new crops, and the development of the capitalistic type of agriculture. In the same era mobile funds were generally available for the establishment of large-scale manufactures whenever necessary conditions of other kinds were met. One of the chief of these conditions was a supply of skilled or easily trained labour. And in this matter, also, the advantage lay largely with England. In the seventeenth and eighteenth centuries the island kingdom attracted, especially from the Netherlands and from France, many of the best artisans of Europe (notably Huguenots who fled from France after the revocation, in 1685, of the Edict of Nantes), and in this manner the industrial energy and intelligence of the working classes were materially augmented. Although the gain was largest in the silk, linen, paper, and pottery industries, there was hardly a branch of manufacturing in which England did not profit heavily by the knowledge and skill of her immigrant workingmen.[2]

In the next place, it is to be borne in mind that concentration of industry upon a considerable scale did not originate with the factory system. Even before the eighteenth century, the advantages of the bringing together of labour, materials, and industrial processes under the immediate supervision of an employer or

[1] A useful survey of the conditions underlying modern English industrial development is contained in J. E. T. Rogers, *Industrial and Commercial History of England* (New York, 1892), Lectures I-II.

[2] *Ibid.*, Lecture VI.

manager did not escape observation, and in some degree the principle had been put in operation in the small-metal and some other industries. In the seventeenth and eighteenth centuries the woollen industry, especially in southern England, was brought under the control largely of merchant-manufacturers who owned the raw material and often the tools of the trade, and who employed combers, weavers, dyers, fullers, and other workmen whose services from time to time were needed. These workmen continued to live apart and to carry on their labour in their own homes or shops. From this arrangement it was, however, only a step to the concentration of the materials and processes of manufacture under a single roof and the settlement of the labourers in the immediate vicinity of factory or mill. And it is not to be overlooked that in scattered instances this thing had been done prior to the period commonly regarded as the dawn of the new industrial era. Thus we read of a certain Jack of Newbury who had a clothing factory at the beginning of the sixteenth century and employed a thousand workmen, many of whom he led to do battle with the Scots at Flodden.

English Leadership in Invention. But the rise of the factory type of industry on any considerable scale was contingent upon the improvement and increased utilisation of machinery; and the most conspicuous, if not the most essential, favouring circumstance of the industrial transformation in England became the early and remarkable development of invention. There has been no small amount of speculation as to why England should have produced the unrivalled galaxy of inventors—Kay, Hargreaves, Arkwright, Crompton, Cartwright, Radcliffe, Horrocks, Newcomen, Watt, Bolton, Telford, Murdock, Trevethick, Cort, and a host of others—by whom, in the eighteenth and earlier nineteenth centuries, the industrial leadership of the kingdom was so firmly established. It was not because the need of improved mechanical appliances was more keenly felt than in France, Germany, Switzerland, and other countries. It was not because England was a leader in pure science, although the contributions to scientific knowledge made by Davy, Wollaston, Faraday, Herschel, and Cavendish were numerous and in some instances of exceptional originality and importance. The priority of the kingdom in the field of invention seems to be attributable, in the main, to two things—first, the fact that the need was at least as great as anywhere, and second, the bent of

English genius in the period under consideration toward practical, applied science. While continental *savants* prosecuted their researches in light, electricity, and chemical reactions, Englishmen of scientific interests busied themselves with the application of knowledge already available. With only an exception or two, the English inventors were men of very ordinary education, and several of them were mere tinkers and jacks-of-all-trades. Through an infinite amount of patient experimentation they, however, contrived to bring to bear upon the problems of everyday industry the discoveries of their more brilliant continental contemporaries. Watt, for example, made practical use of the expansive power of heat, and the result was the steam engine; but the idea that such a thing could be done seems to have originated with a physicist of Marburg. The steam-engine was developed as a practical device to meet a very definite need—the need of pumps of greater strength in mines which were reaching levels where the old hand-power or horse-power pumps could not be made to serve. Here, and in scores of other cases, was very well illustrated the principle that necessity precedes invention, even though continental experience demonstrated that necessity does not always produce invention.

The historical importance of the mechanical inventions of the eighteenth and nineteenth centuries can hardly be exaggerated. "They serve," says a recent writer, "to explain the world in which we live, with its busy cities, its gigantic factories filled with complicated machinery, its commerce and vast fortunes, its trade unions and labour parties, its bewildering variety of plans for bettering the lot of the great mass of the people. The story of the substitution for the distaff of the marvellous spinning-machine with its swiftly flying fingers, of the development of the locomotive and the ocean steamer which bind together the uttermost parts of the earth, of the perfecting press, producing a hundred thousand newspapers an hour, of the marvels of the telegraph and the telephone—this story of mechanical invention is in no way inferior in fascination and importance to the more familiar history of kings, parliaments, wars, treaties, and constitutions." [1]

The inventions which transformed English industry, and eventually the industry of the world, were of two general kinds, according as they involved the improvement of old tools and the

[1] Robinson and Beard, *Development of Modern Europe*, II. 31.

construction of new ones or the application to these tools of non-human power, first that of running water or of beasts of burden, and later that of steam. Each invention became, in both of these lines, a link in a long chain; and the effect of all of them permeated agriculture, transportation, trade, and, indeed, every department of national activity. The development of invention took place, at least in the earlier portion of the period, in relation principally to two main groups of trades—the textile group (including especially the manufacture of cottons, woollens, and linens) and the mineral group (involving chiefly the mining of coal and ores, the working of iron, and the making of machinery). And the first great branch of manufacture to be notably affected was the production of cotton cloth. For centuries the woollen manufacture had been the country's largest and most favoured industry, whence it arose that that trade was so surrounded with tradition that innovations in the methods by which it was carried on were introduced but slowly and with difficulty. The cotton industry, on the other hand, was of recent origin, and hence was differently situated.[1] At the middle of the eighteenth century it was only beginning to rival the woollen business, and not until 1802 did exports of cottons equal exports of woollens.

Invention of Machinery for Spinning. In the manufacture of cottons, as indeed of all textiles, two main processes were involved—the spinning of the yarn from the fiber and the weaving of the yarn into cloth. Aside from the problem of obtaining adequate supplies of the raw material (in earliest times chiefly from India), the principal difficulty in the manufacture of cottons lay in preserving some sort of balance between the two processes named; and in the woollen industry this difficulty was hardly less serious. Both processes, of course, were performed by hand; but of the two, spinning was so much the slower that from five to ten spinners were required to keep one weaver occupied. At the opening of the eighteenth century cotton, wool, and flax were still spun by the use of distaff and spindle, and it was only as the century advanced that this primitive method was subjected to the slight improvement arising from the introduction of the spinning

[1] The earliest mention of cotton manufacture in England is in 1641, although there are some indications that the industry was introduced during the reign of Elizabeth. Its earliest seats were Manchester and Bolton, and from the first it was organised under the form of the domestic system. E. Baines, *History of the Cotton Manufacture in Great Britain* (London, 1835), 84-112.

wheel.[1] Weaving—consisting essentially in passing one set of threads, called the woof, or weft, alternately under and over another set, called the warp, or web—was performed by the use of a hand-loom, constructed to hold the warp and to permit half of the threads to be raised and the other half to be depressed while the operators pushed back and forth between the two a shuttle carrying the weft-thread. Not until about 1773 was it possible to produce cotton thread which was sufficiently strong to be used for the warp; until then linen thread was employed. Weaving was comparatively heavy labour, and under the domestic system it was likely to be done by the head of the household, aided by grown sons or hired workmen, while the women and children, with such outside help as might be obtained, produced as best they could the necessary yarn. In 1733 John Kay, a clock-maker of Bury, in Lancashire, patented a device known as the "flying shuttle" by means of which, regardless of the breadth of the cloth being woven, a weaver was able to propel without assistance the shuttle by which the cotton weft was carried back and forth through the threads composing the linen warp.[2] But this invention made the speed and product of the weavers and spinners still more disproportionate. One man could operate a loom that formerly had required the attention of two, and at the same time the machine's productive capacity was doubled. More than ever, the demand for cotton thread and for yarn outran the supply, and in 1761 the Royal Society for the Encouragement of Arts and Manufactures came forward with an offer of two prizes for inventions that would enable the spinning-wheel to produce more than one thread at a time.

With little delay the desired end was attained. In 1764 James Hargreaves, a Lancashire weaver, brought to completion his "spinning-jenny," which was a simple machine operated by a hand-wheel and carrying at first eight threads, then sixteen, then twenty, and within the inventor's own lifetime eighty—a machine, furthermore, which could be operated by a child. The thread spun was, however, so frail that it could be employed in the weft only, and the full result of the improvement could not be realised until

[1] For a detailed description of the early process of spinning see Harris, *Industrial History of Modern England*, 88-89.

[2] For a brief description see Slater, *Making of Modern England*, [illegible] xxxii.

there should have been a proportionate advance in the production of thread used in the warp. This need, too, was promptly supplied. In 1771 Richard Arkwright, a wandering peddler, set up a mill at Cromford, in Derbyshire, in which he brought into use his newly patented "water-frame," a machine which by the peculiar firmness which it imparted to the thread it spun made it possible for the first time to dispense with linen in cotton manufacture and to produce cloth wholly of cotton. Arkwright was an inventor only in the sense that he ingeniously combined devices which he appropriated from other people. But the introduction of the water-frame was an event of prime importance in the history of textile manufacture, not only because the "water-twist" demonstrated the practicability of all-cotton cloth, but because the new machine (in an improved form known as the "throstle"), consisting essentially of two pairs of rollers requiring to be turned by water or by steam power, could not be set up in the ordinary cottage and could be utilised profitably only under circumstances commonly associated with the factory. In 1779 Samuel Crompton, of Lancashire, brought together the best features of the Hargreaves and Arkwright machines in what came to be known popularly as the "mule," or the "mule-jenny," a mechanism which has been improved until it to-day carries two thousand spindles and calls for so little attention that several machines can be operated by one person. It was Crompton's improvements that first made possible the spinning of very fine and soft cotton thread, which, in turn, led to the beginning in England of the manufacture of muslins. The inventions of Hargreaves, Arkwright, and Crompton gave all English textile industries a stimulus that was truly remarkable. Not only was the manufacture of woollens, silks, and linens increased in ease, speed, and amount, but the production of cottons was brought into the forefront of profitable industries. Eli Whitney's invention of the cotton-gin, in 1792, put the American stock of raw material in the way of indefinite increase, and thereafter the production of cotton thread in England was limited only by the demand of the cotton weavers.

Invention of Machinery for Weaving. In point of fact, the improvements that have been mentioned quite reversed the traditional relations between the spinners and the weavers. It was now the weavers who lagged behind, for in weaving there had been no advance since the introduction of the Kay shuttle. Until near the

close of the century the best looms in existence were operated by hand and were of very limited productive capacity. From 1784 onwards a Kentish clergyman, Dr. Edward Cartwright, the inventor of a machine for wool-combing, gradually worked out the principles of the first power-loom, to be operated by water, and in 1791 a Manchester firm contracted to take four hundred of the Cartwright looms. Not much was made of the invention, however, before the close of the first decade of the nineteenth century, and in the meantime, while the spinning industry had been taken largely out of the hands of the domestic workmen and concentrated in mills, hand-loom weaving in the homes of the workingmen continued much as before. In 1809 Parliament voted Cartwright a subsidy of £10,000 in recognition of his services to industry. Radcliffe, Horrocks, and other inventors so improved the Cartwright loom that it could produce finer grades of cloth than was originally possible, and by 1815 the machine was coming into common use and was enabling the weavers, in their turn, to catch up with the spinners. The delay in the power-loom's adoption is to be explained in part by the lack of speed and other defects of the mechanism itself, in part by the unsatisfactory nature of the available water-power, but perhaps principally by the tenacity with which the weavers as a class resisted the tendencies of the times and clung to the ancient methods of their craft. Weaving became, indeed, the last great stronghold of the domestic system, and it was only after steam-power had begun to be employed on a considerable scale that, in this branch of industry, the balance was turned definitely in favour of the factory. As late as 1813 there were only 2,300 power-looms in operation in England and Scotland. In 1820, when there were supposed to be in operation about 15,000 power-looms, it was estimated that there were in use, in the cotton industry alone, between 200,000 and 250,000 hand-looms. And, although in 1833 the number of power-looms was 100,000, evidence presented to a committee of the House of Commons indicated that the use of hand-looms had rather increased than fallen off. The contest between the two forms of weaving constitutes one of the most notable features of English industrial history in the first half of the nineteenth century. It could end in only one way. But the hand-workers yielded very gradually, and only as their income was pressed down by competition to the bottom point of bare subsistence. The misery of the hand-loom weavers was long notorious,

not only in England, but in other countries where there was a similar hopeless struggle.

The Steam-Engine. It cannot be too strongly emphasized that the vital elements in the industrialism of the new era were power and combination. Machinery presupposes power and necessitates concentration of capital and effort, and a fundamental aspect of the revolutionising of eighteenth-century industry was the concentration of new agencies of power, notably steam, no less than the transfer of labour from the homes of the people to the mill and factory. The steam-engine, than which no mechanical device has wrought greater changes in the economy of the world, is the product of inventions covering a long range of time. The expansive power of steam was understood, indeed, by the ancients, but never until the beginning of the eighteenth century were means devised by which this power could be put to practical use. About 1705 Thomas Newcomen introduced the principle of the cylinder and piston and produced an engine which was of substantial service in pumping. In 1763 James Watt set himself the task of improving Newcomen's engine, chiefly by eliminating its waste of energy, and of rendering it more widely available for the purposes of manufacture. In 1768 he formed a partnership with a Birmingham capitalist, Matthew Bolton, and in 1769 he took out his first patent. By closing both ends of the cylinder and arranging for the driving of the piston back and forth rapidly and entirely by steam,[1] by introducing the revolving balls, or "governor," to impart regularity of motion, and by perfecting an arrangement of rod and crank permitting the driving of a wheel connected by a belt with the machinery to be run, Watt brought the steam-engine to a form such that it was adaptable for the first time to the operation of spinning machines, power-looms, saw-mills, and other mechanical devices. Steam was first employed to run spinning machines in 1785 at Papplewick, in Nottinghamshire, and by 1800 there were eleven of Watt's engines in use in Birmingham, twenty in Leeds, thirty-two in Manchester, and many in other industrial centers throughout the kingdom.

Advance of the Metal Industries: Iron and Coal. The advances in the textile trades which have been described were condi-

[1] In Newcomen's engine only a slow downward and upward motion of the piston was possible. The upward motion was produced by steam pressure, the downward motion by atmospheric pressure after a vacuum under the piston had been created by steam condensation.

tioned upon corresponding advances in what may be loosely termed the metal industries. The equipment of the factories with spinning, weaving, and other kinds of machinery required that there should be a revolutionising of the processes of machinery manufacture. This, in turn, called for increased production and, of course, cheapening of the necessary raw materials, principally iron. And both the acquisition of these materials and the operation of the steam-propelled machinery in all industries required that a vast and inexpensive supply of fuel should be made available. Northern and north-central England was richly underlaid with deposits of iron and coal, but it was only after 1750 that the proper modes of utilising these resources began to be at all understood. In earlier times, and indeed until the eighteenth century was nearing an end, iron was scarce and costly and was used sparingly. The larger portion of the English supply was imported from Sweden, not because of any lack of native ore, but because of the backwardness of the English smelting industry. Smelting was carried on at many petty forges scattered over the country, principally in the south. But the development of the industry was held within narrow limits by the inadequacy of the fuel supply. The fuel used was charcoal, and the amount required was altogether disproportionate to the bulk of the product, the maximum annual output of a charcoal furnace being only about three hundred tons. As early as the seventeenth century efforts were made to utilise coal in smelting, but chemical difficulties, which there were no known means of overcoming, frustrated the attempt. In 1735 success was attained in smelting with coke, although the value of the discovery was lessened by the fact that the iron so produced was lacking in the quality of malleability; and somewhat later a method was discovered by which coal could be employed in the same way. In 1760 the crude bellows which had been used to supply the necessary blast was replaced by Smeaton's cylinder-blowing apparatus, and in 1790 steam was first employed in this connection as a motor force, with the result of effecting a saving of one-third of the fuel and greatly stimulating production. Meanwhile two inventions of Henry Cort, of Gosport, revolutionised the malleable industry quite as completely as the use of coke and coal had revolutionised the production of pig-iron. One of these was a process, patented in 1783, and known as "puddling," whereby, with the use of coal and by the injection of oxygen, pig-iron could

be converted into the malleable product. The other was a mechanism for the working of malleable iron, patented in 1784, involving the substitution of rollers for the slow forge hammers hitherto in use. In 1789 Cort's first patent was annulled, with the result that the puddling process was made available for iron-workers everywhere. These developments, combined with a steady rise of the price of Swedish iron in the years 1770-90, stimulated the production of iron in England very greatly. In the period 1740-88 the output was increased from 17,000 to 68,000 tons, and after the last-mentioned date the increase went on with such rapidity that by 1796 the product aggregated 125,000 tons. In 1802 there were 144 furnaces in England and Wales and 24 in Scotland, and already iron was being exported. In 1806 the estimated output was 250,000 tons, and in 1815 exports rose to 91,000 tons. The principal fields of this development were districts in the neighbourhood of the coal beds, notably southern Staffordshire and southern Wales, with Scotland a close competitor. Incident to the increase and cheapening of the production of iron, as well as in response to the growing demand of the industrial *entrepreneurs* for more and better machinery, came the gradual expansion of machine manufacturing. It is said that in 1800 there were in all England not more than three good machine shops.[1] But thereafter the number increased, slowly until about 1825, and afterwards more rapidly.

Vitally related to this development, and in the last analysis making it possible, was the transformation of the coal-mining industry. The manufacture of iron and of iron products required abundant and inexpensive fuel; so, too, did the operation of the mills and factories. Before the close of the eighteenth century the introduction of steam-pumping had made it possible to sink deeper shafts, but the expansion of coal production first became really noteworthy in the decade 1810-19. In that period the huge pillars of coal which it had been customary to leave in the mines to support the roof began to be replaced by wooden props. In 1813 the steam boring-machine was invented. In 1815 Sir Humphrey Davy introduced his safety lamp, whose use both protected the miners and made possible the excavation of lower levels. And in 1820 mechanical haulage underground began to be substituted for the labour of wretched women and children, who hitherto had been

[1] Day, *History of Commerce* (rev. ed., 1922), 284.

employed almost exclusively in carrying the coal up the long flights of stairs from the various levels to the surface. In 1819, when the quantity of coal shipped coastwise from British ports was 4,365,000 tons, it was estimated that the amount distributed inland by means of highways and canals was over 10,000,000 tons. By 1850 the total output was estimated at 56,000,000 tons. The principal producing regions were the portions of Northumberland and Durham which lay in the general vicinity of Newcastle-on-Tyne, southern Scotland, Cumberland, Lancashire, and southern Wales.

Rise of the Factory System: Causes. Thus were brought together from diverse sources, and by men who often, like Cort, derived no pecuniary advantage from their labours and ideas, all of the elements which are necessarily involved in the operation of modern industry: devices to promote proficiency, variety, and speed in manufacturing; materials for the making of the requisite machinery; cheap and abundant fuel for the generation of power; means, through the employment of steam, of unlimited increase and adaptation of that power; and rapidly growing facilities for easy transportation over long distances.[1] The result was the rise of the factory system. It is true that factories in England far antedate the eighteenth century. The first of which mention is made existed as early as the days of Henry VIII, and one of the interesting, although minor, phases of English economic history is the development of these pre-revolutionary manufacturing establishments. Not until the later eighteenth century, however (perhaps better, the early nineteenth), can there be said to have been in England a *factory system.* "What the great inventions did for the factory," says one writer, "was to change the relation of hand work to mechanical assistance. The tool and the machine tool are under the government of the hand. It is the worker who supplies the force and the tool which obeys; but after the great inventions the position of the worker in the modern factory came to be that of assisting the machine rather than that of supplying the energy to the hand or machine tool. There were factories before the inventions of Watt and Crompton and Cort, but the 'factory system' of the nineteenth century implies specially a subordination of the worker to the machine, which justifies us, if we look at the change over a long period, in speaking of the effect as a revolu-

[1] On the improvement of transportation facilities see pp. 229-232.

tion."[1] The factory grew up alongside the domestic system of industry, and it needs hardly be remarked that the one never wholly displaced the other. To this day there are communities in England in which the processes of manufacture are carried on extensively under the forms of the old domestic system. A familiar instance is the manufacture of small articles of hardware in the villages that cluster about Birmingham. The domestic system, however, has quite lost its hold upon the nation, and the emphasis of nineteenth- and twentieth-century industrialism is distinctly upon the factory.

The fundamental feature of the factory system is the bringing together of large numbers of wage-earning workmen in capitalist-owned establishments where more or less costly and elaborate machinery is operated by water- or steam-power. Why the invention and improvement of spinning and weaving apparatus, for example, should have led to the growth of textile factories requires only a word of explanation. In the first place, the new machines were, as a rule, too expensive to be bought and used by the cottage workman. The old spinning-wheel and hand-loom had been so simple in construction, so easily obtained, and so easily repaired that no labourer need be embarrassed by the cost of the tools of his trade. Crompton's "mule" and Cartwright's power-loom, however, were expensive, even in their rudimentary forms, and with their introduction the possession of some capital became for the first time imperative in textile manufacture. In the second place, it was almost impossible to operate the new appliances within the home. The machines were large, heavy-running, and built for great output. They called for the application of water-power or, better, of steam. The former could be had only in certain localities, and the latter entailed the purchase of expensive machinery in addition to that employed directly in manufacture. Where either sort of power was utilised at all, there was certain to be enough of it to run many machines, affording employment for numbers of workmen. Such an enlargement of the scale of industry within the home was obviously impracticable. The consequence was that the cottager abandoned home manufacture and became an employee in some centralised establishment where numbers of labourers worked regular hours under the control of their employers in buildings in which the requisite machinery was set up

[1] Macgregor, *The Evolution of Industry*, 40.

and the necessary power was provided. The introduction of machinery and of power rendered it a matter of economy, furthermore, to bring together under a single roof, or at least in a single establishment, the various branches of an industry. In the cotton manufacture, for example, there was no reason why the carders and the spinners, or the spinners and the weavers, should not carry on their respective processes within close reach and by means of a common supply of power.

Such, then, were some of the considerations and conditions which underlay the factory régime as it developed, first in the manufacture of cottons, then in that of woollens and of other textiles, and ultimately in that of metal, wooden, leather, and almost every other kind of goods. "The typical unit of production," says an English writer, "comes to be no longer a single family or group of persons working with a few cheap, simple tools upon small quantities of raw material, but a compact and closely organised mass of labour composed of hundreds or thousands of individuals co-operating with large quantities of expensive and intricate machinery through which passes a continuous and mighty volume of raw material on its way to the consuming public." This new unit is the nineteenth-century factory.

The Dislocation of Industry and Shifting of Population. The transformation that has been described profoundly altered the economic and social condition of the mass of the English people. Every device by which a machine was made to do the work of a man, or of a score of men, involved a dislocation of industry and the throwing of numbers of people out of employment. Although there are those who maintain the contrary, it may be assumed that in the long run the introduction of machinery enlarged the sphere of labour and tended to improve the condition of the labourer. But at the time almost every invention of importance brought down upon the head of the inventor the maledictions of the labouring masses. Hargreaves met with mob violence and was compelled to remove from Lancashire to Nottinghamshire in quest of an opportunity to set up his spinning-jenny in safety. In 1779 there took place in Lancashire a series of outbreaks in the course of which large quantities of machines were broken in pieces by the angry populace; and at various times scores of similar demonstrations occurred in different parts of the country. But the trend toward the substitution of machine for hand labour was too strong

to be stayed by men who had no resource save violence. Slowly and painfully the labouring elements of the kingdom accepted the inevitable.[1]

The most striking aspect of the readjustment was a general shifting of population. The movement was two-fold: (1) from the southern to the northern sections, and (2) from the rural districts to the towns. The migration to the more sparsely populated north began before the revolution was far advanced, and, indeed, somewhat independently; but the stimulus which was responsible for the enormous proportions it assumed was imparted very clearly by the industrial change. It was in the north almost exclusively that water-power was available. Still more important, it was in the northern and northwestern counties that there lay the deposits of coal and iron whose utilisation, as has appeared, was essential to large-scale industrial development. The location of the new factories and mills was determined almost entirely by these considerations. From all portions of the country working people flocked to the cities (many of them essentially new foundations) of Yorkshire, Nottinghamshire, Lancashire, and Derbyshire, and these cities, notably Leeds, Manchester, Sheffield, Liverpool, Birmingham, Glasgow, and Newcastle, became now the most populous and flourishing, with the exception of London, in all England.[2] In these centers were set up mills around which people who had abandoned their rural homes gathered by hundreds of thousands in quest of work and wages. Cottagers who with their families had been accustomed to eke out by household manufacture a scant living derived from the soil found to their dismay that they were able neither to produce goods which would any longer command a market nor to provide themselves with the machinery necessary for the production of such goods. They were, as an American writer has stated it, "devoting themselves to two inferior forms of industry."[3] In so far as they were handicraftsmen, they were competing with a vastly cheaper and better form of manufacture; in so far as they were tillers of the soil, they were competing with large-scale and more economically managed agriculture. Under these circumstances their one resource was to

[1] On the general aspects of the relation of invention to labour conditions see J. S. Nicholson, *The Effects of Machinery on Wages* (London, 1892).

[2] G. G. Chisholm, *On the Distribution of Towns and Villages in England*, in *Geographical Jour.*, IX (1897), 76-87; X (1897), 511-530.

[3] Cheyney, *Industrial and Social History of England* (rev. ed., 1920), 189.

abandon their homes, yield their heritage of economic independence, and become either employees in the new factory towns or non-landholding agricultural labourers. Many did the one thing, many the other. Many, indeed, went to swell the ranks of a migratory wage-earning class such as England hitherto had not possessed. The upshot of these changes was a complete overturn of the regional balance of power in the country. Hitherto the most progressive and influential portions of the kingdom had been the south and east, while conservatism had found its refuge mainly in the poorer and less densely populated north and west. In the early nineteenth century, however, numerical preponderance passed northward. In due time political preponderance followed, and at the present day, apart from London, it is in the north that the wealth and the trade which uphold the power of the nation, and of the empire, have their seat.

Adverse Effects of the Rise of the Factory System. The results of the changed conditions of industry were neither immediately nor ultimately altogether wholesome. For one thing, the development of the factory system produced for the first time in the history of industry a thoroughgoing differentiation of capital and labour. The gildsman of mediæval and early modern days was at the same time an employer and a labourer. He gave employment to journeymen and apprentices, but he worked along with his employees, and in his interests and daily life he had much in common with them. The same thing was usually true of the relation existing between the domestic manufacturer and the little group by which he was assisted. Under the factory system, however, the line was drawn sharply between the employer and the employed. The one not only supplied the raw materials but owned the buildings in which manufacturing was carried on, and also the machinery used; the other merely worked for wages. Under these conditions the interests of the two tended to grow apart, and to become at times irreconcilable. Furthermore, superabundance of workmen meant low wages and long hours, and opportunity to rise from the labouring to the employing class was virtually non-existent.

Another effect of the new system was to throw an unprecedented industrial burden upon women and children. Machines imposed a discount upon muscle and skill. In consequence of the inventions, particularly those applicable to the textile industries, it

became possible for women and children to do much of the work that formerly had fallen to men; and since the labour of women and children could generally be had at less cost than that of men, the tendency was for men in large numbers to be thrown out of employment entirely. It came about that not infrequently the normal relations of the home were reversed, wives and children becoming breadwinners, while grown men vainly sought employment or sank into contented idleness. Under the domestic system, as has appeared, women and children performed no inconsiderable share of the work done in the home, and we are not to suppose that the idyllic conditions described by Goldsmith in his lament upon the social transformations of his day [1] were really very common. None the less, it is as certain as anything can well be that taking employment in a factory meant, as a rule, no betterment of physical surroundings, but distinctly the reverse, for both woman and child.[2]

The most deplorable aspect, indeed, of the new régime was the physical and moral disadvantages to which the working classes under it were almost inevitably subjected. During the first half of the nineteenth century conditions of labour and of living became, in many parts of England, the worst the kingdom had ever known. Men, women, and children were thrown together in great establishments with few facilities for the preservation of health and comfort and none whatever for the exercise of moral control. Not all factory owners were men of an avaricious and morally defective character, but the proportion was beyond doubt larger than it is to-day. Such was the zest attending the operation of the first great factories that small regard was likely to be paid to the welfare of employees. Fifteen, and even eighteen, hours became a not uncommon working-day. Unwholesome as conditions were apt to be in the factory, the state of the working-people's homes was often worse. Whereas formerly the mass of labourers had lived in humble, but not necessarily unhealthful, country dwellings and had worked largely in family groups, now they were

[1] In *The Deserted Village*, published in 1770.

[2] From the point of view of womenkind generally there is, of course, the fact on the other side that as a result of factory development "thousands of women belonging to the more fortunate classes have been relieved of many of the duties which devolved upon the housewife in the eighteenth century when many things were made at home which can now be better and more cheaply produced on a large scale." Robinson and Beard, *Development of Modern Europe*, II, 48.

gathered in congested districts in the great mill centers where housing accommodations were much of the time hopelessly inadequate. As late as the accession of Queen Victoria it appears that not less than one-tenth of the population of the great city of Manchester lived in cellars, which reeked with filth and bred perennial pestilence. Compared with the lot of the English factory workman of seventy years ago, that of the American negro slave in the same period was in many respects preferable. The slave had at least an abundance of fresh air, substantial food, and hours for rest and recreation. The factory employee had none of these. The veritable realities of slavery were to be seen on every side in the traffic in orphans and pauper children by which the operators contrived, in collusion with the parish authorities, to keep up the supply of cheap labour for their establishments.[1]

Compensating Advantages. The unfortunate developments that have been mentioned represent, of course, but one side of the case. It is not to be forgotten that the rise of the factory system contributed enormously to the increase of the national wealth and provided employment, although for a time ill-adjusted, for masses of people who were losing their grip upon the soil. In contrast with the domestic system which kept workpeople apart, the factory system brought them together and afforded opportunity for them to combine for the promotion of their interests. Under the domestic system the trade union would have been an impossibility; under the factory system it rose naturally to a position of commanding influence.[2] The growth of the northern industrial populations contributed powerfully, furthermore, to the triumphs of parliamentary reform in the nineteenth century, thereby opening the way for the application of political pressure in behalf of remedial industrial legislation. And the unfortunate conditions which were created and fostered by the factory, although too long accepted as inevitable, were not allowed to be perpetuated for all time without a determined, and at least partially successful, at-

[1] These darker aspects of the new industrial system in England were portrayed vividly in the writings of various foreign observers and critics during the middle portion of the nineteenth century. Friedrich Engels described them in his *Die Lage der arbeitenden Klassen in England in 1844* ("The Condition of the Working Class in England in 1844"), published in 1845. And in *Das Kapital*, published in 1867, Karl Marx dwelt upon them at much length in illustrating the iniquities of capitalism.

[2] See Chap. XIX.

tempt to ameliorate them. In subsequent chapters some attention will be given the efforts put forth in this direction.[1]

With respect to the general effect of the changes which have been described the following interesting and sensible conclusion is arrived at by a leading English authority: "When we look at the details of a period of transition we cannot but be appalled by the misery that occurred. This was true of the Tudor enclosures, it was true too of the beginnings of the factory system; but it is not clear in either case that the change has really been an evil. We could not wish to retrace our steps to a time when there was no machinery. In most of the machine industries, things have already so adjusted themselves that the remuneration of the worker is greater and the conditions under which he does his work are more wholesome than in the old days. It is not in the trades where machinery is used, but in those where there is little or none, that there is the greatest suffering at present. Those who are constantly working with delicate machines are bound to exercise an amount of care and deftness which was not formerly required, and if we compare the factory hand of the present day with the domestic worker as he really was in the eighteenth century, it is hard to point out any characteristic trait, or any single circumstance, in which he has really suffered." [2]

Industrial Advance after 1850. The formative period in the history of modern English industrialism was the second half of the eighteenth century and the first quarter, or perhaps the first half, of the nineteenth century. After 1850 the record was one, mainly, of (1) expansion of the volume of industrial enterprise and industrial output, (2) subdivision of forms and specialisation of processes of manufacture, (3) extension of facilities for the transportation of British wares to distant markets, and (4) increased competition of the industry of Germany, the United States, and other countries. As has appeared, a factor of large importance in the revolutionising of English industry was the abundance of the country's supply of coal and iron. In later decades this supply proved unfailing. The increase of the amount of coal mined and of the quantity of iron ore produced is indicated by the following figures:

[1] See Chaps. XVII and XIX.

[2] Cunningham, *Growth of English Industry and Commerce* (ed. of 1892). II, 475.

Year	*Coal mined (in million tons)*	*Iron ore produced (in million tons)*
1800	10	0.5
1850	49	5.5
1880	147	18.0
1896	195	8.5
1900	225	12.5
1913	287	10.5

Various minerals—clay and shale, limestone, sandstone, salt, tin—are produced in considerable quantities; but coal surpasses all others to an extent such that its value annually approached, early in the present century, six-sevenths of the value of the entire mineral output. The principal coal-fields are situated in the counties of Durham, Yorkshire, Lancashire, Staffordshire, and Derbyshire. And in 1914 it was estimated that even at the present enormous rate of consumption the supply was adequate to last five hundred years. The stock of iron-ore is by no means so great, and the product has fluctuated widely, being, on the eve of the Great War, 10,500,000 tons annually.

The manufacturing industries of the kingdom early fell into two principal groups, i.e., textile and metal-working. The output of the textile trades was quadrupled during the reign of Queen Victoria, and at the close of that period British mills were consuming one-fourth of all the fiber that the world produced. Between 1870 and 1900 the cotton industries increased by forty per cent. and the woollen by one hundred and five per cent., notwithstanding the rapid growth of American, German, and other foreign competition. At the opening of the present century, British mills were producing 14,000 miles of cotton cloth a day—more than was produced in all other European countries; and of this amount almost two-thirds was exported to other lands. In 1913, 57,000,000 spindles were operated in the United Kingdom, 43,000,000 in continental countries, and 32,000,000 in the United States. The progress of the woollen industry was scarcely less phenomenal. During the period 1800-50 the quantity of wool used in British factories was doubled. But during the period 1840-1900 it was increased between four and five times. The conditions of the woollen trade were profoundly altered by the

cheapening of the raw material in consequence of the development of sheep-raising in Australia. Whereas in the first half of the nineteenth century the wool worked up in the mills was mainly home-grown, more than four-fifths of the supply in 1914 was imported from Australia or other distant countries. The price of woollen cloth, like that of cottons, had undergone sharp decline. Yet the industry continued to be of very great value to the country. Geographically, the cotton industry belongs almost entirely to South Lancashire, together with adjacent parts of Cheshire, Yorkshire, and Derbyshire—to Manchester and the great industrial towns in its neighbourhood—where moistness of climate and proximity to coal supply afford especially favourable conditions. The great field of the woollen industry is no longer East Anglia, but the West Riding of Yorkshire, together with eastern Lancashire. The metal industries are more scattered. The region in which they are carried on most extensively is the "Black Country" and Birmingham district of Staffordshire, Warwickshire, and Worcestershire. But they are well represented in the areas of textile manufacturing, as is illustrated by the localisation of the cutlery industry in Sheffield. The region about London is a notable seat of the engineering trades.

An important aspect of the British industrial situation in the two or three decades before the Great War was the rapidly growing competition encountered as a result of the industrial development of Germany and of the United States. By reason of her priority in the application of invention and capital to industry, together with the comparatively undeveloped and the predominantly agricultural character of the United States, Germany, and other lands, Great Britain long enjoyed an almost unrestricted command of the world's markets. The triumphs of her manufacturers, merchants, and financiers were easy, and the industrial wealth and prosperity of the nation seemed permanently assured. Early in the present century, however, foreign competition began to be felt seriously, just as was foreign rivalry in corn-growing a hundred years ago, and similar rivalry in respect to meat and other animal products at the middle of the past century. In other words, foreign competition was transferred in increasing degree from agriculture to manufacture; and, as an English writer said, "with a certain amount of alarm and of surprise the British manufacturer has watched the transformation of America and Germany in particular

into great manufacturing countries."[1] The growth of the aggregate demand for manufactures was so enormous that the rise of large-scale industry in other countries might, it was thought by some, mean only an impairment of Britain's relative, rather than of her absolute, hold upon the world-wide market. And the fact that Germany was willing in 1914 to risk so much for the sake, at least in part, of increasing her industrial outlets may be taken to indicate that the British position up to that time was fundamentally secure. None the less, British industry after 1900 had to strive for opportunities which once could be had without special effort. And while the result was to compel the adoption of improved methods and the injection of a new spirit, the pressure caused grave apprehension and was responsible for the propagation of new theories and policies of industrial and trade operations.[2]

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CHAPTER VIII

ENGLISH RURAL DECLINE

General Aspect of the Situation. In preceding chapters the process has been sketched by which, during the later eighteenth and earlier nineteenth centuries, England was converted from a predominantly agricultural into a predominantly industrial country. The factors that contributed most largely to the transformation were the increased employment of capital in agricultural enterprise, the divorce of agriculture and manufacture which arose principally from the growth of the factory system, and the revival and substantial completion of the enclosure movement. In later times the ascendancy which industry gained a hundred years ago has been still more securely established. By the census of 1901 only 1,192,167 persons ten years of age and upwards were shown to be engaged in agriculture, as compared with 1,116,202 in the metal industries, 1,094,301 in transportation, 1,042,864 in the building trades, 994,668 in textile manufactures, and 805,185 in mining. Estimates compiled in 1907 placed the net industrial output of the United Kingdom for the year at £712,000,000 and the output of agriculture at but £210,000,000. In no small measure the wealth, strength, and influence of Great Britain are to be attributed to the peculiar position which the country long occupied as the workshop of the world; and Englishmen have no sympathy with policies which would cut off any of the advantages derived from this source. On the contrary, there has been a purpose to push still further the development of manufactures, and also the extension of trade by which, obviously, such development must be accompanied. At the same time, it has long been recognised that the decline of agriculture, which has been not only relative but absolute, has entailed loss to a large proportion of the people, and indeed to the nation as a whole. For more than a hundred years the country has not been self-sufficing in the matter of foodstuffs, and in 1914 it was producing not more than one-ninth of the wheat required for consumption within its borders. The

consolidation of landholdings had gone so far that only about twelve per cent. of the arable acreage was cultivated by owners, as compared with eighty-six per cent. in Germany and eighty-three per cent. in Denmark. And rural depopulation had continued to the point where there was an indubitable scarcity of labour on the land, although in the cities congestion of population and unemployment called ever more insistently for relief. In view of these facts one is brought almost inevitably to the opinion, which is widely held by thoughtful Englishmen to-day, that, perplexing and urgent as are many current questions relating to the organisation and expansion of industry and trade, the most fundamental economic problem of contemporary Britain is that of the ownership and use of the land.

Agrarian Conditions, 1815-75. In the history of agriculture in the British Isles during the past hundred years two general stages are to be distinguished. The first, extending from the close of the Napoleonic wars to about 1875, was a period of intermittent, but on the whole substantial, prosperity. The second, extending from 1875 or 1880 to the present day, has been an epoch of almost unrelieved depression. The principal facts concerning the first of these periods can be stated briefly. At the outset it is to be borne in mind that there went on steadily, from beginning to end, and without longer occasioning much comment, the extension of the large-farm system which had set in during the preceding century. The enclosing of waste and other common land continued, the number of enclosure acts passed between 1815 and 1845 being 244 and the area enclosed being 199,300 acres; and wherever small farms were given up they were practically certain to be added to larger holdings. Consolidation proceeded with equal rapidity in arable and grazing districts. The first half of the period, furthermore, witnessed the almost total disappearance of the yeomanry. The greater part of this once important element in the country's population vanished prior to 1815. Between that date and the middle of the century the remainder largely succumbed, and to-day the class is represented by only scant survivors in Westmoreland, Somersetshire, and a few other remoter counties. In legislation of 1819 and 1832 attempt was made to offset the tendencies of the time by provisions under which local authorities should acquire land and allot it to poor and industrious persons; but the effect was negligible. Whereas in 1811 the agricultural population

formed thirty-four per cent. of the whole, in 1821 it formed but thirty-two per cent.; in 1831, twenty-eight per cent.; in 1841, twenty-two per cent.; in 1851, sixteen per cent.; and in 1861 ten per cent.

The social distress produced by this continued readjustment was at times scarcely less severe than in earlier decades. To such elements as were in a position to profit from the new conditions, however, the period brought a large measure of prosperity. Primarily these were, of course, the greater landowners. In the first place, the prices of agricultural products, while subject to much fluctuation, continued as a rule to be high. Prior to 1846 they were supported, or were supposed to be, by the Corn Laws; although, contrary to all expectation, the repeal of those measures was followed by no serious fall in the price of wheat and other grains during a period of thirty years. Until the last quarter of the century the British producers held their own against the vast grain-yielding areas of Russia, America, Egypt, and India, and it was only when, through the improvement and extension of steamship and railway lines, the transportation of bulky commodities to great distances had been made convenient, speedy, and cheap that the force of foreign competition became sufficient to involve the British corn-growers in disaster. Until that time production did not decline, and home-grown grain was only supplemented, not displaced, by the imported commodity. Between 1853 and 1873 the seasons, with only two or three exceptions, were favourable, and it is commonly regarded that for the agricultural interests these decades were the most prosperous of the century. Throughout the whole of the second and third quarters of the century, moreover, agricultural technique was undergoing steady improvement. New methods of drainage and fertilisation were being introduced. New machines—ploughs, drills, reapers, threshing-machines operated by horses or by water-power—were being brought into use. The list of field crops was extended by the addition of Italian rye-grass, winter beans, Belgian carrots, and alsike clover. Stock-breeding was given increased attention, and the better breeds were disseminated more widely through the country. And interest in agricultural science was promoted by the establishment of the Royal Agricultural Society in 1838 and of the Royal Agricultural College at Cirencester and the Agricultural Chemistry Association in 1842. In 1864 the government began the systematic collection

and publication of agricultural statistics.[1] Finally may be mentioned the fact that, whereas throughout most of the period arable farming strongly predominated, after about 1865 there was a notable extension of pasture-farming, so that the two were carried on more generally together, and with increased profit.[2]

Agricultural Decline after 1875. As a great branch of economic activity, agriculture had long since been eclipsed, in point of numbers and of value of output, by manufacturing. Under conditions thus fundamentally altered, however, the agriculture of the middle portion of the nineteenth century was prosperous, and its well-being was prolonged almost unimpaired until the immediate eve of the great era of depression which set in during the decade 1870-79. The last good year was 1874, and before the end of 1875 the shadow of depression was beginning to fall. In 1876 and 1877 poor harvests, cattle-plague, and sheep-rot involved the agricultural classes in dire disaster. In 1882 a government commission testified mournfully to the "great extent and intensity of the distress which has fallen upon the agricultural community." And as time went on it began to appear that, far from being merely ephemeral, the unfavourable conditions which had arisen were permanent and perhaps largely irremediable. In point of fact, the depression which thus settled upon the agrarian portion of the country continued with scant relief to the period of the World War, and were at that time only temporarily bettered.[3]

The statistics of the decline of agricultural prosperity are easier to ascertain than are the causes involved; and the causes are less difficult to determine than are the remedies. The first matter to be observed is the sharp reduction after 1875 of the amount of land under cultivation and the considerable increase of the amount utilised for grazing. The extent of this double change appears from the figures on the following page.[4]

[1] The earliest statistics which are trustworthy date, however, from 1867.

[2] The best brief account of English agrarian conditions in the period 1837-74 is R. E. Prothero, *English Farming, Past and Present* (London, 1912), 346-373.

[3] See pp. 629-635.

[4] Perris, *Industrial History of Modern England*, 360. The situation, in detail, in 1914 was as follows:

	England	*Wales*	*Scotland*	*Ireland*	*United Kingdom*
Acres of arable land.	10,306,467	691,787	3,295,487	5,027,082	19,414,166
Acres of permanent grass land	14,061,042	2,054,708	1,490,694	9,715,684	27,349,650

Acres (in millions) in England, Wales, and Scotland

Year	*Arable land*	*Permanent grass land*
1871	18.4	12.4
1881	17.4	14.6
1891	16.4	16.4
1901	15.6	16.7
1911	14.6	17.4
1914	14.3	17.6

The total area devoted to wheat fell from about 3,700,000 acres in 1870 to 3,100,000 acres in 1880, 2,500,000 in 1890, and 1,700,000 in 1900. In 1911 it was about 1,900,000 acres. The decline in acreage was heaviest in the case of wheat; but it affected all corn crops grown in the United Kingdom except oats. Taking corn crops as a whole,[1] the area cultivated was diminished by three million acres, or almost forty per cent., in the three decades 1876-1906. The wheat acreage (expressed in million acres) compares with that of other countries at successive stages as follows:

	1870	*1880*	*1890*	*1903*
United Kingdom	3.7	3.1	2.5	1.6
Germany	4.9	4.5	4.8	4.5
Italy	11.5	10.9	10.9	11.3
France	15.8	17.0	19.6	16.0
European Russia	28.7	28.9	28.9	45.1
Austria	2.4	2.5	2.9	2.6
Hungary	5.0	6.0	7.3	9.2
United States	18.9	37.9	36.1	49.5
Canada	1.6	2.3	2.7	4.4

From these facts it follows that there was a large falling off in the output of agricultural produce. The production of wheat in the United Kingdom, which in the years 1841-45 was sufficient for 24,000,000 persons, or almost ninety per cent. of the population, declined until home-grown wheat in 1906 fed only 4,500,000 persons, or 10.6 per cent. of the population. The area under grass increased by almost one-third in 1876-1906; yet the quantity of meat produced from home-fed stock increased by only five per cent. The British people, accordingly, became dependent in a fairly astounding degree upon foodstuffs imported from abroad. In 1875 the value of imported food supplies of all kinds was £124,000,000; in 1905 it was £205,000,000. On their face these

[1] That is, wheat, barley, oats, rye, beans, and peas.

figures, however, convey no adequate impression of the magnitude of the change, for the reason that they take no account of the fall of prices which occurred during the three decades. This factor taken into consideration, it appears that the volume of food imports increased during the period by 130 per cent., or almost four times the increase in population.[1] The average annual importation of three leading grains rose at rates shown by the following figures (in millions of cwts.):[2]

Years	*Wheat*	*Barley*	*Oats*
1851-5	14	2.3	2.9
1861-5	28	5.7	4.8
1871-5	44	11	11.6
1881-5	58	12	16.3
1891-5	69	21	15
1901-5	87	24	17
1906-10	97	19	15

Causes of Decline: Foreign Competition. The decline of British agriculture consisted, therefore, in three principal facts: (1) the acreage devoted to arable farming was diminished by more than one-fourth; (2) the diminution of cereals and other cultivated foodstuffs arising from this change was compensated in only a small measure by the increased production of meats and of raw materials (chiefly wool) on land devoted to grazing; and (3) the proportion of the population which was dependent upon imported food supplies was steadily growing. The causes of the agricultural decline have been studied and discussed by statesmen, economists, journalists, and practical farmers, and the literature of the subject has become voluminous. Much of the discussion has been partisan rather than scientific, especially when tariff policies have been involved. None the less, there is substantial agreement upon certain general facts; and these alone need be noted here. In the first place, it must be emphasised that the depression which overtook British agriculture was not confined to Great Britain, but, on the contrary, was felt by the whole of western and central Europe. It is traceable chiefly to conditions which seriously affected the

[1] The national dangers thought by many to be involved in this situation are expounded forcefully in J. S. Mills, *England's Foundation: Agriculture and the State* (London, 1911). Cf. J. Collings, *Land Reform* (London, 1906), Chap. XIX; J. Lumsden, *Our National Food Supply* (London, 1912).

[2] Perris, *Industrial History of Modern England*, 357. On varied aspects of the agricultural decline see R. E. Prothero, *English Farming, Past and Present* (London, 1912), 374-392.

prosperity of the agricultural classes in all older countries in which population is dense, agricultural areas are restricted, and the opportunity for large-scale production is scant or altogether lacking. In Great Britain the depression was more severe in its effects than elsewhere, but the difference was mainly one of degree.

The one fundamental circumstance which operated universally in the western European countries to throw agriculture into decline was the increasing competition of cheap overseas food supplies and raw materials. Some such competition there was, of course, long before the era of depression set in. But in earlier times—roughly, until about 1870—the volume of surplus production in outlying countries was not large and the cost of transportation was such as to prevent extensive shipments at long distances. In the period 1870-90, however, the transportation of bulky commodities was revolutionised. Railways multiplied and, in competition for business, reduced freight rates by half, or even more. Both older and newer steamship lines doubled and quadrupled their facilities, building more and larger vessels, increasing the speed of their service, and reducing their charges. In 1869 it cost 25 cents to transport a bushel of wheat, by lake and railway, from Chicago to New York, and 11.75 cents to transport it from New York to Liverpool—a total of 36.75 cents. In 1885 the charge from Chicago to New York was but 9.02 cents, and from New York to Liverpool 6.37 cents—a total of 15.39 cents, or considerably less than one-half. By 1905 the figures were reduced to 6.44 cents and 3.25 cents respectively, or a total of 9.69 cents. The effect of this shift of conditions was two-fold. In the first place, the production of foodstuffs in the great outlying agricultural regions of the world—chiefly the United States, but also Argentina, India, Australia, and, closer at hand, southern Russia and the Baltic lands—was powerfully stimulated. The market, which had been almost entirely local, had become world-wide. Virgin areas were opened up; the technique of cultivation was improved, especially by the introduction of labour-saving machinery;[1] and exportation of grain grown in great quantities on cheap land, and transported as well as produced at a minimum of expense, set in on a scale altogether unprecedented.

[1] Thus in 1872-74 the harvester came into general use in the United States, and by 1880 the twine-binder. Steam-propelled ploughs and threshers were added a little later.

The second effect must be obvious. The strain of competition to which European agriculture was now subjected became severe in the extreme; in many instances it was ruinous. And it was clear that with the lapse of time this strain would tend to grow more, rather than less, intense. Prices began to fall. Monetary and other conditions were such that there would have been, in the closing decades of the century, a general decline of prices in any case.[1] But in relation to agricultural produce the fall was much hastened and intensified by the increasing importation of cheap foodstuffs from abroad. In England, where the phenomenon can be most clearly observed, the average price of wheat declined from 54s. 8d. per quarter in 1871-75 to an average of 40s. 1d. in 1881-85 and of 27s. 11d. in 1891-95, the rate of decline following rather closely the rate of decrease in the cost of grain transportation from America. To the effect of this sharp decline in prices were added, in England at least, the consequences of a succession of bad seasons. In the unfavourable years 1875-79 agriculture was started on a downward course from which, even had prices continued high, it would have been turned back with difficulty. As it was, the full force of foreign competition made itself felt when agriculture at home was in an enfeebled condition, and the blow which was dealt was too heavy to be withstood. "Foreign competition," says an English authority, "coming on the back of unprosperous seasons, completed the ruin of English farmers. They were unable to recover themselves, and went from bad to worse." [2]

Adverse Effects: Rural Depopulation. The upshot was that most, if not all, elements in the agricultural population were affected unfavourably. As in Belgium and in Germany, the landowners were hard hit by the fall in rents by which the decline in prices was inevitably followed. The rental reduction which eventually had to be made ran from one-fourth to, in some cases, one-half, and the middle and smaller landowners were obliged to calculate very closely to prevent their increased outlays upon their land from exceeding the income which they derived from it. A

[1] The relation between the changes made in 1873 in the position of silver and the fall of prices has been investigated by a number of royal commissions, among them the Commission on Agricultural Depression (1895), which in a supplementary report asserted that the depression must be ascribed in part to monetary causes.

[2] Prothero, *Pioneers and Progress of English Farming*, 122.

tendency on the part of tenants to purchase land for themselves, which had been somewhat pronounced during the decade 1860-69, was nipped in the bud. But the most important result was the starting of a new and heavy movement of population from the country to the town. In 1871 the number of persons in England and Wales actually engaged in agriculture as labourers and shepherds was 922,054; in 1881 it was 830,452; in 1891, 756,557; and in 1901, 609,105. In other words, during the last three decades of the century approximately one-third of the agricultural labourers, with their families (possibly a million people in all), withdrew permanently from the land. This phenomenon of rural depopulation was not confined to Great Britain. It appeared in Germany and Italy, and even in several portions of the United States. But nowhere was the movement so rapid as in Great Britain, and nowhere was the situation arising from it equally grave. The causes which underlay it there have been the subject of a large amount of discussion and of a number of official and semi-official investigations. In a "Report on the Decline of Agricultural Population, 1881-1906," issued in 1906,[1] the Board of Agriculture asserted that the fundamental cause was the diminished demand for agricultural labour, arising from the fall of prices incident to foreign competition and the ever-increasing use of machinery. The agricultural committee of the unofficial Tariff Commission set up in 1904 to conduct investigations concerning the tariff-reform proposals of Joseph Chamberlain submitted, also in 1906, a report in which the same conclusion was arrived at.[2] Falling prices of foodstuffs caused proprietors to convert arable land into pasture and meadow, and labourers were thrown out of employment; while even on land which continued under cultivation labourers were displaced by improved machinery. The rural workingman's existence was monotonous. His wages could not rise above a level which was very low;[3] he had practically no opportunity to obtain land for himself; he was fortunate if his cottage was fit for human habitation. He has been described, in summary, as "a poor man living in a poor house on poor food,"[4] and again as "a unique and pathetic figure in the social life of England; a

[1] Cd. 3273.

[2] British Tariff Commission, *Report of the Agricultural Committee* (London, 1906), III.

[3] Shortly before the World War, 17s. to 20s. a week.

[4] Bennett, *Problems of Village Life*, 65.

man starving in the midst of plenty through a life of patient endurance and ceaseless toil, lightened by no hope for the morrow or any prospect but the workhouse and the grave."[1] To such a man the town offered amusement, social advantages, and opportunity for higher wages. The colonies, and other distant lands, also held out inducements.[2]

The result was a rural exodus which had at least three undesirable effects. In the first place it contributed to the over-crowding of the industrial cities and the seaports and to the seriousness of employment, housing, and philanthropic problems in these centers. In the second place, greatly as the demand for agricultural labour fell off, the supply diminished even more rapidly, so that in some parts of the country the farmers were unable to procure, at certain seasons at all events, the amount and kind of labour that they needed. And in the third place, there resulted in many districts a serious deterioration of the quality of the rural population. As an English writer remarks, it is safe to assume that the people left behind in the country were, in general, the older, weaker, more helpless, and servile members of the most neglected and despised class in the population, and the one that had gained least by a century of material progress.[3]

The Problem of the Great Estates. More optimistic students of the subject assert that in the fifteen or twenty years preceding the World War the status of British agriculture was somewhat improved; and it is possible to cite certain increases of agricultural prices after 1895, the rise after 1908 of the gross income derived from land, the gradual improvement of agricultural technique, and a number of other favourable developments. Fundamentally, however, the agricultural problem remained, and still remains; and for a long time to come the best thought of the country must be directed toward finding a solution of it. Involved in the problem are many specific questions—how to bring about a wider distribution of landholding, how to increase the productiveness of the land, whether to employ the power of the state to protect agricultural interests by tariff legislation, how to make rural life more attractive, and other queries too numerous even to be

[1] Collings, *Land Reform*, xviii.

[2] In the two years 1911-12, 288,000 emigrants left the United Kingdom for Canada alone.

[3] Perris, *Industrial History of Modern England*. 360-361.

enumerated here. The question which to most men seems to underlie all others is that of bringing the land into the hands of a greater number of proprietors—in other words, the development of small holdings, which, were it to be carried far, would involve a more or less general breaking up of the existing large estates. In the years 1872-74, when the concentration of landownership had attained substantially its present proportions, the Local Government Board compiled a set of statistics which revealed in startling manner the agrarian situation at that date. In this return, published in 1876, and popularly known as the *New Domesday Book,* it was stated that the aggregate number of landowners in England and Wales, exclusive of London, was 972,836, and that the total acreage owned was 33,013,514. It appeared, further, that 703,289 of the owners held less than one acre each, and that the total acreage thus owned was but 151,171. This meant that 269,547 proprietors owned 32,862,343 acres, the distribution being as follows:

Number of holders	*Area of holding in acres*
121,983	1-10
72,640	10-50
25,839	50-100
32,317	100-500
4,799	500-1,000
2,719	1,000-2,000
1,815	2,000-5,000
581	5,000-10,000
223	10,000-20,000
66	20,000-50,000
3	50,000-100,000
1	100,000 and upwards

These figures were admitted by their compilers to be only "proximately accurate." In point of fact, they were subject to a number of rather serious limitations. They did not include common land, woods, and wastes (which were attached chiefly to the large estates), nor lands not rated; [1] they reckoned men who owned land in several districts as separate owners; and, by including in holdings under one acre mere gardens and plots of ground attached to dwelling houses, they gave a greatly distorted impression

[1] The total area (land and water) of England and Wales is 37,327,670 acres.

of the number of small holders. Being subjected afresh, however, to close analysis by a number of writers upon the subject, they have yielded the conclusion that probably considerably fewer than 4,000 persons, possessing estates of 1,000 acres and upwards, owned an aggregate of 19,000,000 acres, or about four-sevenths of the entire area included in the returns; that the landed aristocracy, consisting of about 2,250 persons, owned almost one-half of the enclosed land in England and Wales; that the number of persons owning from one acre to 1,000 acres was 147,657; in short, that the total number of persons owning more than one acre was 150,000, or less than $\frac{1}{170}$ of the total population.[1] At the same time France, with a population only a third larger, had some 5,600,000 landed proprietors, and Belgium, with a population of but 7,000,000, had as many as 1,000,000.

The Custom of Land Settlement. The agrarian situation on the eve of the World War, though somewhat altered since, will be understood in its entirety only if one takes into account a curious practice of the greater landholders by which the system of large estates was for a long time systematically bolstered up and an increase of the number of small holdings made more difficult. This is the custom of settlement by entail. Throughout the course of English history there has been a persistent disposition to regard the transmission of landed estates undivided from father to son as an indispensable guarantee of social stability, and at times there have been laws rendering such transmission obligatory and irrevocable. Thus the statute *De Donis*, of 1290, forbade landowners to alienate portions of their estates, to bar the succession of their nearest heirs, or in any way to reduce the rights of their issue. This prohibitive principle was generally operative until the middle of the fifteenth century. Then, however, the courts developed an ingenious collusive procedure whereby an owner could obtain sufficiently complete power over his land to divide it or sell it. And a large proportion of the smaller freeholders who, two hundred years later, formed the backbone of the royalist cause owed their positions to this device.

Since the fifteenth century the law of entail, as solemnly affirmed in *De Donis*, has been obsolete. But long ago a widely followed custom grew up whereby the essential results of that law

[1] These are the figures arrived at by Brodrick in his *English Land and English Landlords*, Chap. III.

were still attained. The rule of law was that when a "settlement" was made by a landholder the heir, instead of receiving a fee simple with full right of alienation, might be restricted to a mere estate for life. Under this condition, when the son succeeded to his patrimony he found himself only a tenant for life, and as such powerless to alienate or subdivide the estate. Normally his own son would become owner in fee simple when he in turn should succeed. But a father so situated was not likely to be inclined to leave to his son powers of which he himself had been deprived, while the son was very likely to be willing to barter his future liberty for a present generous allowance. What happened ordinarily was that a bargain was struck in accordance with which the land would pass again simply by life-entail. This practice, repeated from generation to generation, re-established in effect the system of entails which the fifteenth century courts had declared to be contrary to the public welfare, and which every writer on the subject from Bacon onwards denounced as harmful to the nation. A generation ago fully two-thirds of the larger estates of England were held in accordance with the "settlement" principle. Unrestricted ownership of them was vested, hypothetically, all the time in persons who stood two generations removed from the actual possessors; and thus they were prevented from being thrown upon the market. Only in the event of the failure of heirs was alienation likely.

To capitalism and enclosure must, therefore, be added settlement by entail as a highly important agency by which the present great-estate system of England has been created and maintained. The situation has been totally unlike that of France, Belgium, Denmark, and other continental countries, where the holdings of land must be divided among all of the children of the owner, and where the obstacles to the acquisition of land in small quantities, by any person, have been kept at a minimum. Since 1882 the status of the matter, in the eye of the law at least, in England has been somewhat changed. Settlement by life-entail continues to be a common practice. In the year mentioned, however, the first of a series of Settled Land Acts was passed, giving tenants for life, and many other limited owners, powers of sale and of leasing, and these powers cannot be denied or restricted by settlors. With but few exceptions, there are no lands in the country to-day of which the limited owner cannot dispose almost as completely as if he

were full owner. Until the Great War, the desire to keep estates intact and the expense and other difficulties of alienation operated, however, to prevent the acts from having much practical effect, and very little land came upon the market.

Allotments. The crowning factor in the ruin of the English agricultural labouring class was the exclusion of the labourer from all personal interest in the soil. The process may be said to have been completed toward the close of the eighteenth century. The repeal in 1775 of the salutary Elizabethan Cottages Act of 1589, which required that four acres of land should be attached to every cottage and that not more than one family should live in a cottage, may be regarded as marking roughly the period at which the agricultural labourer fell from the position of a small holder to that of a mere wage-earner. His petty holding, no longer protected by law, was now likely to be swallowed up by some great estate; at the same time, by the extension of enclosure he was fast losing whatever rights he had possessed in waste and other commons. Even before the close of the eighteenth century the resulting situation seemed to many observers to call loudly for remedy. And throughout the next hundred years a movement looking toward the bringing of land again into the possession of the rural labourers steadily gathered strength. The devices brought to bear to this end, were, chiefly, two, i.e., allotments and small holdings.

Allotments are little pieces of land set apart by individual proprietors or by local authorities to be let to wage-earning labourers and to be cultivated by them in their spare time and for their own benefit.[1] Being laid out in the fields, they are readily distinguishable from garden plots attached to cottages. And, having an extent of usually one-fourth to three-fourths of an acre, they are distinguishable from small holdings, which, under English usage, are areas of between one acre and fifty acres, whose cultivation is the sole or principal means of support of their owners or occupiers. Allotments, in the form of field-gardens, were made by landlords as early as 1796, and in 1818 the local poor-law authorities were empowered to purchase or lease land for the purpose. During the middle portion of the century several official inquiries, notably one in 1843, resulted in strong recommendations of further

[1] The name originated in the practice, in early times, of allotting bits of land to the labourers of a village as compensation for the enclosure of their common land.

allotment legislation. Parliament refused to act; but allotments continued to be made in considerable numbers by voluntary, private arrangement. In 1882, however, there was passed an Allotment Extension Act (followed in 1887 by an Allotments Act) which was the first measure in which the principle of compulsory acquisition was admitted in regard to other than charity lands. The local sanitary authority was empowered to purchase or hire land suitable for allotment, and a process was provided by which owners could be compelled to sell for this purpose. In 1894 the power was transferred to the newly created parish council. The aggregate number of allotments rose from 246,398 in 1873 to 579,133 in 1895. Under the Small Holdings and Allotments Act of 1907, applying only to England and Wales, it was made obligatory on the council of any borough, urban district, or parish to provide a sufficient number of allotments to meet the local demand (in so far as such allotments could not be had by applicants directly from landowners), and for this purpose land might be bought or rented, voluntarily or compulsorily, and either within or without the council's area of jurisdiction. A report submitted to the Board of Agriculture showed that, to the end of 1912, of about 8,300 local authorities, some 2,000—including 1,557 parish councils, 287 urban district councils, and 155 town councils—had taken action in the matter. At the close of the year mentioned these local authorities, in England and Wales, held 31,089 acres for the purpose of allotment, and this land was let to 117,562 individual tenants and 21 associations. During 1912 applications for allotments were received from 15,875 individuals and 10 associations.

Small Holdings. The advantages of allotments are manifold, but they hardly go beyond enabling the labourer to obtain a desirable addition to his wage or to the food-supply of his family. Of themselves, allotments do not increase the number of people drawing their sustenance entirely from the soil or giving their time exclusively to agricultural pursuits. They mitigate the condition of the labourer, but they do not bring back the small proprietor, or even the agricultural tenant. Toward the close of the nineteenth century, accordingly, demand arose for legislation which should go farther, and in 1890 a parliamentary committee, whose chairman was Joseph Chamberlain, brought in a report recommending specific steps for the encouragement of small holdings, as distinguished from mere allotments. In 1892 Parliament passed a

Small Holdings Act which authorised county councils to borrow money from the Public Works Loan Commission, to buy land (not compulsorily), and to sell it in parcels of from one acre to fifty acres, one-fifth of the purchase price being paid at once and the remainder in half-yearly instalments spread over a period not exceeding fifty years, unless the council should decree that one-fourth, or less, should remain as a permanent rent due from the land.[1] This measure, from which much was expected, failed to yield results. It remained, indeed, practically inoperative, since to 1908 only 850 acres of land were purchased under it.

After 1907, however, when the Small Holdings and Allotments Act above mentioned was passed,[2] the situation changed. By this measure the county councils are authorised, as previously they were not, to acquire land compulsorily for the establishment of small holdings;[3] so that, after due notice and an inquiry conducted by the Small Holdings Commissioners,[4] a council might take land at the current market price from landholders either within or without their county. Before selling or letting the land the council could adapt it for small holdings by dividing it and fencing it, making roads, providing water-supply and drainage, and erecting such buildings, or making such alterations in existing buildings, as could not be undertaken by the purchaser or tenant. After apportioning the total cost, the council might sell or let the holdings to individuals, to a group of persons working on a co-operative system, or to an association formed for the purpose of promoting small holdings. And the arrangements for payment remained as under the act of 1892.

Unlike the earlier measure, the act of 1907 yielded important results. Prior to the close of 1912 a total of 154,977 acres were acquired or agreed to be acquired by county councils, about two-thirds by purchase and one-third on lease. Of this land, 124,709 acres were let to 8,950, and 212 acres were sold to 20, small-holders,

[1] 55 and 56 Victoria, c. 31. For an annotated edition of the Act see S. W. Clarke, *The Law of Small Holdings in England and Wales* (London, 1908), 19-58.

[2] 7 Edw. VII, c. 54. For text and notes see Clarke, *Law of Small Holdings*, 59-115.

[3] As defined by the measure, a small holding is an agricultural holding which exceeds one acre and either does not exceed 50 acres or, if exceeding 50 acres, is of an annual value not in excess of £50. In July, 1913, it was stated in Parliament that there were, in England and Wales, 292,720 agricultural holdings exceeding one acre and not exceeding fifty acres.

[4] Appointed by the Board of Agriculture.

while in addition 6,094 acres were let to 49 small-holdings associations. During 1912 applications were received from 4,076 individuals and 13 associations, and the amounts applied for aggregated 69,073 acres. To the close of 1914 applications had been received from 46,660 individuals and 96 associations, and the total quantity applied for amounted to 782,286 acres. It is to be observed that, with few exceptions, the persons who acquired holdings under the operation of the law became renters, not owners. During the first three years only 2.3 per cent. of the applicants expressed willingness to attempt to purchase the land assigned them. The small holder was poor; such capital as he possessed he needed for investment in live-stock, machinery, and seed; and he instinctively drew back from the "misery of mortgage." Upon the publicly-owned land his tenancy was secure, and should he be obliged by circumstances to give up his holdings he was assured fair compensation for the improvements into which he had put labour and perhaps money.

The public activity which has been described was intended only to supplement, not to supplant or discourage, the efforts which private individuals and numerous small-holdings societies were making in the same direction. In general, landowners, as well as estate agents and farmers, were indisposed to have anything to do with the movement; and this was an obstacle not capable of being rapidly overcome. Animated either by philanthropic motives or by speculative self-interest, however, several large proprietors split up portions of their land for purposes of experiment, the most noteworthy efforts being those of Lord Carrington in Lincolnshire and in South Buckinghamshire, of the Earl of Harrowby in Staffordshire, and of Major R. M. Poore at Winterslow, near Salisbury. After 1890, furthermore, several organisations came into being—notably the Norfolk Small Holdings Association, the South Lincolnshire Small Holdings Association, the Rural Development Society, and the Rural Labourers' League—which had for their object the increase of the number, and the promotion of the interests, of small holders; and, under the name of the National Land and Home League, some of these societies drew together, in 1911, into a federation. In 1912, also, the Allotments and Small Holdings Association of England was organised to perpetuate and extend the work of an Allotment and Small Holdings Association established in 1893. During the years 1909-11 2,192 applicants

were provided with small holdings aggregating 29,000 acres by the various unofficial agencies. Reports of 1910 and 1911 showed that the small holdings which had been established had been well cultivated, that the rents had been paid punctually, and that, with very few exceptions, the councils had lost no opportunity to provide for the needs of suitable applicants. The extent to which small holdings would arrest rural depopulation was as yet, in 1914, a matter of speculation. It was not to be believed that any attempt to transplant town-dwellers to the country in large numbers, and to set them up in the highly technical profession of agriculture, could be successful. The offer of small holdings could be expected to attract back to the land only a small proportion of the rural labourers who had left it. But it was also reasonable to expect that a judicious extension of small holdings, by both public and private agencies, would go far toward keeping in the country numbers of men who otherwise would be tempted to migrate. Experience showed already that the opportunity for a career of independence and the prospect of rising above the status of a mere farm labourer made powerful appeal.

Other Agencies of Rural Improvement. The multiplication of small holdings was only one of many expedients proposed with a view to the betterment of English agriculture. Others were the extension of co-operation, the wider introduction of facilities of rural credit, the development of technical agricultural education, and the gathering of the agricultural labourers into societies of the nature of trade unions. In continental countries, especially France, Denmark, Switzerland, and parts of Germany, co-operative associations of agriculturists had been, and still are, numerous and useful. Some had as their main object the purchase of supplies, others the sale of products; but all were maintained to secure for their members, by united action, commercial and other advantages which such persons would be unlikely to obtain individually. In England there had been, since the earlier nineteenth century, considerable co-operative organisation, but it had not developed extensively in the distinctively rural portions of the country. One reason was to be found in the fact that, contrary to the case in continental countries, the government took few steps to encourage rural co-operative organisation. A more fundamental reason was the deep-seated conservatism and individualism of the Englishman, and especially of the rural Englishman. From as early

as 1830 co-operative enterprises, it is true, occasionally appear in the agricultural history of the country, and in March, 1913, there were in England and Wales as many as 478 co-operative agricultural societies, having a membership of 48,000, and an annual turnover of almost £2,000,000.[1] Only a beginning, however, was made up to 1914, and it remained for the mass of small landholders to be brought to recognise that they might easily acquire certain kinds of machinery in common and plough and thresh in association, and in these and a score of other ways achieve the same economies that were achieved by the man who farms on a large scale.[2]

Closely related was the matter of agricultural credit. Here again England was far behind continental countries. Germany, France, and Italy, and even relatively backward states such as Turkey, had systems of agricultural banks, organised commonly on the basis of mutual responsibility of a group of agriculturists, and ready to make loans to members upon easy terms. In Ireland co-operative credit banks were already employed with excellent results. But in England and Wales there were, in 1915, only forty-five institutions of the kind, as compared with 17,000 in Germany. Here likewise the conservatism and individualism of the Englishman were in evidence; and, furthermore, there was a deeply-lodged notion that while the trader properly enough does business on a credit basis, the use of credit by a farmer is a disgrace. Credit in England was still substantially a monopoly of the commercial and well-to-do classes. As a rule, the farmer or the small holder who found himself in need of a loan must resort to the private money-lender or seek the help of the persons who purchased his produce; in either case, assistance was usually obtained on hard terms.

In the matter of agricultural education there had been more substantial progress, although the old idea that experience is the only teacher really worth while lingered, and agricultural instruction lacked the scope and co-ordination which it had in a number of the continental countries. Since the creation of the Board of Agriculture in 1889 the supervision of agricultural instruction had

[1] The development was mainly in the dairy industry. It was forwarded by the Agricultural Organisation Society, established in 1901. There was a similar society in Ireland.

[2] Levy, *Large and Small Holdings*, Chap. X.; Bennett, *Problems of Village Life*, Chap. IX; G. Radford, *Agricultural Co-operation* (London, 1910).

been divided between that agency and the Board of Education.[1] The former had to do with advanced or specialised agricultural colleges which served larger constituencies than the county areas of the local education authority. The latter controlled the more elementary teaching provided by the education committees of the county councils. There were maintained at the public expense, under varying arrangements for parliamentary grants or grants-in-aid by county councils, or by both, many institutions in all parts of the country in which scientific and technical instruction in agriculture was given and experimentation carried on. The number of persons receiving instruction of a more advanced character was, however, not large.[2]

Finally, mention may be made of a movement started shortly before the World War looking to the organisation of agricultural labour on the principle of the trade union. English agricultural labour was still very largely unorganised. The peasants of the fourteenth and fifteenth centuries had some consciousness of class interest and some crude organisation; but by long oppression the inclination to combine for the attainment of specific ends was practically extinguished. In times comparatively recent, i.e., about 1870-75, a certain amount of agrarian spirit was displayed; and in 1872 a National Agricultural Labourers' Union was founded, under the leadership of Joseph Arch. This society, however, had only a brief existence, and its history merely demonstrated afresh how strongly individualistic the English rural temperament continued to be. Twenty years ago, none the less, it began to be felt again that it was not impossible for rural labourers to be gathered into societies or unions as other labourers were; and to promote this end a National Agricultural Labourers' and Rural Workers' Union was established, whose branches, in 1914, were being extended rapidly in both northern and southern England. This Union, whose members were recruited mainly from the most intelligent and industrious farm labourers, was in 1914 giving

[1] The first British Board of Agriculture was established in 1793, with Sir John Sinclair as president and Arthur Young as secretary. In 1817, the refusal of Parliament to make further appropriations for carrying on its work brought it to an end. On the establishment of the new Board in 1889 see A. H. H. Mathews, *Fifty Years of Agricultural Politics* (London, 1915), Chap. VI.

[2] Mathews, *Fifty Years of Agricultural Politics*, Chap. VII; Collings, *Land Reform*, Chaps. V-VI; Bennett, *Problems of Village Life*, Chap. IV.

promise, indeed, of becoming an important agency in rural regeneration.

The Question of Tariff Reform. It was generally agreed that the increase of small holdings was desirable, that an extension of co-operation was needed, that the agencies of agricultural credit should be greatly multiplied, that a larger amount of agricultural instruction would be helpful, and even that adoption of the forms of trade unionism might be beneficial for the labourer without being hurtful to the farmer or landowner. Other changes which were proposed, however, are more controversial. One of them was the nationalisation of the land. A second was the institution of more stringent rating and taxation of land values. And a third was the imposition of protective duties on imported agricultural products. The first of these schemes, looking to the total suppression of the private ownership of land, was as yet only an academic question; although it is to be observed that its adoption, entire or in part, was favoured not only by professed socialists, but by other radicals in considerable numbers, in both public and private life.[1] The proposal relating to land values looked especially toward the rating and taxing of undeveloped land in such a manner that owners would be tempted, or compelled, to throw it upon the market and thus increase the opportunity for the laying out of small holdings. Some progress in this direction was realised under the provisions of the Lloyd George Budget of 1909, enacted in the Finance Bill of 1910.[2]

The third proposal, namely, the imposition of protective duties upon imported foodstuffs and raw materials, looked to the adoption, in a degree, of the expedient by which Germany and other continental countries had sought to meet the altered conditions

[1] In its earlier and cruder form the plan contemplated the abrupt confiscation of the land. Its supporters later, however, were generally willing that owners be given fair compensation and were prepared to accept a gradual substitution of public for private ownership. At one time Henry George was the principal exponent of the scheme. The plan is ably advocated in M. Fordham, *Mother Earth* (London, 1908). See also H. Cox, *Land Nationalisation* (2nd ed., London, 1906), and A. R. Wallace, *Land Nationalisation* (London, 1883).

[2] On the conditions and problems involved in the taxation of land values see T. P. Whittaker, *The Ownership, Tenure, and Taxation of Land* (London, 1914), 389-508; E. Guyot, *Le socialisme et l'évolution de l'Angleterre contemporaine, 1880-1911* (Paris, 1913), 317-368; T. B. Napier, *The New Land-Taxes and their Practical Application* (London, 1910); E. S. Cox-Sinclair and T. Hynes, *Land Values: the Taxation of Land Values under the Finance Act*, 1910 (London. 1910).

of world agriculture in the past forty years.[1] The suggestion had been heard in England at intervals for a generation. It received most explicit and forceful statement in the course of the historic crusade launched by Joseph Chamberlain in 1903.[2] The Chamberlain program of tariff reform embraced the imposition of duties not only on imported manufactures, but on imported grain, flour, meat, and dairy products, with provision for the extension of a preference, in the form of lower rates, to produce of the British dependencies. Mr. Chamberlain himself suggested a duty of 2s. per quarter on corn and flour, and one of five per cent. *ad valorem* on meat and dairy produce; while the unofficial Tariff Commission which was set up in 1904 to make a comprehensive study of the problem proposed duties of 2s. a quarter on foreign wheat and 1s. a quarter on colonial wheat, "equivalent duties" on other foreign and colonial grains, five per cent. *ad valorem* on meat, and five to ten per cent. on other agricultural commodities. The argument of those who gave their support to the proposed policy was, in brief: (1) that imposition of the contemplated duties would cause a rise in the price of agricultural products, including home-grown commodities; (2) that the profits of the landowners and the farmers would be increased, making possible an advance in the wages of the agricultural labourers; and (3) that the conversion of arable to grass land would be lessened, if not absolutely stopped. The contention of the opponents of the scheme, on the other hand, was (1) that acquiescence in it would mean repudiation of the free-trade principles to which, for more than a half-century, the nation had been committed and under which it had prospered; (2) that the rise of prices would produce an increase of rents, leaving the farmer no better off than he now was; (3) that in the existing disorganised condition of English rural labour the rise of prices would have small effect, if any, upon wages; and (4) that the increased price of foodstuffs would have bad effects upon the industrial population of the towns and cities. For a decade the tariff reform movement made steady headway. The Liberal party stood firm for free trade and, being continuously in power, was of course, able to prevent the kind of legislation that the reformers wanted. But the Unionist party was captured by the protectionists, and for some years before 1914 the presumption was that, if it were returned to

[1] See pp. 292-297.
[2] See pp. 262-266.

office, its leaders would incorporate the fundamentals of the tariff reform program in their first budget.

The Liberal Land Policy. At intervals during the years 1911-14 the Liberal leaders, notably David Lloyd George, Chancellor of the Exchequer, gave serious attention to the land question, with the object both of gathering information and of instituting further reforms. In 1912 there was appointed a semi-official Land Enquiry Committee, to which was given the task of investigating wages, hours, housing, game laws, allotments, and conditions of land tenure and land acquisition; and in October, 1913, this body submitted a comprehensive and valuable report on rural land conditions.[1] Employing this document as a text-book, Mr. Lloyd George forthwith launched an ambitious educational and legislative campaign on the subject of land reform. By all testimony, he pointed out, England has no superior in Europe as an agricultural country, in climate, soil, and markets. Similarly agreed, he asserted, were all observers that nowhere in Europe was agriculture carried on with poorer adaptation of means to ends or with results more disproportionate to possibilities. Within a few decades, millions of acres of cultivated land had been abandoned to grass, and on other millions, in the Highlands, the crofters had given place to deer; while by legal process men had been driven, by the hundreds of thousands, from the soil of Ireland. From the report of the investigating committee it appeared that more than sixty per cent. of the adult agricultural labourers of the kingdom received less than 18s. a week, and that a considerable proportion received not more than 16s. The amount necessary for the maintenance of a labourer and his family was shown, however, to be 20s. 6d. a week, even on workhouse fare. The average wages on the land were affirmed to be lower, the hours longer, and the housing and other conditions of living worse, than in any other great form of industry. Rural labourers, it was emphasised, cannot readily combine. As matters stood, they could be turned out of their homes at a week's notice.[2] And

[1] The Committee—composed of five Liberal members of Parliament and three other persons, under the chairmanship of A. H. D. Acland—covered in its investigations all of England and a portion of Wales, leaving Scotland and the remainder of Wales to be investigated by separate agencies.

[2] The rent of the labourer's cottage (ranging, in purely agricultural portions of England and Wales, from 1s. 6d. to 2s. 6d. a week) was regularly deducted by the employer from the wages paid. Loss of employment meant eviction from the cottage.

the price of land, inflated by social distinctions and affected by monopoly value, remained prohibitive, even despite the aid afforded by the Small Holdings Act. The labourer had little or no chance of improving his position unless he abandoned the country-side for the towns or for the colonies.

The land policy formulated by Mr. Lloyd George and advocated by him in a number of notable speeches late in 1913 was based on the premise that the fundamental defect in the English agrarian system was the prevalence and the irresponsibility of landlordism. Landlordism, it was declared, was in England the greatest and the least controlled of all monopolies—a monopoly of such power that, at its whim, it could, and did, hold in a state of total undevelopment great stretches of fertile land, regardless of all interests of the nation at large, and could fix with equal arbitrariness the conditions under which the remaining portions of the soil should be utilised. In Mr. Lloyd George's hands, the program of reform was directed toward two main ends: (1) the betterment of the lot of the rural population; and (2) the increase of agricultural production. The first was to be attained by direct and immediate action, the second more slowly, and perhaps largely as a consequence of the amelioration of rural labour conditions. In the first place, it was proposed that a new ministry should be established—a Ministry of Lands —to have jurisdiction in all matters pertaining to both rural and urban lands.[1] Under the Minister of Lands should be local commissions with power to purchase (at prices determined by themselves) land needed for the more rapid multiplication of small holdings, for reclamation, and for afforestation, and with power, also, to inquire into evictions, to compel compensation for improvements, and, under certain conditions, to fix rents. In the second place, it was proposed, in accordance with the recommendations of the Committee, that the agricultural labourer should be given protection through the medium of a minimum wage law, with the provision that the minimum wage should be determined for different localities by the commissions.[2] The commissions

[1] To the new minister were to be transferred the functions of the Board of Agriculture, and of a number of other existing administrative agencies.

[2] It will be observed that, under the provisions of the Trade Boards Act of 1909, the minimum wage principle was already operative in certain sweated industries (see p. 375). Coal mining was carried on also under a minimum wage law. Of late, the demand for minimum wage legislation had been grow-

should have power, further, to regulate the hours of labour. And, finally, it was suggested that a national survey of housing conditions be undertaken, and that the state proceed, using the reserve insurance funds, with the building of about 125,000 cottages which, together with garden plots, should be disposed of to labourers at an "economic rent." [1]

The policies thus propounded were given out as the product of prolonged Cabinet deliberations; in other words, they were promulgated as a part of the general ministerial program. As such, they were attacked by the Unionists, although the opposition which developed centered upon details rather than fundamentals and was, withal, half-hearted. Discussion of the subject, in press and on platform, was going on actively when the war broke out in 1914; and in that year the Land Enquiry Committee's Report on Urban Land was published, together with the report of the Scottish Land Enquiry Committee and that of the Welsh Land Enquiry Committee set up some months earlier. Naturally, the war thrust the issue into the background for a time. But the discussion had gone far enough to throw into sharp relief the two great rival programs of agrarian reform —the Unionist proposal to improve agriculture by the taxation of imported foodstuffs and the Liberal plan to reach the same end by the reconstruction of the conditions of land ownership and of rural labour.[2]

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ing rapidly. See E. Abbott, *Progress of the Minimum Wage in England*, in *Jour. of Polit. Econ.*, March, 1915.

[1] The problem of rural housing was recognised to be of peculiar seriousness. The cost of building cottages had increased. The requirements of the local authorities with regard to structure and sanitation were more stringent than formerly, wages in the building trades had risen, and building materials had advanced in cost. The building of cottages was likely to entail loss rather than to yield profit, and hence was not widely undertaken by either landowners or speculative builders. Only public action, it was contended, could remedy the lamentable deficiency existing.

[2] It may be noted that while of late the Unionists had directed their attention rather more to housing than to the land question, they favoured the policy of small ownership, and, indeed, put more stress on absolute ownership, as opposed to small holdings, than did the Liberals. In 1911 they introduced two measures in the House of Lords intended to promote small ownership; but neither became law.

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CHAPTER IX

AGRICULTURE AND AGRARIAN PROBLEMS IN FRANCE AND GERMANY

A Century of Economic Liberation. A principle which was woven deeply into the American national system at its beginning is that of full and free industrial opportunity. For the American, therefore, it is not easy to conceive how completely the agriculture, the manufactures, and the trade of France, Germany, and other continental European countries were shackled only four or five generations ago by status, by custom, and by contractual arrangements. The gild, the manor, the state, and the Church imposed each its peculiar restrictions, and the economic position and outlook of the individual was likely to be determined more largely by agencies beyond his power to control than by his own habits of enterprise and thrift. It is only within comparatively recent decades that the mass of men in Europe have acquired such freedom of industrial initiative and achievement as they now enjoy. If the cardinal aspect of the economic history of the United States since 1789 has been expansion, that of the economic development of continental Europe during the same period has been liberation. Speaking broadly, one may say that the first great advance toward liberation was accomplished by the Revolution in France in 1789-94; that a second was realised under Napoleon, although accompanied by a certain amount of retrogression; that the period 1815-45 witnessed considerable progress, especially on the side of industrial technique; and that after 1845-50 the triumph of liberalising principles was rapid and in many respects complete.

The transformations by means of which liberation has been achieved took place within all of the three principal fields of economic activity—agriculture, manufacturing, and commerce. They involved, in the main, (1) the abolition of serfdom, (2) the relaxation of land laws, the breaking up of great estates, and the development of small holdings; (3) the introduction of

agricultural machinery and of scientific methods of cultivation; (4) the suppression or regulation of the gilds; (5) the application of steam-power to the processes of manufacture, giving rise (as in England) to the factory system; (6) the construction of highways and canals and the inauguration of the railway era; and (7) the reduction, and in some instances the suppression, of the restrictions imposed upon trade by national or local legislation, including customs regulations. In the present chapter will be considered the salient aspects of agricultural liberation and agricultural progress in France and Germany; in the next two chapters will be sketched the development of industry and transportation in these two countries; in the next three will be described the liberation and growth of trade in western Europe; while for an independent chapter will be reserved a review of the economic development of the greatest of the states of eastern Europe, i.e., Russia.

Small Holdings in France: Effects of the Revolution. The continental country in which the liberation of agriculture first took place upon a considerable scale was France. There, as elsewhere, the development presents three principal phases: (1) the emancipation of the rural labourer in respect to his person; (2) the release of agricultural technique from the fetters imposed by law and custom; and (3) the liberation of the land, similarly, from ancient legal and customary fetters, and the opening of it to the possession of large numbers of people. One of the capital achievements of the Revolution was the abolition of all survivals of feudalism and serfdom. The number of serfs remaining to be set free in 1789 was not large. None the less, the liberation of such as there were, together with the cancellation of an intricate mass of surviving feudal and manorial obligations, was a step necessary to be taken before the French agricultural classes could be put in the way of the largest prosperity. By it the French people were guaranteed for the first time a universal status of personal, legal freedom.

The liberation of technique, involving especially the abandonment of the three-field system and the introduction of machinery and of new methods of cultivation, came gradually and did not reach full fruition before the second half of the nineteenth century. In some of its aspects, at least, it was promoted, as well as accompanied, by a development which must be considered

much the most important of all, i.e., the conversion of tenants, dependent cultivators, and ordinary labourers into independent, self-sustaining landholders; and attention must first be directed in some detail to this fundamental matter. Formerly it was supposed that the multiplicity of small proprietorships which is the distinguishing feature of rural France to-day was wholly a consequence of the Revolution. Research has shown that this is not true—that, on the contrary, the breaking up of the agricultural lands of France into little holdings was already under way long before 1789. Some students of the subject have gone so far as to maintain, indeed, that the number of landed proprietorships in France was scarcely smaller before 1789 than it is to-day.[1] This is an extreme view, but it is nearer the truth than is the assertion of the historian Michelet that the class of peasant proprietors sprang entirely from the land sales of the Revolutionary period. During his travels in France in 1787-89 Arthur Young was struck by the large numbers of instances in which the lord possessed the château and some seignorial land, while most of the area of the old manor was divided among peasants who owned their bits of ground subject only to the rendering of certain seignorial payments. Throughout the seventeenth and eighteenth centuries impoverished seigneurs in increasing numbers had been obliged to sell land to their tenants; while the number of small holdings had been steadily increased by the redemption of waste land and by the enclosure and division of common land. No reliable statistics of French landholdings prior to 1789 exist. Arthur Young, however, says that in 1787 a third of the land was tilled by peasant owners; and it has been estimated that at the outbreak of the Revolution the total number of proprietors was about three millions, of whom three-fifths would be classified to-day as small proprietors. Both Young and Malthus expressed the opinion that, as matters were going, France would become as badly overpopulated as was China. As late as 1823 McCullock predicted that the land must certainly become, within fifty years, "the greatest pauper warren in the world" and share with Ireland the dubious honour of furnishing hewers of wood and drawers of water to other countries.[2]

[1] This is asserted by the Russian scholar Loutchisky. See Johnson, *The Disappearance of the Small Landowner*, 155.

[2] Broderick, *English Land and English Landlords*, 308.

After full allowance has been made for the growth of small holdings before the Revolution, the fact remains that the development was much accelerated by the Revolution itself. In the first place, the improvement of the conditions of landholding, through the suppression of manorial obligations, stimulated the desire of larger numbers of men to become proprietors. In the second place, the Revolution emphasised the principle—and Napoleon sought to enforce it in the *Code*—of egalitarian inheritance, in accordance with which the bulk of a testator's property was required to be divided equally among all of his children, without distinction of age or sex. Already before 1789 this policy was in common use among the bourgeoisie and the peasantry. And while in practise a rule of this kind must under any condition be subject to some evasions and limitations, there can be no question that the sanction lent the "partible succession" by the Revolutionary assemblies and by the *Code* decidedly enhanced the principle's effectiveness. More important than these influences, however, was the extensive sale of lands confiscated from the crown, from the *émigrés*, and from the Church. Through the years 1790-95 large areas were placed upon the market. Prices were low, payment was spread over a period of twelve or more years, a clear title was given, and no complicating obligations were imposed. The law of May 14, 1790, specifically enjoined that the lands should be sold in small portions, the large estates being broken up for the purpose, to the end that the number of "happy proprietors" might be increased. Until 1793, when the practice was prohibited, peasants frequently combined to purchase large tracts which they forthwith divided among themselves.

French Land Tenure in Recent Times. From the Revolution to the present day France has remained a land of numerous and small holdings. The law of partible inheritance has been, however, the theme of heated controversy. It has been objected especially that the operation of the rule means the subdivision of the soil on mechanical lines without reference to supply and demand, and that it splits up estates into minute and scattered parcels, with the result of wasting both the soil and the time of the owner, and also of breeding litigation. Although there have sprung up customs which so far evade the law as to prevent *morcellement* becoming pulverisation, the law stands intact and

in its essentials it is effectively enforced.[1] From being attacked as an altogether undesirable stimulus to the increase of population, the law came to be denounced as a measure operating to keep the population almost stationary. It would be difficult to prove that it has been more influential in the one direction than the other. That it has operated progressively to augment the subdivision of the land cannot be doubted, although other influences have contributed to the same end. Statistics prepared in 1862 showed that in that year 56.29 per cent. of all holdings in the country had an area of five hectares (a little less than twelve and one-half acres) or less;[2] 30.47 per cent., an area of between five and twenty hectares; 8.47 per cent., an area of between twenty and forty hectares; and only 4.77 per cent., an area of more than forty hectares. The situation twenty-two years later is exhibited by the following figures:

Area of holdings (in hectares)	*Aggregate area in holdings of the size*	*Percentage of aggregate area of all holdings*
0-2	5,211,456	10.53
2-6	7,543,347	15.26
6-50	19,217,902	38.94
50-200	9,398,057	19 04
over 200	8,017,542	16.23

On the eve of the Great War there were somewhat more than three million proprietors whose holdings were under ten hectares in extent, and these holdings aggregated upwards of twenty per cent. of the total arable area of the country. The remainder was owned by some 750,000 proprietors—half of it by 150,000 whose holdings exceeded one hundred and sixty hectares, the other half by 600,000 whose holdings fell between ten and one hundred and sixty hectares. About eighty per cent. of all holdings were cultivated by their owners. Of the remainder, thirteen per cent. were leased and seven per cent. were worked under the system known as *métayage*, involving the division of the produce, on some designated percentage basis, between proprietor and cultivator. The number of small holders continued to show steady increase. A report of the Ministry of Agriculture showed that during the period

[1] E. van der Smissen, *La population; les causes de ses progrès et les obstacles qui en arrêtent l'essor* (Brussels, 1893), 510-541.

[2] The exact equivalent of the hectare is 2.471 acres.

1890-1910 in only two of the eighty-seven departments was there any tendency toward concentration of landed property in fewer hands. The French peasant still displays a deep attachment for the soil. The ground is not so rich or well-favoured that hard work is not required for its tillage, but it repays the husbandman's effort to his reasonable satisfaction. "The magic of property," declared Adam Smith, "turns sand to gold; give a man the secure possession of a bleak rock and he will turn it into a garden." To the truthfulness of this observation every rural community of France to-day bears witness. Property in land has become a national asset, and in no country of Europe would a socialistic or other revolution involving the abolition of private possession be more inconceivable.

A Century of French Agricultural Development. While Great Britain was becoming distinctly an industrial and commercial nation and Germany, at a later period, was tending strongly in the same direction, France remained a predominantly agricultural country. And such she still is. Her vast wealth is drawn principally from the soil, and approximately one-half of her population is engaged in agricultural pursuits, whereas in England and Wales the pre-war proportion was but one-tenth and in Germany less than one-third. Throughout the past hundred years agricultural progress has been more steady and substantial than in any country of Europe, with the possible exception of Belgium and Denmark. In the Napoleonic period Flemish and English systems of crop rotation were introduced and the cultivation of many products —dyes, chicory, flax, hemp, and beet-root—was begun or extended; although it must be added that after the restoration of normal trade relations in 1814-15 some of the newer forms of cultivation (e.g., that of beet-root) which had been undertaken as a means of providing substitutes for commodities cut off by the war languished. The period 1815-47 was, in general, a time of rapid agricultural advance and of great rural prosperity. The country was at peace externally, and the people, although at times agitated by political questions, were in the main profitably employed and contented. An evidence of the favourable situation of the time is supplied by the fact that between 1815 and 1846 the population increased at an average rate of 200,000 a year, or, in the aggregate, by six millions. Between 1789 and 1848 the production of wheat rose from 93,000,000 to 152,000,000 bushels;

that of potatoes from 5,000,000 to 275,000,000 bushels; that of wine from 374,000,000 to 924,000,000 gallons.

After 1848 advance was somewhat retarded. The political unsettlement incident to the overthrow of the Orleanist monarchy and the establishment of the Second Empire, the Crimean War and the war with Austria in 1859, outbreaks of the cholera, and the poor harvests of 1853 and 1855 operated, along with other circumstances, to withdraw men from the land and to jeopardise agricultural interests. At no time during the second half of the century did these interests quite regain their former prosperity. After 1860, however, the reclamation of waste land set in upon a large scale, and likewise the introduction of agricultural machinery. An English observer relates that in 1840 it was quite the usual thing to see horses used for treading out grain; but an official report of 1862 showed that France then possessed more than 100,000 threshing-machines, almost 3,000 being operated by steam. Scientific methods of rotation, soil-preparation, and fertilisation were introduced, and between 1818 and 1889 the average yield of wheat per acre was raised from eleven to seventeen and one-half bushels, and between 1825 and 1875 that of barley was increased by eight bushels, and that of oats by ten bushels. Between 1812 and 1888 the number of cattle kept was more than doubled. In 1877 about 37,500,000 acres, or almost three-tenths of the total area of the country, were planted with corn of one sort or another, and 23,500,000 acres, or more than one-sixth of the country's area, were planted with wheat and rye. In Great Britain and Ireland in the same year 11,000,000 acres, or one-seventh of the whole area of the United Kingdom, were planted with corn crops, and only 3,600,000 acres, or barely one-twenty-second, with wheat and rye.

In the matter of foodstuffs pre-war France was largely self-supporting, and her exports of agricultural products were extensive. She imported some wheat, but, as is shown by the table appearing at the top of the next page, the quantity was not large except during the era of depression 1876-96.[1]

A main characteristic of the agriculture of the country is the diversity of its products. Wheat and wine are the staples, but there is a heavy output of rye, barley, buckwheat, oats, maize,

[1] British Tariff Commission, *Report of the Agricultural Committee* (London, 1906), 89.

Period	Average yearly production (in millions of cwts.)	Average yearly imports (in millions of cwts.)	Average yearly supply per capita (in cwts.)
1831-35	100.7	.40	3.07
1836-40	101.8	.47	3.02
1841-45	109.4	.93	3.17
1846-50	125.4	1.95	3.58
1851-55	119.7	2.27	3.38
1856-60	146.0	1.00	3.98
1861-65	146.9	4.17	4.01
1866-70	144.9	5.16	3.92
1871-75	149.2	7.68	4.31
1876-80	138.6	23.77	4.34
1881-85	161.3	21.35	4.82
1886-90	160.4	19.92	4.71
1891-95	155.5	26.34	4.73
1896-1900	170.5	11.37	4.69
1901-03	173.8	4.97	4.56

fruits, and dairy produce. Almost one-third of the cultivated land is devoted to cereals. In the decade 1896-1905 the average annual acreage of wheat alone was 16,580,000, and the average yield was 317,707,000 bushels. In the same period the average acreage in productive vines was 4,056,725, and the average yield was 1,072,622,000 gallons. Of a total of 195,000 square miles of arable land, 171,000 square miles, or eighty-eight per cent., were under cultivation in 1914.

The State and Agriculture. In a number of ways the interests of agriculture are actively served by the state. In the first place, they are given the benefit of protective duties on imported agricultural commodities. In 1819 the importation of grain was made subject to a fixed duty and a surtax varying according to the amount by which the home prices should fall below a certain level, with provision, under certain conditions, for the suspension of importation altogether. In 1821 this law was made yet more stringent. Throughout the remainder of the century tariff policy fluctuated, but at no time was agriculture left without substantial protection. The competition of American and other foreign foodstuffs was never felt in France as keenly as in England, but it was felt sufficiently to render futile any movement looking toward a general relaxation of agricultural duties, and the characteristic feature of the tariff history of France, as of Germany, in the decade

1881-90 was the development of a more comprehensive system of agricultural protection.[1] The tariff law of 1892 was conceived in the interest mainly of agriculture; and, although the latest great measure of the kind, enacted in 1910, was designed primarily to meet the demands of industry, it perpetuated, and in some instances increased, the rates on agricultural products established eighteen years before.[2]

In the second place, the state advances the interests of agriculture by maintaining a Ministry of Agriculture, whose organisation and equipment leave little to be desired. The ministry is aided by an advisory council of one hundred members, including senators, deputies, and experts in husbandry. Inspectors visit all parts of the country and submit reports which become the bases of state subventions designed to promote agrarian prosperity. Finally, there have been provided exceptional facilities for agricultural education. Besides the National Agronomic Institute at Paris, there are several secondary schools of agriculture and upwards of a hundred special and local schools. The ministries of Agriculture and Education habitually co-operate to promote the teaching of husbandry in rural schools; and, indeed, agricultural instruction in elementary schools is compulsory. The object is avowed to be not only to improve agriculture but "to inspire the young with a love of country life." [3] By act of 1875 there was established a new class of schools—the *écoles pratiques d'agriculture*—which provide practical agricultural training for the children of small farmers, tenants, and labourers, who can enter, at the age of thirteen, on leaving the primary schools.

Agricultural Societies. Among the numerous respects in which the agriculture of France differs from that of England may be mentioned the extensiveness of organisation and of co-operative effort among the agricultural classes. Conditions are, of course, more favourable for organisation in France than in England. The spirit of individualism is less dominant, and the number of persons who will be most likely to be attracted by the possibilities of organisation, i.e., the small proprietors, is very much larger. At the same time, it is to be observed that even in France the development of agricultural societies on a large scale has taken place only

[1] Meredith, *Protection in France*, Chaps. IV-V.
[2] For a more extended review of French tariff history see Chap. XIII.
[3] British Consular Report No. 505, on *Agricultural Education in France.*

within recent decades. In the eighteenth century there was founded the *Société Nationale d'Agriculture de France,* which has counted among its members the country's most able agriculturists of each succeeding generation, and was by 1914 one of the principal organisations of its kind in the world. It, however, partakes largely of the character of a scientific academy and hardly reaches the mass of the rural population; and the same is true of a few other general societies which, within their fields, have had a career of more or less usefulness. From early in the nineteenth century there were, also, *comices agricoles,* or local parish organisations of farmers and tenants, established to stimulate the improvement of methods of cultivation. The inauguration of a new era in the history of French agricultural organisation, however, was accomplished by the repeal, by a law of March 23, 1884, of the restrictions on professional associations which had been imposed by the Constituent Assembly and later had been incorporated in the Napoleonic Penal Code.[1] It had been required that no association of any sort comprising more than twenty members should be formed except with the consent of the government. Now, by the law of 1884, it was stipulated that associations having exclusively for their object "the study and defence of commercial and agricultural economic interests," might be formed and maintained without special authorisation, and that such organisations should be accorded full legal rights, including those of owning property and appearing in the courts.[2] At the time when the law was passed French agriculture, in common with the agriculture of neighbouring countries, was depressed. Prices were falling, land values were shrinking, rents were decreasing, agricultural wages were not keeping pace with wages paid in industry. As a result, the agricultural classes availed themselves eagerly of their new rights. The rapidity with which organisation progressed is apparent from the table printed at the top of the next page.[3]

Agricultural societies are now to be found in every department of the country, being most numerous in the small-farming, vine-growing districts of the Loire valley and of the east and southeast. Theoretically, in most instances, membership is open to landlords,

[1] Art. 291.

[2] By the Law of Associations of 1901 there was extended to associations of all kinds the same liberties which had been obtained by the agricultural associations seventeen years before.

[3] A. Souchon, *Agricultural Societies in France* (Evreux, 1915), 4.

Year	No. of societies	No. of members
1890	648	234,234
1895	1,188	385,199
1900	2,069	512,794
1905	3,116	659,953
1910	4,948	813,038
1913	6,178	976,157

small proprietors, "metayers," and agricultural labourers. There are societies, however, which are open only to representatives of a single class, e.g., the proprietors or the "metayers"; and in point of fact the wage-earning labourers, in so far as organised at all, maintain societies of their own, which are comparable to industrial trade unions and are generally affiliated with the *Confédération Générale du Travail.*[1] It comes about, therefore, that most of the societies are composed exclusively of landowners. Some cover only a single commune; others cover the whole of a department. Some have as their object the promotion of agricultural interests in general; others are concerned with some special interest, as vine-growing or cattle-breeding or beet-root cultivation. In 1913, 6,021 of the local societies were organised in 85 district unions, noteworthy examples being the *Union du Sud-Est,* comprising some 500 scattered societies in the valley of the Rhone about Lyons, the *Union des Alpes et de Provence* with about 300 societies, the *Union du Midi,* the *Union Girondine,* the *Union Lorraine,* the *Syndicat du Nord,* and many more. And finally, there is a central society known officially as the *Union Centrale des Syndicats Agricoles,* representing, not a combination of the district unions, but a direct association of about 2,500 of the local sociéties. The more immediate objects of the local organisations is to promote the improvement of agricultural technique; to effect economies for their members by making purchases in common of implements, fertilisers, seeds, and other supplies; to aid members in the sale of their produce; and to detect and prevent adulterations and other frauds. Ultimately they, or at all events many of their sponsors, aim at the maintenance of agreeable relations among the various elements of the agricultural population, the co-ordination of the agricultural forces of the country in lieu of the party organisations which these forces do not possess, and the promotion in tariff-

[1] See pp. 445-448.

making, social legislation, and other matters, of more effective representation of agricultural interests.

Co-operation and Agricultural Credit. The societies that have been mentioned provide large facilities for co-operative buying and selling. There are, however, other co-operative agencies; and in general it may be said that agricultural co-operation has been developed farther in France than in any European countries except Belgium, Denmark, and portions of Germany. Of co-operation in cultivation there is now very little, although prior to the Revolution such cultivation was practised by a large number of *sociétés taisibles,* organised by peasant communities. The sense of personal proprietorship is too strong to-day to permit any considerable extension of communistic methods of tillage. The co-operative societies, none the less, frequently make provision for the use in common of agricultural implements, and some exist solely for the purchase and collective utilisation of steam ploughs, of threshing machines, or of machinery in general. But it is the sale and the conversion, or manufacture, of agricultural products, rather than production, that most of the societies take as their province; and it is for these purposes, as a rule, that the farming population is organised in special co-operative societies subsidiary to the general syndicats, or societies, mentioned in the preceding section. Co-operative associations for cheese manufacture are said to have existed in the Jura from as early as the twelfth century, and it is still in the milk, butter, and cheese producing portions of the country that true co-operatives are most numerous. Co-operatives for cheese-making alone number more than 2,000, being chiefly in the Jura and in Ain. Next to the dairy industry, wine-making is most fully organised, although the first co-operative wine vault appears to have been established only in 1890, in Champagne. In various parts of the country there are also co-operative olive-oil works (dating from 1905), distilleries, mills, and manufactories of potato flour. The number of societies existing for the sole purpose of co-operative sale and conversion of agricultural products was, in 1914, about 2,400; and already there had been an attempt, though only moderately successful, to organise them in a *Fédération Nationale des Sociétés Co-operatives Agricoles.*

The question of agricultural credit is one to which attention has long been given in France. It was discussed in Parliament as early as 1846, and scores of interesting proposals concerning it

have been offered. Certain experiments prior to 1884 proved but partially, or not at all, successful. After the date mentioned many of the newer agricultural syndicats, however, undertook the organisation of credit, often with very good results. And there appeared also the *Caisses Durands,* or Durand Funds (so-called from their founder, a lawyer of Lyons), which are communal mutual aid societies in which each member gives his unlimited liability as a guarantee. Development, however, was slower than in other countries, notably Germany and Italy, and it was only in 1894, when Parliament enacted an important law on the subject, that institutions of agricultural credit began to multiply rapidly. The measure of 1894 made easier, and yet safer, the conditions under which societies should organise and maintain credit facilities, and in the ensuing four years 136 local funds, in 47 departments, were instituted. A law of 1898 further bettered the position of the agricultural creditor, and another of 1899 inaugurated the somewhat dubious policy of state subvention in aid of rural credit agencies and instituted a new class of District Funds. An act of 1910 placed co-operatives on the same footing, in respect to loans, as individuals. In 1914 Germany alone surpassed France in the effectiveness of agricultural credit organisation.

Rural Germany at the Opening of the Nineteenth Century. The economic development of Germany has been essentially unlike that of either England or France, but it has taken a course more nearly resembling that to be observed in the former country, in that it has involved a substantial displacement of agriculture by industry and trade. In 1914 forty-two per cent. of the population of the Empire was engaged in industry, more than twenty-seven per cent. in trade and miscellaneous professions, and less than thirty per cent. in agriculture. It is to be observed, however, that this state of things is of recent origin. Speaking broadly, it does not antedate the creation of the Empire in 1871. At the opening of the nineteenth century Germany was rather more predominantly agricultural than was France. In 1804 seventy-three per cent. of the population of Prussia was rural, and throughout the German lands as a whole the proportion of the population engaged in agriculture was not less than eighty per cent. Industry and trade were really less flourishing than they had been in the fifteenth and sixteenth centuries, when the Hansa cities were the centers of the

commerce of northern Europe. At the same time, it is to be emphasised that the type of agriculture which prevailed was primitive. The natural resources of the country were then, as they are now, less favourable for agriculture than those of France. Methods of cultivation were antiquated, products were few and of inferior quality, and rural wealth was meager. Not, indeed, until after the middle of the nineteenth century—distinctly later than in France—was there much improvement in agricultural technique.

The one advance which was realised in the earlier portion of the century was the emancipation of the large number of peasants who had not contrived to escape from the status of serfdom. This, it need hardly be said, was an indispensable step toward agricultural betterment on more general lines. In Germany, as elsewhere, serfdom was extinguished very gradually. In the northwest it virtually died out with the close of the Middle Ages. In the southwest it evaporated imperceptibly in the seventeenth and eighteenth centuries. Its non-existence in Bavaria was recognised, as a matter of form, in 1808, and in other states by 1820. In the northeast developments were different. There the great landlords succeeded in holding their estates intact and in retaining the largest part of the peasant population in the status of serfdom until the nineteenth century. From the sixteenth century onwards there was in this region, furthermore, a steady depression of the originally free inhabitants to the servile status. At the time of Prussia's regeneration, following the Napoleonic conquest, the situation called, therefore, for the adoption of emancipating measures upon a large scale. What measures were taken, and with what effect, has been related in a preceding chapter.[1] It may here be repeated simply that the carrying out of the emancipation edicts involved many difficulties and that it was only about 1865 that the last traces of feudal and manorial burdens were swept away as a result of legislation supplementary to the original measures.

Development of Large and Small Holdings. The outcome of the abolition of serfdom and of other changes with respect to the tenure of land was very different in various parts of the country. Peasant proprietorship was not uncommon before the nineteenth century, and by the elevation of the agricultural population to a

[1] See p. 105.

status of complete or approximate legal freedom the tendency toward the multiplication of small holdings received a powerful stimulus. Just as in France, however, the small-holding idea did not work out everywhere alike, so that the holdings of the northwest became on an average, considerably larger than those of the south, so in Germany the principle found sharply contrasted local applications and, in truth, in some important portions of the country found no application at all. That small holdings were the normal (although by no means the universal) product of decadent feudalism was well exemplified in the southwest. There, as has been explained, the holdings of the feudal proprietors had consisted, as a rule, of scattered pieces of land and of rights which were difficult or impossible to consolidate.[1] From time immemorial the peasants had been accustomed to take advantage of the weakness of the lords' position and, on the basis of custom, to claim and obtain considerable limitations upon the proprietary authority. As feudal ties were relaxed and individual freedom was attained, by purchase or usurpation, many peasants had acquired small bits of land, and long before 1800 the southwest was becoming a region of small proprietors. The tendency was reinforced in the Napoleonic period by the extension to the western German territories which were brought under French control of the *Code* and of the rule of partible succession for which that instrument made provision. And to this day the southwest has continued to be distinguished, quite as much as is France, for the number of its little holdings. In the kingdom of Württemberg about 1880 there were, in a total of 440,000 landowners, 280,000 peasant proprietors who owned less than five acres apiece. In Baden, Bavaria, and the Rhenish provinces of Prussia the small holders clearly preponderate, and, in Baden at all events, the holdings have become, in the opinion of many observers, disadvantageously small. The average holding in the Rhine provinces and in Westphalia some years ago was only ten acres. In all of the regions that have been mentioned not more than from one to three per cent. of the land is held to-day in estates exceeding 250 acres. The northwest became also, in the main, a region of peasant holdings,—but with the difference, attributable to local conditions, that there the holdings have been, and are to-day, larger. It may be added that in the great era of German emigration to the United States (1845-90) the movement

[1] See pp. 36-37.

was principally from the small-holding districts of the south and southwest.

In the northeast, on the other hand, there took place a course of development broadly similar to that to be observed in England in the eighteenth and early nineteenth centuries, namely the consolidation of land in estates even larger than those which had prevailed in earlier times. Many of these estates represent survivals of territorial grants made in the days when the Germans were colonising the Slavic lands beyond the Elbe. They were originally compact stretches, and their proprietors have been able to maintain them as such. Throughout the sixteenth, seventeenth, and eighteenth centuries the preponderance of large holdings was steadily increased. After 1750 some check was provided by Prussian legislation designed, from fiscal and military motives, to preserve such peasant holdings as there were. But the restrictions which were imposed were not very effective, and the emancipation of the serfs at the beginning of the nineteenth century stimulated afresh the consolidating tendency. There had been growing up a form of customary possession of land by the peasants which had operated to restrain the lords from adding to their own estates. In consideration of their assent to the measures of emancipation, this custom was now, in the main, suppressed, and the process of consolidation proceeded almost without restriction. The intentions of Stein and Hardenberg were beyond criticism, but decrees which it was found necessary to issue in 1811 and 1816 as concessions to the magnates diverted the reform widely from the course originally marked out for it. In a word, in the northeast such small holders as remained fell pretty generally, by 1850, to the status of landless agricultural labourers, and their holdings were absorbed in the large estates. And thus was made complete that sharp differentiation of landlords and rural wage-earners which in 1914 comprised one of the principal problems of Prussia, especially in the provinces of Pomerania, Posen, Saxony, and East and West Prussia, and also of the Mecklenburgs and some other states. In East Prussia thirty-eight per cent. of the land was in holdings of over 250 acres, in Posen forty-six per cent., and in Pomerania fifty-three per cent. In Mecklenburg-Schwerin sixty per cent. was in holdings of over 250 acres and only fourteen per cent. in holdings of fifty acres or less. In Silesia, Brandenburg, Pomerania, Posen, and other eastern districts, there was in operation a practice of entailment of estates

from which, so far as it goes, arise the same consequences that have flowed from the survival of the custom in England.[1] In only a few of the districts in which it prevailed did the practice rest upon legal enactment, and throughout the Empire there was a growing feeling that it ought, rather, to be forbidden by law. But, beyond the adoption of a resolution by the Reichstag in 1913 requesting the Chancellor to submit a measure "to forbid absolutely the creation of further entailments, . . . and to provide for the breaking up of estates already entailed," no action had been taken.[2]

In the Empire as a whole there were under agriculture in 1914 (including viticulture) about eighty million acres, excluding forest land and waste land not supporting cattle. Approximately four million acres, or about five per cent., were divided into holdings of less than five acres each, and of these holdings one-third was vine-growing land and another third was devoted to horticulture. About one-third of the whole agricultural area was divided into holdings of from 5 to 50 acres, and these were devoted, roughly, one-third to vine-growing, one-third to grain-growing, and one-third to miscellaneous purposes. Another third of the whole area comprised holdings of from 50 to 250 acres, which were devoted one-third to grain, one-fourth to sugar-beet, one-twentieth to vines, and, for the rest, to roots and other products. Finally, almost one-quarter of the area consisted of large estates, i.e., those exceeding 250 acres, and these were devoted more than one-half to sugar-beet and only one-fifth to grain. The total number of landed proprietors was in excess of two millions; there were 130,000 rented farms; and the number of wage-earning agricultural labourers was approximately three millions, the majority being employed on the large estates of the northeast. From the facts here enumerated it will be evident

[1] See pp. 163-165.

[2] On the entail system in Prussia see Dawson, *Evolution of Modern Germany*, Chap. XIII. The following statistics, drawn from the German industrial census of 1895, illustrate the status of landholding in three typical portions of the Empire at the date mentioned—Pomerania (northeast), Hanover (northwest), and Baden (southwest):

	Per Cent. of Total Holdings		
Hectares	*Pomerania*	*Hanover*	*Baden*
Under 2	2.97	6.61	13.23
2-5	3.44	11.83	29.04
5-20	15.64	32.01	41.18
20-100	22.82	42.41	12.56
Over 100	55.13	7.14	3.99

that, as a recent writer has summarised the matter, the greater part of German agricultural land was not contained in the large estates of the north and east; that the customs and privileges which are advantageous to the large estates are not necessarily advantageous to the bulk of the country's agriculture; and that any customs or laws which can be shown to be contrary to the interests of the small holdings and medium farms are contrary to the interests of German agriculture as a whole.[1]

The Era of Depression: Rural Depopulation. Agricultural development in Germany during the course of the nineteenth century was distinctly slower and less fruitful than in France, and the state of German agriculture in 1914 was by no means entirely satisfactory. Between 1816 and 1887 the acreage under tillage was increased from twenty-three to forty-four millions, and in the same period the production of grain was more than doubled. The three decades from 1840 to 1870 were, on the whole, an era of rural prosperity, marked by an increased price of products and a decreased cost of production, arising principally from the introduction of agricultural machinery and of scientific methods of cultivation. About 1874-75, however, there set in, as at the same time in England, a pronounced agricultural depression, from which there had been, by 1914, no considerable recovery. The causes of depression were several. One of the most obvious, as also in the case of England, was the decline in the price of agricultural commodities arising from the competition of grain, meats, and other products imported from Russia, Rumania, India, the United States, Uruguay, and Argentina. Despite the enactment of tariffs designed to offset the consequences of this competition, the price of wheat and rye declined between 1876 and 1898 fourteen per cent. and that of barley eleven per cent. Other contributing causes were the scarcity and irregularity of labour, the necessity of paying increased wages, the heavy mortgages which encumbered upwards of half of the farm land of the country,[2] and the unbusinesslike methods commonly employed by persons engaged in agricultural enterprise.

Most fundamental of all causes, however, and involving directly or indirectly some of those just mentioned, was the transformation

[1] C. Tower, *Germany of To-day*, 193-194.

[2] Rural mortgage indebtedness in Prussia alone was increased in the period 1883-96 by almost 2,500,000,000 marks.

which was being wrought in German economic and social conditions by the unprecedented expansion of industry. And from the period indicated to the present day the preservation of a proper balance between industry and agriculture has been one of the most intricate questions of German public policy. An inevitable effect of the industrial transformation was to draw off from the country to the town, as in Great Britain, large numbers of people. The great era in the growth of German urban populations has been the decades since the establishment of the Empire, which is equivalent to saying since the setting in of the new industrial era. A century ago the German states contained within their boundaries populations which were almost exclusively agricultural. With the exception of such seaports as Hamburg, Bremen, and Lübeck, and of certain inland cities which, being national capitals, had acquired some size, there were no urban communities of consequence. In 1816 less than two per cent. of the population of Prussia dwelt in cities of over 100,000 inhabitants, and forty years later this percentage was little more than doubled. It is estimated that in 1849 the agricultural population included in the German Customs Union comprised seventy per cent. of the whole and the non-agricultural population thirty per cent. In 1871 only twenty-six per cent. of the new Empire's forty-one millions were resident in cities of more than 5,000 population, and only thirty-six per cent. in places exceeding 2,000. The forward leap of German industry after the conclusion of the wars with Austria and France, however, gave to urban growth a tremendous impetus. In 1871 there were only eight cities having a population of more than 100,000; in 1905 there were forty-one, and in 1910, forty-eight. Between 1871 and 1900 the rural population of the Empire (including the inhabitants of towns under 2,000) actually declined by a half-million, while in the same period the towns and cities gained almost sixteen millions, or more than the entire urban population of the Empire in 1871. The change which took place in the relation between urban and rural populations is apparent from the figures on the next page.[1]

Later Phases. After 1900 the industrialisation of the Empire went steadily forward and the preponderance of urban over rural population was further increased. The growth of an industrial

[1] For a full discussion of the rural labour problem see Dawson, *Evolution of Modern Germany*, Chap. XIV.

Country population (in places of less than 2,000 inhabitants)

Year	*Number*	*Percentage of total population*
1871	26,219,000	63.9
1880	26,514,000	58.6
1890	26,185,000	53.0
1900	25,734,000	45.7
1910	25,945,587	39.9

Town population (in places of more than 2,000 inhabitants)

Year	*Number*	*Percentage of total population*	*Number of places*
1871	14,791,000	36.1	2,328
1880	18,721,000	41.4	2,707
1890	23,243,000	47.0	2,891
1900	30,633,000	54.3	3,360
1910	38,980,406	60.1	3,740

population of the present vast proportions has meant, of course, an enlargement of the home market for agricultural produce. But it has meant, also, scarcity of labour and increased cost of production. These circumstances, combined with falling prices and other effects of foreign competition, brought about a situation under which the greater agrarian interests of the country have made and enforced large demands upon the government and in considerable measure have dictated the Empire's economic policy. Officially, Germany regarded agriculture as the backbone of her national power and prosperity—the more, no doubt, by reason of the fact that, to a great degree, official Germany consisted of landed proprietors. "When German agriculture collapses," declared von Moltke, "the German Empire will collapse without a shot." And, despite the fact that less than one-third of the population was directly engaged in agriculture, and that scarcely one-eighth of this third owned a foot of agricultural ground, the whole course of public policy was based on the assumption expressed in this dictum. Thus it came about that, if Prussia governed Germany, the great landholders governed Prussia, and therefore Germany as well. When, in 1879, there was adopted an Imperial tariff system designed not only to yield revenue but also to afford protection for industrial enterprises, the landholding interests were

displeased, and the upshot was that in time the government was obliged to come to the relief of these interests by the extension of the protective principle to foodstuffs. This meant increased prices of the necessaries of life, and accordingly was opposed by the industrial classes. And a large amount of the pull and haul in the later politics of the Empire arose directly from the clash of interests thus involved. The Agrarians, or Junkers, have been the arch-conservatives of the nation. Their ideal has been a country which should be self-contained and self-sufficing, especially with respect to food supply; and while they have never been sufficiently powerful to direct the course of national policy in the precise channels which they would mark out for it, up to 1914 they wielded an influence greatly out of proportion to their numbers. The strength of their position has been in the incontrovertible fact that only by the aid of protective tariffs and other special favours extended them has German agriculture maintained even the semblance of prosperity.

Meanwhile, it is not to be overlooked that in the pre-war period the status of agriculture throughout the Empire was undergoing substantial improvement. In the matter of foodstuffs the Empire was not self-sustaining, and had not been since 1875. There had been, however, a continuous if slow increase of the area under cultivation. The wasteful three-field system had been replaced by the rotation of crops, which in turn had been supplanted widely by systems of intensive cultivation. Paying crops had been developed in substitution for those which were less remunerative. There had been a notable extension of the use of steam-propelled and other improved farm machinery. The use of potash and other artificial fertilisers had been developed in astonishing degree.[1] And in many parts of the Empire the number of small holdings had been steadily growing, while in Prussia and some other states there had been governmental action designed to accelerate the process.[2] The value of agricultural products of all kinds was estimated in 1902 at 7,500,000,000 marks,[3] and the figure in 1914 was somewhat higher. The large landholders of the north and east were organised effectively for political purposes. The mass

[1] Prussia used in 1890 about 100 pounds of potash per acre, but in 1908 ten times that amount. In the same period the amount used in Bavaria rose from about 20 pounds per acre to almost 300 pounds.

[2] Dawson, *Evolution of Modern Germany*, 255-264.

[3] By Müller, in his *Industrie-staat oder Agrarstaat.*

of the agricultural population, however, was not so organised, except in so far (and it was in only a limited measure) as the small proprietors and the wage-earners could be induced to support the candidates of the Socialist party.

On non-political lines the rural elements, however, were extensively organised through the medium of co-operative societies. In 1911 there were in the Empire some 25,000 such societies composed of agriculturists and kindred producers, and the aggregate membership was approximately four millions. Of co-operative dairy societies alone there were 3,193, with 288,699 members. Most of the local societies were affiliated in central unions, three of the most important being the Imperial Union (with headquarters at Darmstadt), the Central Union, and the Schultze-Delitzsch Union.[1] Agencies of rural credit were more fully developed than in any other country. They consisted, principally, of credit banks, of the type projected in 1848 by Friedrich Raiffeisen. These institutions were, in reality, co-operative credit societies. Each limited its field of operations to a single community and depended wholly for its stability upon the integrity and capacity of its members and upon the members' personal knowledge of one another. There was no share capital, and there were neither paid employees nor dividends. The members were jointly and severally liable for the total obligations of the society; and the benefits of the institution's service were open to the poorest, if he was trustworthy. In 1912 there were 17,000 agricultural co-operative banks of this character in the Empire, with a membership of over 1,500,000.[2]

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[1] On co-operation in Germany see Dawson, *Evolution of Modern Germany,* Chap. XV.

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CHAPTER X

THE DEVELOPMENT OF INDUSTRY IN FRANCE AND GERMANY

Overthrow of the Gild System in France. At the opening of the nineteenth century France and Germany were alike predominantly agricultural countries. Manufactures and trade had found within their boundaries no such opportunities as in England. At the close of the century France was still predominantly agricultural, but the interests of agriculture were closely rivalled by those of industry and of trade; while in Germany tillage of the soil and occupations subsidiary thereto had been entirely outdistanced, in number of persons engaged, in value of product, and in promise of future growth, by manufacturing and commerce. At this point it is necessary, therefore, to take account briefly of the broader aspects of industrial development in the two countries named, bearing in mind two general facts: first, that, involving as it did the rise and progress in these lands of the phenomenon which we term the "industrial revolution," this development presents numerous features which are identical with those displayed by the movement in England, and hence not calling for separate description, and second, that, with considerable variations of circumstance and consequence, the development outlined took place, at different periods, in all of the remaining countries of western and central Europe.

The changes which were wrought in the industry of France in the period under survey may be summarised under three heads: (1) the extinguishment of the gild, (2) the introduction of the use of machinery and of steam power, leading to the rise of the factory system and (3) the improvement of highways, the construction of railways and canals, and the consequent quickening and cheapening of transportation.[1] First in point of time was the overthrow of the gild system. It will be recalled that one of the

[1] The development of transportation facilities is considered in the succeeding chapter.

important liberalising measures of Turgot during his brief tenure of the controller-generalship in 1774-76 was a decree intended to abolish the privileges of the gilds and to leave every man free to follow such occupation, and in such place and manner, as he should choose. The measure was never carried fully into effect, and after Turgot's dismissal the gilds were revived substantially as before. It is true that during the eighteenth century the gild system in France had broken down in some measure and that gild monopolies and regulations, even in the capital, were not infrequently evaded. None the less, every important branch of labour was organised and controlled in accordance with the gild principle, and restriction rather than freedom was the normal industrial condition. From the domestic workmen of the country districts and of the suburbs of the towns arose persistent demand that the gild system be abolished absolutely, although in the towns themselves (notably such industrial centers as Marseilles, Rouen, Lille, and Rheims), where sentiment was controlled by the gildsmen, the system was defended with vigour. The *cahiers* of 1789 reflect perfectly this division of opinion. The nobility called mildly for abolition; a slight majority of the Third Estate strongly demanded it; the remainder of the Third Estate, while not averse to reform, insisted that the system be perpetuated; the clergy said nothing about it. Not unnaturally, the question was one by which the National Assembly was perplexed sorely. After prolonged consideration there was enacted, February 16, 1791, a measure (adopted in final form March 17) stipulating that on and after the ensuing April 1 every individual should be free to exercise any craft or profession whatsoever, provided only that he should equip himself with a license from the public authorities and should comply with the police regulations, one of which in effect prohibited all combinations of workingmen. The gilds were not expressly abolished, but their monopolies and other privileges were terminated, and, left without reason for existence, they rapidly disappeared. The requisite licenses, computed on the rental paid for one's place of business, were inexpensive and easy to obtain. The measure provoked little or no serious protest—a fact which tends to confirm the impression created by other evidence that by 1791 the gilds were in a moribund condition.

During the era of Napoleon the industrial freedom conferred by the measure of 1791 was infringed at a number of points, and,

with the purpose of regulating the prices and quality of goods and, more particularly, of preserving industrial peace, the monopolistic gild was in part re-established. A beginning was made in 1801, when, in order to avert the possibility of further food riots in Paris, two "corporations," the bakers and the butchers, were given an organisation roughly resembling that of a gild. In time the policy was extended beyond the capital, and corporations of bakers are said to have been organised in not fewer than 165 towns. To facilitate the control of the press, the printing trade was once more subjected to gild restrictions. So likewise was the brokerage profession. The gild system as a whole, however, never again took root in France, and it was no part of the plan of Napoleon that it should do so. The Emperor was inundated with petitions asking that he restore the old Colbertian system in its entirety, and he deserves credit for stopping where he did. Love of order and of control was set over against the ideal of the open course for talent, and, on the whole, the latter prevailed. After 1815 most trades were again open to all, although some of the Napoleonic corporations lasted until past the middle of the nineteenth century. The butchers' gild, for example, came to an end only in 1858, the bakers' in 1863, and the printers' in 1870.

The Industrial Revolution in France. The collapse of the gild system prepared the way for the reconstitution of industry upon lines already familiar across the Channel. France was the first of continental countries in which the great modern industrial transition—the introduction of machinery, the widespread displacement of the handicraft system, the rise of the factory—took place. Yet even there the transformation was much belated. Despite the fact that French commerce increased more rapidly during the eighteenth century than did English, and at the close of the century surpassed the English in volume, France not only failed to achieve in the eighteenth century that reconstruction of manufactures which lent distinction to England, but did not experience even the beginnings of the transformation until the following century was somewhat advanced. The advantage in respect to available capital, skilled labour, fuel supply, industrial liberty, and stability of political conditions lay wholly with England. The first cotton mill, it is true, was set up in France in 1785, and during the Consulate and the Empire persistent attempt was made to extend the utilisation of spinning and weaving machinery; but

much the larger portion of textile manufacturing prior to 1825 was carried on under the strongly entrenched household, handicraft system. In 1834 there were only 5,000 mechanical looms in all France. But thereafter advance was rapid, and in 1846 the number was 31,000. Similarly, in the metal industries there was some attempt at modernisation in the days of Napoleon, but the first rolled iron plates were not produced in France until 1819, and it was only after 1830 that coke-smelting, puddling, and other improvements in iron manufacture were widely introduced. In 1830 there were 29 blast furnaces in the country employing coke and 379 employing charcoal. Not until 1864 did the number of coke furnaces (220) surpass that of charcoal furnaces (210). In 1810 there were in France only some fifteen or sixteen steam-engines, all employed in pumping. In 1830 there were 625; in 1839, 2,450; in 1850, 5,322; in 1860, 14,513. Extensive application of steam-power came first in mining and in metal works, and only very slowly in the manufacture of textiles.

Against the introduction of machinery substantially the same sort of protest was made that had been voiced in England, but with scarcely more effect. After 1825-30 the transition set in upon an extended scale, and if the French industrial revolution can be dated from any fairly specific point, the years mentioned would probably be as accurate as any that could be indicated. An important factor in the inauguration of the new era was the removal, in 1825, of the prohibition upon the export of machinery from England, with the result that French manufacturers after that date were able more readily to obtain mechanical appliances from England and to copy them for their own use. In many instances, of course, these appliances had been brought in clandestinely before the embargo was raised, the more by reason of the fact that, in pursuance of her protective policy, France had been playing into England's hand by imposing duties on imported machinery running up to 100 per cent. About 1825-30 came the beginning of large-scale production of iron, and at the same time the output of coal was much increased. France is not rich in minerals, and the development of the heavier forms of manufacture has on this account always been relatively slow. Coal is found only in a few districts, principally in the north, and in geological formations more broken and more expensive to work than in England. Iron is more abundant, especially since the discovery of the rich basin

of Briey in Lorraine. But coal and iron are not found side by side, as they are in England, and there has been discovered no cheap mode of conveying the one to the other.[1] Notwithstanding these disadvantages, iron resources were developed rapidly after 1825, and to such an extent that by 1840 the country was obliged to eke out the inadequate coal supply by importations from England and Scandinavia. By 1825 the recovery from the shock of the Revolution and the Napoleonic wars was reasonably complete, and the general prosperity of the land gave a strong impetus not only to the metal industries but also to the manufacture of textiles and of finer wares. French industry has inclined always, as it does to-day, toward the production of articles of luxury, rather than of cheap and convenient articles for mass consumption. On that account, in part, machines never so completely displaced hand labour, or the factory system the handicraft system, as beyond the Channel. None the less, the general results of the revolution—the depression of handicraft industry, the reduction of wages, the cheapening of manufactured commodities, the differentiation of capital and labour, and the stimulation of organisation (although contrary to law) on the part of the labouring classes—followed, in general, the lines already marked out in England.

Recent Aspects of French Industry. Since the establishment of the Third Republic, in 1870-71, the advance of industry has been very great. In 1870 the aggregate value of the industrial output, including the manufactures of Alsace-Lorraine, was five billion francs; in 1897, exclusive of the products of the lost provinces, it was three times as much.[2] In textile manufacturing the power-loom has entirely replaced the hand-loom, save in the weaving of samples or of very small orders, and the power employed is not infrequently electricity. Between 1890 and 1902 horse-power employed in the textile industries rose from 172,999 to 434,529. The use of machinery has not, on the whole, impaired the quality of the textiles produced. Indeed, the finer grades of machine-made goods are so exquisite as to surpass the products of handicraft, and they often more nearly approach the character of decorative art than that of simple texture. The production of

[1] On the changed post-war situation in this respect see pp. 663-668.

[2] The loss of Alsace-Lorraine was a body blow to French industry. With the provinces went one-quarter of the country's cotton spindles, together with an unmeasured, but large, proportion of her finishing trade.

coal and of iron has been steadily increased. In 1870 the quantity of coal mined was 13,000,000 tons; in 1911 it was 38,000,000.[1] Approximately three-fourths of the amount consumed in the country in 1914 was produced at home. In fifteen years, i.e., from 1891 to 1906, the output of iron was increased 71 per cent. in quantity and 73 per cent. in value, the annual production rising in 1901-05 to an average of 6,072,000 metric tons. During the fifteen-year period mentioned, the number of steam-engines employed rose from 26,000, with 316,000 horse-power, to 79,000, with 2,232,000 horse-power—involving a gain of 303 per cent. in potential capacity. In 1870 the number of patents granted to inventors was 2,782; in 1905 it was 12,953.

Aside from the departments of the Loire, Bouches-du-Rhône, and Rhone, the principal industrial districts of France are in the north and the northeast. In 1901 fifty per cent. or more of the inhabitants of both sexes were engaged in industry, as distinguished from agriculture, in as many as nine departments. In the typically industrial region of the Nord, the seat of the woollen industry, the percentage reached 64.15. Compared with England and Germany, France has a peculiar distribution of industrial interests. In those countries combination and large-scale production is the rule. In France, on the contrary, the number of wage-earning employees is only five per cent. larger than that of employers and people working on their own account. According to statistics cited by Yves Guyot, the 19,652,000 persons connected with French industries of all kinds in 1914 fell into two classes, of which one, comprising the employers and persons working independently, numbered 8,996,000, and the other, consisting of paid employees, numbered 10,655,000. And, contrary to the tendencies to be observed in other countries, this industrial individualism has been increasing. It has the advantage of keeping larger numbers of workingmen and workingwomen in their own shops and homes, promoting personal independence and thrift, and securing a wider distribution of profits. The disadvantage is that the French small-scale industries find it sometimes difficult, if not impossible, to compete with the colossal industrial combinations of Germany, England, and the United States.[2]

[1] The quantity produced in the same year in Germany was 234,000,000 tons; in Great Britain, 268,000,000; and in the United States, 455,000,000.

[2] On French tariff policy in relation to industry see pp. 279-282.

Disappearance of the Gilds in Germany. Turning to Germany, the initial fact which may be observed is that the later phases of gild history paralleled with some closeness those that have been described in France. From the fifteenth century onwards there was complaint of the fossilising tendencies of the gild, but efforts both of the shadowy Imperial power and of the territorial authorities to remedy the evils of the institution proved totally unavailing. The general overturn, however, which came in Prussia at the close of the first decade of the nineteenth century was made the occasion of breaking the hold which the gild had acquired. Instructions of 1808, an edict of 1810, and a statute of 1811 introduced in Prussia the essentials of the license system inaugurated twenty years before in France. The gilds were not abolished, but their monopolies and other privileges were swept away, and with them the ultimate reasons for the gilds' existence. Many gilds broke up entirely, although some continued as "free associations." In non-Prussian portions of Germany, also, as in Italy, Belgium, and other countries which fell under French control, the French system was widely put in operation. With the termination of the Napoleonic régime the new industrial order in part collapsed, but almost invariably it left behind important traces of the liberation that had taken place, and in some quarters, as in Westphalia, it persisted almost unimpaired. Prussia, after the annexations sanctioned by the Congress of Vienna, found within her borders a multitude of inconsistent industrial systems. Following prolonged deliberation, there was enacted in 1845 an elaborate law designed to retain some of the supposed advantages of the gild system, yet to extend throughout the whole of the kingdom a generous measure of industrial freedom. A commercial panic of 1846-47, followed by the revolution of 1848, frustrated the successful operation of this law, and a congress of handicraft workmen in 1848 demanded, in part as a check upon the rising factory system, the virtual re-establishment of the ancient gild monopolies. The demand was met by a measure enacted within the same year, by whose terms the industrial liberties conferred by the act of 1845 were sharply curtailed. But for the fact that the new law was very indifferently enforced, the progress of German industry might have been much impeded by the apparent triumph of the reactionary forces. Throughout the German states generally there was little further liberalising legislation prior to 1860. After

that date, however, the surviving vestiges of the gild régime were fast swept away; and finally, in 1869, an important act of the North German Confederation made legal throughout all of the affiliated states a status of broad industrial liberty which, in point of fact, had already become widely existent.[1]

Backwardness of German Industry in the Early Nineteenth Century. Speaking broadly, the reconstruction of industry on modern lines took place in Germany two decades later than in France; that is to say, it had its beginning about 1845-50. Its lateness is to be explained on a number of grounds. First may be mentioned the innate conservatism of the mass of the German people, and, as an aspect thereof, their unyielding attachment to agriculture. During the earlier decades of the century, as indeed through centuries past, agriculture was regarded as the normal field of economic activity, and manufacturing was entirely subsidiary to it. Such manufacturing as existed was carried on under the handicraft system, frequently in conjunction with agriculture. And both agriculture and manufacturing were engaged in primarily to supply the needs of the producers, not for the markets. A second restraining circumstance was the poverty of the country, arising in part from the wars of the Napoleonic period, and the lack of free capital and of adequate currency and banking facilities. One eminent authority has avowed the opinion that the economic condition of the German people was less advanced in 1830—fifteen years after the restoration of peace—than in 1802.[2] Whether or not this view be accepted, there can be no question that among the masses, both rural and urban, hunger and misery continued to be common. In payment for the excess of imports over exports the country had been drained of currency, and even the most necessary trading operations were carried on with difficulty. Wealth was largely in the form of land, and even among the well-to-do there was comparatively little capital capable of being employed readily in industrial enterprise. There was, furthermore, a general lack of banking facilities. "The modern system of production requires not only an enormous accumulation of capital, but also a means whereby this capital can be brought under the control of the *entrepreneurs;* in other words, a credit system." [3] That Germany

[1] Lichtenberger, *Germany and its Evolution in Modern Times*, 18-27.
[2] W. Sombart, *Die Deutsche Vorkswirtschaft im XIX Jahrhundert*, 438.
[3] Howard, *Cause and Extent of the Recent Industrial Progress of Germany*, 25.

was lacking in this essential respect is evidenced by the fact that as late as 1840 the banking power of the country (including capital, right of issue, and deposits) was but one-seventh of that of the United States and but one-eleventh of that of Great Britain.[1]

A further obstacle was the lack of markets for German-made goods. On the one hand, by reason of prevailing poverty, as well as the persisting simplicity and frugality of life, the home demand for manufactures was not large until very recent decades; while the difficulties of transportation within the country were such as to discourage the production of wares in excess of the quantity required for consumption. On the other hand, the lack of colonies and the inferiority of shipping facilities imposed limitations upon foreign markets by which Germany was kept in an economic position entirely unlike that occupied by England, and even that occupied by France. The early industrial progress of England had been promoted in no small degree by the world-wide character of English commerce, and especially by the demand for English-made goods in the outlying lands which had been settled by English-speaking people. German industry had no such stimulus. Finally may be mentioned the obstruction which arose from the political condition of the country. Germany after 1815 was a loose confederation of thirty-eight states. In matters of industry and trade each state was a law unto itself, at least until 1833, when the Zollverein, or Customs Union, was given definite character; and the regulations of the Zollverein pertained entirely to commerce, not to industry. Until the nineteenth century was far advanced each princely government was accustomed to regard the industry of its dominion as a source of revenue, and the supervision exercised was so close that scarcely a yard of cloth or a pair of boots could be made without public regulation.[2]

Industrial Development prior to 1871. The great era of German industrial expansion falls after the creation of the Empire in 1871. Not until then were certain of the obstacles which have been named fully overcome. Prior to that date there was, none the less, a considerable amount of industrial development. Indeed, it was in the course of the two or three decades preceding it that, as has

[1] M. G. Mulhall, *Dictionary of Statistics* (London, 1892), 75.

[2] For an interesting statement of the relation between the modern industrial advance and the German dynastic interests see T. Veblen, *Imperial Germany and the Industrial Revolution* (New York, 1915), 75-84.

been said, German industry underwent those fundamental changes which are commonly understood to have been involved in the industrial revolution. To a great degree, the development which took place after 1871 was but an amplification of an industrial system whose principles and methods had been fixed in an earlier period. The factors which entered chiefly into the transformation of industry before 1871 were the increasing prosperity and wealth of the country in a prolonged era of peace, the importation of machinery from England, and the attraction to Silesia, Saxony, and other manufacturing districts of large numbers of English factory foremen and operatives who taught the German workman how to compete successfully with his English and French rivals. Obviously important was the rise of the capitalistic type of production, made possible by the extension of market areas through the breaking down of tariff walls and the development of railways.

The fundamental fact to be observed is that the new industrial order was not indigenous, but was borrowed almost wholly from England, and that on this account it has less profoundly affected the thought and character of the German people than would otherwise have been the case. "Germany," says a recent writer, "combines the results of English experience in the development of modern technology with a state of the other arts of life more nearly equivalent to what prevailed in England before the modern industrial régime came on; so that the German people have been enabled to take up the technological heritage of the English without having paid for it in the habits of thought, the use and wont, induced in the English community by the experience involved in achieving it. Modern technology has come to Germany ready-made, without the cultural consequences which its gradual development and continued use has entailed among the people whose experience initiated it and determined the course of its development." [1] In a measure the same can be said of France, Italy, and other western nations, for no one of them worked out independently, as did England, its new industrial system. But it would appear to be true that, as the author just quoted goes on to assert, the case of Germany is unexampled among western nations both as regards the abruptness, thoroughness, and amplitude of its appropriation of the English technology and as regards the archaism of its cultural furniture at the date of this appropriation.

[1] Veblen, *Imperial Germany and the Industrial Revolution*, 82-83.

The closest analogy to the experience of Germany in these matters is that of Japan.

The industrial progress of Germany before 1871 must be measured mainly in terms of textiles and of products of iron, the most notable single line of development being the growth of cotton manufacturing. As late as 1846 there were in all Prussia only 136 cotton mills, and the crude machinery in them was operated very rarely by steam, commonly by horse- or water-power, and not infrequently by hand.[1] Improved machinery and methods which were everywhere employed in England were rare or unknown in Prussia. During the years 1836-40 the annual consumption of raw cotton in all Germany was only 18,500,000 pounds. After 1850, however, extension was rapid. In 1851-55 the annual consumption was 56,110,600 pounds; in 1861-65 it was 97,561,100 pounds; and shortly before the war of 1870 the amount rose to over a million pounds. Between 1852 and 1867 the number of spindles was increased by one hundred and twenty-two per cent. In 1836 the foreign-spun cotton yarn used in Germany was more than double the amount produced at home; but in 1852 the home product comprised about one-half of the total quantity used, and in 1871 it comprised eighty-one per cent. By 1870 England was finding serious rivalry in German cotton manufacture. Similar, although less imposing, statistics could be cited in respect to the manufacture of woollens, linens, and silk. The woollen industry was developed principally in Saxony, the linen industry in its accustomed habitat, Silesia, and the silk industry in Colfeld and other towns situated chiefly in Rhenish Prussia. Between 1840 and 1870 the annual consumption of silk rose from 600,000 pounds to 1,900,000 pounds; and the market for silk manufactures was found mainly in England and the English colonies. Throughout the period the prosperity of the textile industries was much enhanced by the excellence of the work of the Prussian dyers, whose facility was attained through prolonged and laborious study of chemistry in its applications to their trade.

Under modern conditions a reasonably reliable index of the industrial status of a country is its consumption of raw iron. Measured by this standard, Germany was extremely backward at the middle of the century, but also exceptionally progressive

[1] The first mechanical cotton-spinning machines driven by water-power were set up in Saxony in 1798.

during the ensuing decades. In 1850 the per capita consumption of pig iron was 10.6 kilograms, as compared with 30 in the United States and 85 in England. In 1860, however, the amounts were, respectively, 18.6, 31, and 121.9 kilograms, and in 1870, 38.3 (almost four-fold the amount twenty years earlier), 51, and 172.7.[1] In the production of iron, mainly in Prussia, there was large progress. In 1840 coke-smelting had been but begun, and in only nine of the more than three hundred furnaces in Silesia in 1846 was coke employed. After 1850 improved methods were introduced rapidly, and between 1861 and 1873 the value of the output was quintupled.

Conditions of Industrial Expansion after 1871. The growth of German industry and industrial organisation since the war of 1870-71 is one of the capital economic phenomena of modern times. The circumstances by which this growth has been promoted are many. Foremost may be considered the attainment of a real unification of the German people in the Empire, rendering possible for the first time in German history the inauguration of a comprehensive, co-ordinated, national industrial policy. The Zollverein had been only a useful makeshift, and not until after the establishment of the North German Confederation of 1867 (practically perpetuated in the Empire of 1871) did there exist a central governmental authority capable of extending to industry such regulation and protection as it required. Two other favouring circumstances arose even more directly from that war. One was the receipt from France of the war indemnity of five billion francs, which to the victor meant a sudden and vast accession of capital available for industrial expansion. The other was the acquisition, also from France, of the provinces of Alsace and Lorraine. As has been stated, these territories were the seat of thriving industries, notably textile manufacturing; and just as their loss involved a blow to French industry from which there was never complete recovery down to 1914, so did their acquisition involve for Germany an enormous increase of industrial resources and output. Not the least important consequence of their annexation was the compulsion which the competition of their artisans placed upon the industrial classes of the older German territories. Further impetus to industrial growth arose from certain circumstances, them-

[1] Martin, *Die Eisen-Industrie*, 54. Cited in Howard, *Industrial Progress of Germany*, 27.

selves closely interrelated, but only indirectly, or not at all, affected by the war. One of these was the development of the home market, which was extraordinarily rapid. Another was the exceptionally high rate of increase of population, involving the growth from 41,058,792 in 1871 to 64,925,993 in 1910. A third was the development of facilities of land and water transportation, with resulting diminution of the restrictions formerly imposed upon production by the costs of carriage to market.[1] A fourth was the systematic support of industry, since 1879, by protective tariffs.[2] And a fifth was the entrance of the Empire, in the decade 1880-89, upon the rôle of coloniser and world power, and, in general, the successful cultivation of the foreign market.

The industrial development which took place presents a number of fundamental aspects, which for the moment need only be mentioned. One is the increase of the total volume of industrial activity and output. A second is the enlargement of most of the older industries, e.g., the manufacture of woollens, cottons, silks, and machinery, and the building up of newer industries of almost equal importance, notably the chemical and electrical groups. A third is the application of capital to industry on a large scale, together with a closer organisation and concentration of industrial enterprise through the agency of the cartel and the syndicate. A fourth is the widespread displacement of agriculture by industry and trade. And a fifth is the triumph of the factory system over all earlier systems of manufacture, involving rapid concentration of population in cities. Certain of the matters just mentioned have been, or will be, alluded to elsewhere: [3] and it will suffice in this place to take account briefly of two phases of German industrial development prior to 1914, namely, the growth of the principal industries and the centralising tendencies in industrial organisation. The remarkable outburst of industrial enterprise which succeeded the war with France culminated in 1874 in a severe financial and industrial crisis, and from 1874 until about 1890 the energies of the nation were consumed largely in recovering equilibrium and in building more solidly the foundation of its altered economic existence. After 1890, however, expansion of industry set in once more upon an enormous scale, and with the final triumph of capi-

[1] See pp. 239-242. [2] See pp. 290-297.

[3] On the changing relations of industry and agriculture see pp. 197-200; on population movements, see pp. 341-343.

talism and of concentration in manufacturing and trade the old *Agrar-Staat*, as the Germans term it, was converted definitely into the *Industrie-Staat* of the present day.

Mineral Resources: Iron Manufacture. The basis of the industrial strength of modern Germany is the metal trades, more particularly the manufacture of iron and steel. Coal and iron ore, while not located in quite such proximity as in England, were, to 1914, abundant and, on the whole, easily brought together. The coal reserves of the Empire were more extensive than those of any other European country. The principal fields were those of Rhineland, Westphalia, Upper Silesia, and the Saar district; minor ones were those of Lower Silesia and Saxony. It was estimated that the Ruhr basin alone would yield thirty billion tons, which at the current rate of consumption would supply the needs of the entire country for a number of centuries. The Upper Silesian field was believed to be yet richer. In 1910 the number of collieries in operation was 318, the total output was 152,828,000 metric tons, the value of the output was 1,520,000,000 marks, the quantity exported was 30,943,000 tons, the quantity imported was 12,122,000 tons, and the average per capita consumption was two tons.[1] As recently as 1900 the output was only 109,290,000 tons. The quantity produced by 1914 was exceeded only in Great Britain and the United States.[2] There was, also, a considerable development of the "brown coal," or lignite, industry, the number of lignite mines worked in 1910 being 530 and the value of the output almost 180,000,000 marks.

The principal iron-producing sections of Germany were the Siegerland district near the Rhine River (the earliest to be worked), the Lorraine district, the Rhine-Westphalia district centering around Dortmund, and the Silesian district on the eastern frontier. The hub of industrial Germany, it has been said, was the area which stretched from Düsseldorf in the Rhineland to Hamm in Westphalia—a region where "iron and coal rule, stern and masterful dictators both, dividing between them the upper and nether world."[3] Until the middle of the nineteenth century the growth of the iron industry was retarded by the cost of transporta-

[1] Twenty-seven collieries, producing 20,834,000 tons, were owned and operated by the state.

[2] In 1911, 234,000,000 tons in Germany; 268,000,000 in Great Britain; and 455,000,000 in the United States.

[3] Dawson, *Industrial Germany*, 32.

tion, by the fact that a large portion of the ore contained so much phosphorus as to be of inferior quality, and by the competition of the English product. As late as the decade 1880-89 the country was producing but from three to four and one-half million tons a year, while the British output was twice as much. In 1868, however, there had been discovered a process by which ore could be freed from phosphorus (the latter becoming, for fertilising purposes, an important by-product), and as the facilities of transportation were multiplied and capitalistic forms of industry were instituted, the output of iron rapidly mounted. Production and importation at certain intervals were as follows: [1]

Year	*Home production in tons*	*Imports, in tons*
1872	1,927,000	663,000
1878	2,119,000	485,000
1885	3,647,000	223,000
1890	4,626,000	404,000
1895	5,433,000	200,000
1900	8,469,000	741,000

In 1914 the three principal iron-producing countries in the world were Germany, Great Britain, and the United States. Great Britain led until 1900, when the United States took first place. In 1903 she was passed also by Germany. In 1910 the total output of Great Britain was 10,250,000 tons, that of Germany 15,500,000 tons, and that of the United States 23,750,000 tons. It continued to be true, as a decade earlier, that one-fifth of the industrially active population of Germany was engaged in the mining and smelting industries. Aside from coal, lignite, and iron, the minerals found in considerable quantities were copper in the Harz Mountains and the Mansfield district of Prussia, zinc in Silesia, lead in the Harz Mountains and the Sudeten, nickel in Saxony and in districts on the Rhine and Saale, tin in the Ore Mountains, potash (of which Germany had a virtual monopoly) in Hanover, Brunswick, Mecklenburg, and the Magdeburg district, and rock salt in numerous places.

Other Principal Branches of Manufacture. In the manufacture of industrial machinery Great Britain has contrived to retain preeminence, and in the manufacture of agricultural machinery the leadership of the United States is equally established. Machine

[1] Howard, *Industrial Progress of Germany*, 52.

and other metal manufacturing of all kinds, however, has increased greatly in Germany in the past two decades. The machine trades in 1914 were widely diffused. Naturally they were most strongly represented in the Rhineland-Westphalia district, in cities like Düsseldorf, Essen, Mülheim, and Oberhausen; but they abounded also in Berlin, Hanover, Breslau, Magdeburg, Halle, Leipzig, Dresden, Chemnitz, Zwickau, Augsburg, Stuttgart, Mannheim, Carlsruhe, and Strasburg. There had been, too, a considerable localisation of particular machine industries. Thus Solingen, in the Rhineland, was the great centre of the cutlery industry, Chemnitz was noted for lace-working and hosiery machinery, Leipzig for printing machinery, Magdeburg for beet-sugar machinery, Berlin for turbines and electrical machinery, Dresden for chocolate-making machinery, and Magdeburg, Mannheim, and Leipzig for agricultural implements. The ship-building industry, employing 50,000 people, was localised principally in the ports of Hamburg, Bremen (with Bremerhaven), Danzig, Stettin, and Elbing.

Especially notable was the development in Germany of the electrical and chemical industries, to be attributed mainly to the excellence of German technical education. The rise of these industries had been recent. As late as 1882 the number of persons employed in the electrical industry was too insignificant to be noted separately in official statistics. In 1895 it was 15,000, in 1902 it was about 50,000, and by 1910 it was not far short of 100,000. Between 1890 and 1900 the number of establishments manufacturing electrical machinery was increased from 159 to 580, and the value of the product from 78,000,000 to 368,000,000 marks. The country supplied almost all of its own electrical machinery and exported heavily to the Orient, Latin America, Russia, Italy, and even to England and France, the annual exportation amounting to about 160,000,000 marks. In the chemical industry the supremacy of Germany was indisputable. The results of the researches in the laboratories of the universities and technical schools had been turned to practical use as nowhere else in the world.[1] By 1900 four-fifths of the world's dye-stuffs, as well as a

[1] A good illustration is afforded by the discovery by Dr. Bayer, a Munich chemist, in 1897 of a process of making artificial indigo. A few years prior to the discovery Germany was importing vegetable indigo to the value of more than 20,000,000 marks annually; a few years after it the country was exporting three times that value of the artificial product.

large proportion of the medical preparations derived from coal-tar, were German-made. The industry had its principal seats in the neighbourhood of the Rhine and the Main.

The pre-eminence which was enjoyed by Germany in earlier modern times in the manufacture of textiles was lost under the force of English competition in the seventeenth and eighteenth centuries and has never been recovered. Although, as has been pointed out, the country's industrial progress during the first three-quarters of the nineteenth century arose largely from the extension of textile manufacturing, the actual accomplishment in this field was only relatively, not absolutely, more considerable than that of England and France; and in the great era of German industrial expansion since 1871, and especially since 1890, it was the branches of manufacture mentioned above rather than the production of textiles that brought the Empire to the lofty position which it occupied in 1914 in the industrial world. In the domain of textile manufacturing the domestic system yielded to the factory system but slowly. The household spinners and weavers made a stubborn fight against the inevitable and at sundry times secured legislation designed for their protection.[1] And in the linen and silk industries they have maintained their independent status in a degree to the present day. On the whole, however, the conditions of textile manufacturing now approximate closely those existing in England. Between 1887-88 and 1899-1900 the average yearly consumption of raw cotton was increased from 410,000,000 to 626,000,000 pounds; and in value of cottons produced the nation in 1895 was surpassed only by Great Britain, the United States, and France. In 1911, in number of spindles in the cotton industry Germany stood third, with 10,500,000, while Great Britain, with 55,000,000, was first, and the United States, with 29,500,000, second. Manufactures of cotton were produced principally in Baden, Bavaria, Württemberg, and Alsace-Lorraine; of wool, in Saxony and the Rhenish provinces of Prussia.

The distribution of workers in the principal industries at two points in the Empire's recent industrial development is shown in the following table: [2]

[1] The sufferings and revolts of the Silesian handicraft workers during the middle of the century have been immortalised by Gerhart Hauptmann in his play *The Weavers*.

[2] Dawson, *Industrial Germany*, 15.

Industry	No. engaged 1895	1907	Increase	Per cent. of increase
Mining, smelting, and salt works	536,289	860,903	324,614	98
Metal working	639,753	937,020	297,267	46
Machine and apparatus manufacture	582,672	1,120,282	537,610	92
Chemicals	115,231	172,441	57,210	50
Stones and earths	558,286	770,563	212,277	38
Textiles	993,257	1,088,280	95,023	10
Woodworking	598,496	771,059	172,563	29
Paper working	152,909	230,925	78,016	51
Transportation	230,431	404,768	174,337	67

The Organisation of Industry. In addition to its unrivalled application of science to the processes of manufacture, the magnitude and variety of its output, and the comparatively insignificant place filled in it by survivals of the handicraft system,[1] German industry was by 1914 notable in an eminent degree for its thoroughgoing organisation and centralised control. Two aspects of the last-mentioned matter are fundamental. One is the absorption of small industries into large ones. The other is the establishment among large industries of agreements designed to promote mutual well-being by restricting competition. In German official industrial statistics a "large" enterprise was one which employed fifty or more workpeople. But in point of fact an enterprise employing only fifty people, or double or triple that number, is regarded no longer as a large one. The industrial census of 1907 showed that there were in the Empire at that date 1,423 industrial establishments employing over 500 persons, the average being 1,080. In 1909 there were 229 industrial, transportation, and banking companies with a capital in excess of 10,000,000 marks, the list being led by the Krupp establishment, at Essen, with a capital of 180,000,000 marks. Practically all had been built up by the absorption of smaller, and, as a rule, rival enterprises. The Krupp corporation, with its six coal mines, numerous iron mines and cokeries, six iron and steel works, ship-building yard, and other enterprises, employing in all 70,000 men and affording livelihood for 250,000 persons, was an exceptionally conspicuous, yet

[1] On home industries in Germany, see *ibid.*, Chap. X.

perfectly typical, case.[1] In the coal, iron and steel, and electrical industries, and in banking, the tendency had been especially pronounced, but there were no industries of any consequence, except ship-building, which had not been affected profoundly by it. Thus in the weaving industry, whereas in 1882 there were no fewer than 255,000 separate undertakings, of which 157,000 were carried on by single individuals, in 1907 the number of separate undertakings had fallen to 67,000 and the number carried on by separate individuals to 31,000. In some instances, as the electrical trade, only a few additional steps would be necessary to bring the whole of an industry throughout the Empire under a common control. The movement toward concentration was by no means peculiar to Germany, being rather a familiar phenomenon in all industrial countries in recent decades. But nowhere had it been carried farther than in Germany, which only forty years ago was acclaimed as the chosen land of the small *entrepreneur*.[2]

The Cartel and the Syndicate. The second important phase of industrial organisation was the drawing together of great establishments of a given kind into federations under a working agreement, or even under a centralised control. One device was the *Interessengemeinschaft*, or "interest convention," which involved simply an agreement between competing firms regarding prices and markets, with sometimes an arrangement for pooling profits. The largest of the chemical industries were operated in 1914 upon this basis. Other more widely employed devices were the *Kartelle* and the syndicate. Both cartels and syndicates are combinations of capitalist producers in the same branch of industry for the purpose of eliminating or limiting competition and assuring co-operation in the procuring of advantages which might be unattainable for single establishments.[3] The cartel involves ordinarily a simple agreement concerning prices. Such an agreement is very likely to lead, however, to regulation of the volume of production, and gradually the arrangement of advances from an oral and purely voluntary understanding to a formal written contract with penalties for violation. In a word, it becomes what is known technically as a syndicate. The syndicate regulates, through its

[1] For a brief account of the rise of the Krupp establishment see Shadwell, *Industrial Efficiency*, I, 170-185.

[2] The subject is discussed further in Dawson, *Industrial Germany*, Chap. V.

[3] The two terms are commonly employed, even in Germany, interchangeably; but in reality they denote somewhat different kinds of organisations

committees, quantity and quality of production, prices, and sales, leaving to the associated firms simply the functions of producing the commodities required and transmitting them to the designated markets. Obviously, the cartel—and yet more the syndicate—resembles the American trust. There is, however, an important difference. In earlier times the trust was a combination of concerns, each of which preserved its individuality and its legal identity; and that is precisely the nature of the cartel and the syndicate. Under the anti-trust laws of the United States such organisations, however, became illegal, and as a consequence there was forced a merging of the group of individual establishments into one great corporation. In Germany no such legislation was enacted, and the final stage of amalgamation was never taken. It is to be observed, too, that few, if any, of the German syndicates so completely controlled the market for both raw materials and products that they could properly be regarded as monopolies.[1]

The cartel and syndicate movement had been in progress more than three decades. The period of most rapid development, however, was the era of industrial depression in 1900 and succeeding years. The number of cartels and syndicates in existence in 1914 is somewhat uncertain, but in a report of a special government commission it was placed at 385, of which 62 were in the iron industry, 19 in the coal industry, 11 in other branches of the metal industry, 31 in the textile industry, 11 in the wood and paper industries, 132 in the brick and tile industry, 10 in the glass industry, 27 in industries connected with stones and earths (as cement and lime manufacture), 17 in food and tobacco industries, and 17 in miscellaneous industries. It was the opinion of a well-informed observer that the cartels and syndicates in the coal and iron industries outweighed "in importance all the rest put together, alike in the amount of capital represented and in their influence upon industry generally."[2] As a single example may be cited the Rhenish-Westphalian Coal Syndicate, formed in 1893, which controlled the entire coal industry of Rhineland-Westphalia and, in effect, the coal supply of all northwestern, and much of central, Germany. The steel industry, too, was controlled almost entirely

[1] The closest approach to monopoly was attained by the potash syndicate in which the Prussian government had a substantial interest.

[2] Dawson, *Industrial Germany*, 118.

by the Steel Works Union, formed in 1904, with its seat at Düsseldorf.

The existence and operation of the cartels and syndicates evoked a vast volume of discussion, but without producing a consensus, or even a clear preponderance, of opinion, favourable or unfavourable. On the one hand, it was maintained, with manifest truth, that the organisations had brought about steadier conditions in the industrial world; and the socialists, while subjecting the cartel and the syndicate promoters, in common with all capitalists, to attack, looked upon the combinations with tolerance, and even approval, as being stepping stones on the road to the socialisation of all the means of production. The objections most frequently heard were that the organisations throttled small industry, that they maintained prices at an artificial level, that they were not satisfied until they had made the merchant a mere commission agent, and that they dumped goods abroad at a loss in order to keep up the standard of price in the home market. "An impartial estimate of the syndicates and their operations," says the most authoritative non-German writer upon the subject, "requires the admission that they have achieved great results in the higher and more efficient organisation of industry, in the regulation of prices and of employment, and in the more successful cultivation of the foreign market. These gains have not been unaccompanied by disadvantage to certain sections of the community as consumers, but as yet it cannot fairly be contended that the syndicates have flagrantly abused their powers, unrestricted though these powers are by law or by administrative measures." [1] The Imperial government was urged to subject the syndicates to legal regulation. Its attitude was, however, that of a mildly critical onlooker, and it never went beyond creating a commission to undertake an investigation of the question.[2]

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[1] Dawson, *Industrial Germany*, 137-138.

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CHAPTER XI

THE EXTENSION OF FACILITIES OF TRANSPORTATION

English Highways and Canals. A natural and necessary accompaniment of the Industrial Revolution—if not, indeed, to be considered an integral part of that development—was the improvement of the means and modes of transportation. Four phases of achievement in this connection are of principal importance: (1) the betterment of roads; (2) the construction of canals; (3) the inauguration of the building of railways, and (4) the application of steam-power to river and ocean navigation. Until the nineteenth century was far advanced roads in the British Isles—better, indeed, than those of Germany, but by no means equal to those of France—were very far from satisfactory. Macaulay, in the third chapter of his *History of England,*[1] portrays in striking manner the wretchedness of the highways of the period of Charles II, and from Defoe and Arthur Young one gathers the impression that in the eighteenth century there had been little, if any, improvement. What were called roads were in reality only tracks marked out through unenclosed heath and fen, at times so soft as to be quite impassable, and often frequented by robbers and cut-throats. Under the best of conditions six horses were required to drag across country the lumbering coaches of the gentry, and not infrequently the assistance of oxen was required. From London to Manchester was a journey of five days; from London to Edinburgh was one of seven days; from London to Glasgow required eight or nine days. Counties were farther apart than are nations to-day. Overland commerce was subject to the most exasperating delays and its volume could never be large. The trade in cloth and other goods of lesser weight was carried on principally by the use of trains of pack-horses. The distribution of heavier commodities, such as coal, was virtually impossible save along the greater streams and in districts adjacent to the sea.

[1] Reprinted with an Introduction and Statistical Notes by A. L. Bowley (Oxford, 1909).

The first parliamentary measure making provision for the construction of turnpikes, to be maintained by tolls paid by the users, was enacted as early as 1663. But the policy of turnpike building was unpopular, and through a hundred years it was furthered but slightly. In the eighteenth century leadership in the betterment of transportation facilities fell to Scotland, where between 1760 and 1774 no fewer than four hundred and fifty-two acts were passed for the construction of highways or for their repair. After 1750 there was considerable improvement along the main arteries of communication, especially the great stage-coach routes connecting London and the Midlands; and by the close of the century improvements had begun to be introduced in districts which, on account of being off the main lines, had long been neglected entirely. Such turnpike roads as were built, however, were as a rule badly constructed and incompetently managed, and it was only after scientific principles and an established system were introduced in road building and repair, mainly by the two masterful Scottish engineers, Thomas Telford (1757-1834) and John Macadam (1756-1836), that the situation was notably bettered. Telford employed a method of construction, involving the use of a pitched foundation, which had long been familiar in France. Macadam's method was to remove the top soil of the roadway to a depth of fourteen inches, lay a stratum of coarse cracked stone to a depth of seven inches, place upon this a layer of broken stone of greater fineness, and finish with a covering of stone crushed to dust and rolled smooth. Both insisted upon thorough drainage and the use of carefully prepared materials. In the first half of the nineteenth century parliamentary appropriations for highway construction became numerous, and the efforts of the local authorities were redoubled. Roads were built in a durable manner, and by 1850 the more populous parts of the United Kingdom were adequately supplied.

Modern canal building in England was begun shortly after the middle of the eighteenth century. The first parliamentary act authorising the construction of a canal was passed in 1759 in response to a petition of the Duke of Bridgewater, who desired a better outlet for the products of his collieries at Worsley. The Bridgewater Canal, extending from Worsley to Manchester, a distance of seven miles, was opened for use in 1761.[1] The new water-

[1] It was antedated eighty years by the first great French artificial water-

way speedily demonstrated its value, and with little delay other projects of the kind were launched and executed. The great era of English and Scottish canal-building was 1760-1820. The work was carried on mainly by companies, which individually obtained from Parliament grants of power to procure the necessary rights of way. By the close of the eighteenth century the country was better provided with canals than it had been with roads at the beginning;[1] and in the first quarter of the nineteenth century canal builders and road builders supplemented each other's labours in a manner beneficial alike to trade, industry, and travel. By 1830 some three thousand miles of canal, in all, had been constructed in England and Wales alone, and practically all of the important centers of industry and trade on the coast and in the interior had been linked up. In 1838 it was said that there was no place south of the county of Durham more than fifteen miles from a river, a canal, or other means of water conveyance.

Beginnings of Railway Building and Steamship Construction. Another important stage in transportation development was signalised by the introduction of the railway. Tramways for the conveyance of coal over short distances at the mines and at the seaports were employed in England as early as the seventeenth century, and cast-iron was used as a material for rails as early as 1767. Historically, the railway was merely a development of the tramway, distinguished by the general use of iron rails, and eventually of steam-power. The successful operation of the tramways in connection with mines, the congestion of heavy traffic on the canals, the tendency of the canal companies to combine and to increase the toll rates, and the expensiveness of travel by stage-coach combined to suggest to reflective persons the possibility of constructing railways for the conveyance of general merchandise and of passengers over long distances. In 1803 an iron tramway between Croyden and Wandsworth was opened for public use on

way, the Languedoc Canal (Canal du Midi), which was built by Louis XIV, and opened for traffic in 1681. This canal, 148 miles in length, joined the Bay of Biscay and the Mediterranean Sea. Still earlier (1605-42) there had been constructed in France the less important Briare Canal. In Sweden a canal with locks, connecting Eskilstuna with Lake Malar, was completed in 1606. In Russia the construction of an extensive system of canals was begun by Peter the Great about the beginning of the eighteenth century.

[1] Some £5,000,000 had been expended in canal building, and the aggregate canal mileage was 3,101, as follows: 2,600 in England and Wales, 225 in Scotland, and 276 in Ireland. On the canal era see Pratt, *History of Inland Transport and Communication in England*, 165-185.

payment of tolls. About the same time there began to be conceived, by various persons, the possibility of utilising steam as a motor-power on such lines, and in 1814 George Stephenson succeeded in constructing a locomotive which could draw thirty tons of coal at four miles an hour. In 1821 Parliament passed an act authorising the construction of a railway connecting Stockton and Darlington, and by a supplementary measure of 1823 the operators of the road, on the advice of its engineer, George Stephenson, were authorised to attempt the experiment of using steam-power. The line was opened in September, 1825, when an engine driven by Stephenson, and hauling a train of thirty-four little cars, covered the distance between the two terminals, preceded by a signalman on horseback, at the rate of some ten or twelve miles an hour. In the next five years several short lines were opened for use. But it was by the inauguration of the Liverpool and Manchester line, authorised in 1825 and put in operation in 1830, that the English mind was given its first irresistible impression that a revolution in modes of transportation and travel was impending. This line—which was the first definitely planned to carry passengers—covered a distance of thirty miles, and a locomotive, *The Rocket,* which was put in service on it proved capable of attaining a speed of twenty-nine miles an hour, although such speed was very unsafe and could not be long maintained.

The railway was now an established fact, and the ensuing decade witnessed remarkable development, both in mileage and in speed and carrying power, culminating in the opening, in 1838, of the London and Birmingham line, one hundred and twelve miles in length, over which trains maintained from the first a speed of twenty miles an hour. Within four or five years were laid, by parliamentary enactment, the foundations of most of the British trunk-lines of the present day. At the beginning of 1855, twenty-five years after the opening of the Liverpool and Manchester line, there were in use in the United Kingdom 8,053 miles of railway, and in the next twenty years this amount was doubled. It is interesting to observe that originally it was supposed that railway transportation could be managed upon the principles long familiar in the operation of turnpikes and canals; that is to say, the idea was that, under authority conferred by statute, a company should construct tracks and should admit to the use of these tracks any persons who were willing to pay the toll charged, such persons

using their own locomotives and cars and competing one with another in the transport of goods and passengers as did the coaches that plied for hire on the highways. Not much experience was required to demonstrate, however, that considerations of safety and expeditiousness made it imperative that the traffic on a railway line should be administered by a single directing agency. In an epoch of *laissez-faire*, the normal disposition was to permit the fullest competition; but it was found that competition could operate only between different lines, not between users of the same line. The technique of the railroad led inevitably to the monopolistic form of management which has ever since been characteristic of it.[1]

The extension of railway-building was accompanied by corresponding improvements in water transportation, especially such as arose from two things: first, the substitution of iron (and later steel) for wood as material for the building of ships, and, second, the introduction of steam-power in navigation. Iron was employed first on a considerable scale in the construction of steamboats, but after 1850 it came into general use in the building of sailing craft. Despite a good deal of scepticism at the outset, its superiority was soon demonstrated. Its use ensured greater strength, durableness, and safety of vessels, as well as increased carrying capacity for a given tonnage; and it removed the limitations upon size which the employment of wood imposed. The steamboat was the invention of no one man, but rather was the product of a long series of experiments carried on in both Europe and America in the last quarter of the eighteenth century. In 1807 Robert Fulton brought together the results of these experiments and produced the *Clermont*, which became the first steamboat in the world to maintain a regular service. During the first quarter of the nineteenth century steamboats were employed chiefly, in Europe and America, in internal navigation and in the coasting trade. In 1820, however, an English steamer made a trip from London up the Seine to Paris; in 1832 another ascended the Niger; and in 1838 the *Sirius* and the *Great Western* crossed the Atlantic, entirely under steam, in eighteen and fifteen days respectively.[2] With the establishment of the Cunard Line in 1839, operating between Liverpool and

[1] For a list of English railways built prior to 1845 see Porter, *Progress of the Nation*, 329-331.

[2] The American ship *Savannah*, sometimes given credit for being the first vessel to cross the Atlantic under steam-power (1819), was only a sailing ship with an auxiliary engine.

Boston, the British merchant marine entered upon a new stage of its history.

To industry, agriculture, and trade the speed, cheapness, and volume of transportation which came with the extension of the railway and the introduction of the iron steamship meant the opening of a new era. Raw materials could be carried more easily to convenient places of manufacture, and thus the growth of concentrated, large-scale production was promoted. New markets for the products both of manufacture and of agriculture were opened up, and old ones were made more accessible. There was a tendency toward the completer equalisation of supply and demand and toward a greater stability of prices. And the new facilities for travel and observation which had been created were not without important and lasting effect in the promotion of public enlightenment and national solidarity.

English Railway Development since 1850. Notwithstanding the opposition of canal companies, the construction of railroads progressed rapidly through the second quarter of the nineteenth century, and in 1850 the mileage in the United Kingdom was 6,635. By squeezing their patrons too hard the canal companies turned the tide of public opinion in the railroad's favour, and such was the enthusiasm for railroad building that, except in Ireland, no occasion for encouragement by state subsidies ever arose. As one writer has remarked, in the matter of railroad building the people needed to be discouraged rather than encouraged. Not only were no direct subsidies granted; the state made no guarantees of profits or of interest returns, and was never asked to do so. Charters were granted by Parliament liberally, and the companies were usually small and the lines short. At the close of 1843 there were 71 separate roads, averaging less than 30 miles in length, and in the period 1844-47 637 separate roads were chartered with a total authorised length of about 9,400 miles.[1] Inevitably there arose sharp competition; and just as new construction formed the subject of railroad discussion and action in the first half-century, so were competition and combination the principal railroad issues and interests of the decades after 1850. Competition reigned unchecked until 1847.[2] A sharp crisis of that year, however, al-

[1] Hadley, *Railroad Transportation*, 167.

[2] There was, however, a certain amount of regulation of railroad facilities and operations. Thus in 1840 Parliament passed a Railway Regulation Act,

tered the situation profoundly and marked a transition to a new phase of railroad policy. In 1853 a parliamentary commission, of which Gladstone was a member, investigated the subject of railroad amalgamation, and in 1854 a Railway and Canal Traffic Act was passed, designed particularly to afford local roads protection in their through business. During the ensuing twenty-five years new construction and consolidation of existing roads progressed together. Government regulation was slight, and not until supplementary legislation was enacted in 1873, establishing a national Railway Commission, was even the act of 1854 adequately enforced. In 1860 the mileage was 10,410; in 1870, 15,310; in 1880, 17,935; in 1890, 20,073; in 1900, 21,855; in 1907, 23,108; and in 1913, 23,718.

As in France, the United States, and other countries, railways are to-day consolidated predominantly in great trunk systems. The amalgamation of small, isolated, and often competing lines has been going on since the middle of the last century, and notably since about 1865. The methods employed have been various, including the acquisition from Parliament by one company of the right to run trains over the lines of another company, leases for long periods, and outright purchase. Very frequently lines acquired for temporary use were eventually bought. The process is fully illustrated by the history of the London and Northwestern Railway. This road began as the London and Birmingham Railway, which, as has been indicated, was opened for traffic in 1838. In 1846 the London and Birmingham Company obtained power to amalgamate with the Manchester and Birmingham and with the Grand Junction, which by an earlier act of the same year was already merged in the Liverpool and Manchester; and the enlargement was signalised by the adoption of the name "London and Northwestern." Thereafter the Company absorbed scores of other lines, including the Chester and Holyhead and the Lancaster and Carlisle, which gave it access to Ireland and Scotland respectively; and the capitals of all of the companies permanently amalgamated have been absorbed in the London and Northwestern's consolidated

assigning to the Board of Trade the duty of inspecting railways before they were opened for business. And in 1844 there was enacted a Cheap Trains law, which undertook to protect the public from excessive charges. This law required that along every line there should be run at least one train daily in each direction at not less than twelve miles an hour and carrying passengers in covered wagons at not more than one penny a mile.

stock. The company, none the less, continues to run its trains over many miles of line which it owns either only in part or not at all. The other leading railways of the country—the Great Western, the London and Southwestern, the Northeastern, the Great Eastern, the Great Northern, and the Midland—have a history similar to that of the London and Northwestern, save that in some instances the work of consolidation has not been carried so far. The principle, adopted in France,[1] of allotting to each railway system a definite sphere of operation, from which other lines are more or less completely excluded, has never been followed in British legislation. Rather, the British railway system, quite characteristically, has been permitted to develop untrammelled by any comprehensive plan, with the consequence that few of the larger companies have a monopoly over any considerable area. All projects for new building, however, require the assent of Parliament;[2] and Parliament legislates freely respecting rates, so that competition between different companies finds expression mainly in relation to speed, comfort, and other qualities of service. By an act of 1913 the companies obtained power to raise their rates in order to recoup themselves for the increases of wages granted by them after the strike of 1911, and the increased rates went into effect July 1, 1913. Of proposals for nationalisation, and of public control during the Great War, it will be necessary to speak in another place.[3]

Railway Development in France. An important factor in the industrial progress of France, as in that of all countries, has been the development of improved means of transportation. No part of Europe to-day has a better system of highways. There are, in the first place, the magnificent roads, known as the *routes nationales,* which radiate from Paris to the greater provincial cities. These are kept up by the state, and in 1905 their aggregate mileage was 24,000. Next are the *routes départementales,* usually macad-

[1] See p. 236.

[2] By the Light Railways Act of 1896 the inquiry into the desirability of a proposed "light railway" (physically indistinguishable from a tramway), such as is conducted by Parliament itself in the case of an ordinary railway, is held locally by three commissioners, on whose order, confirmed by the Board of Trade, the line may be constructed. At the close of 1912 the light railway mileage of the United Kingdom was 2,637.

[3] See pp. 702-703. The canal mileage in England and Wales in 1914 was 3,641, in Scotland 184, and in Ireland 848—a total of 4,673. A royal commission appointed in 1906 reported in 1909, recommending the purchase of the entire system by the state at a cost of about £6,000,000. No such action, however, has been taken.

amised roads of a high order, and in 1903 aggregating 9,700 miles. They are kept up by the departments, but are under the supervision of the national Ministry of Public Works. Finally there are the urban and district roads, the *petite voirie*, of much greater mileage, and maintained by the communes. The navigable waterways of the country aggregate 7,543 miles, 4,512 being rivers and 3,031 canals. These are the property of the state, and traffic upon them is largely exempt from tolls. They are utilised mainly in the transportation of commodities of bulk, and between 1881 and 1905 the tonnage carried upon them was more than doubled.

Probably because her roads were of exceptional quality, France took up the construction of railways rather later than did some of her neighbours. And it is characteristic of the French method of doing things that before construction was begun the subject in its every aspect was given careful study and there was worked out a scheme applicable to the whole of the country. Aside from chartering a few horse-railroads in 1826-32, the first step taken was the appropriation of money to pay the government engineers for laying out a general system of railway lines. Then there was considered the question of ownership and management. And only after years of investigation and discussion was a comprehensive plan, formulated by Thiers, finally adopted in 1842. This plan provided for the building of a series of nine trunk-lines radiating from the capital to the borders of the country and connecting the Mediterranean with the Rhine and the Atlantic seaboard. The state was to contribute about 250,000 francs per mile and own the road-bed, while companies composed of private individuals and chartered by the government were to provide the sums (about 200,000 francs per mile) necessary for tracks, rolling stock, buildings, and other equipment and to operate the lines. After forty years the whole was to be taken over by the state.

In its essentials this plan has been adhered to throughout the entire eighty-five years of French railway construction and operation, so that the policy of France in the matter has been more consistent than that of any other European nation. As many as thirty-three companies were chartered, and the first line of importance, running from Paris to Rouen, was opened for traffic in 1843. Until the revolution of 1848, construction progressed with fair rapidity. It was then stopped completely; but, beginning again in 1851, it went on steadily until checked once more by the

crisis of 1857. From an early date there has been a pronounced tendency toward consolidation of interests, and between 1852 and 1857 the entire system fell under the management of six great companies [1]—five operating lines radiating from Paris and one operating lines in the extreme south. Each company had a monopoly in its own district. The trunk-line system was now fairly complete, and it was found that the companies, feeling little or no pressure of competition, were not inclined to carry construction much further. In other words, the development of local business by branch lines was being generally neglected. To remedy this situation the government, toward the close of the period indicated, introduced two important modifications of the railway policy originally adopted. One was an extension of the duration of the companies' charters to ninety-nine years from the current date, thus postponing until the middle of the twentieth century the contemplated reversion to the state. The second was the introduction of a system of government guarantees of profits, devised by De Francqueville in 1859. Each of the six companies now undertook the construction of a large number of new lines in its own district, the necessary capital being raised by bonds on which the government guaranteed four per cent. interest plus a contribution to a sinking fund which should be sufficient to pay off the bonds at maturity. It was provided, however, that the state, after fifteen years, should have the right to buy up any or all of the roads, on terms favourable to the stockholders.

Despite the encouragement thus afforded to the companies to build liberally, many sections of the country continued without adequate service, and in 1865 legislation was enacted empowering local authorities to subsidise local roads not belonging to, but also not competing with, the companies' systems. For a variety of reasons this arrangement proved unsatisfactory, and in the course of a few years such local independent roads as had been built in the north were absorbed by the Northern Company, while those that had been constructed in the southwest were taken over directly by the state. During the years 1875-80 there was a good deal of agitation in behalf of a general scheme of state ownership and operation. One argument employed was that the state could provide for local service in a fashion in which the companies were unable, or unwilling, to provide for it. Another was that the

[1] Nord, Est, Ouest, Paris-Lyon-Méditerranée, Orléans, and Midi.

French government ought, in the event of war, to have the same advantage that had accrued to the Prussian government from its control over railroad administration during the conflict of 1870. In 1879 the De Freycinet ministry boldly formulated a plan for state construction involving an outlay of three billion francs. Parliament, however, was unwilling to do more than vote special credits in limited amounts, and only a few scattered lines were constructed; and instead of operating these itself, the government was obliged to lease them to one or another of the great companies. In 1880 De Freycinet was driven from office, and in the following year Gambetta, perhaps the most influential advocate of state ownership, died. The movement lost force, and in 1883-84 there was worked out a series of agreements between the government and the companies by which the situation was considerably clarified. The state retained the small group of local lines which it had acquired in the southwest, but all remaining lines in its possession were turned over to one or another of the companies, according to the district in which the lines lay. And it was arranged afresh that additional lines as needed should be constructed by the companies under state guarantee of interest. The only important change introduced in subsequent times has been the purchase by the state, under law of July 13, 1908, of the 3,690 miles of road belonging to the Western Company. This purchase was effected under the direction of the ministry of M. Clémenceau, on the ground that for years the management of the Western Railway had been hopelessly inefficient and corrupt and that all less radical measures designed to bring about betterment had proved unavailing. It was stated repeatedly that neither the cabinet nor the majority of the senators and deputies who supported the purchase bill were partisans of state ownership of railways in general. Under existing law, the state has the right to purchase the properties of any of the companies, in whole or in part, at any time. The total railway mileage of the country increased from 18,650 in 1885 to 24,755 in 1904, and 31,553 in 1912. Of the last-mentioned amount, 5,543 miles, or eighteen per cent. were state-owned. The administration of the state-owned lines, as well as reasonably close supervision of the company lines, is vested in the Ministry of Public Works.

Waterways in France and Germany. From the earliest times the commerce of western continental Europe has been much facili-

tated by the abundance of navigable streams; and in modern centuries the streams, notably in France and Germany, have been supplemented with extensive canals. France contains four great rivers which serve as arteries of travel and trade, besides large numbers of minor streams, independent of or tributary to, the major ones. The four are the Seine, the Loire, the Garonne, and the Rhone. Their navigable length is, respectively, 339, 452, 289, and 309 miles. The Seine with its network of tributaries comprises the best natural waterway system in France, if not in all Europe. The canals of the country have an aggregate length of 3,031 miles, the most notable being (1) the Est, connecting the Meuse with the Moselle and Saône, with a length of 270 miles; (2) the Nantes-Brest Canal, with a length of 225 miles; (3) the Canal du Midi, from Toulouse to the Mediterranean via Béziers, with a length of 175 miles; and the Berry Canal, uniting Montluçon with the canalised Cher and with the Loire Canal, with a length of 163 miles. The combined mileage of canals and navigable rivers is 7,543. All inland waterways form parts of the *grande voirie* and are the property of the state. Most of them are quite free from tolls. Water traffic consists principally in coal, building materials, and agricultural products; and between 1881 and 1905 the amount of it doubled. The canal and river system attains its maximum utility in the northeast and north-center.

In no country has the advance of trade and industry been affected more profoundly by the development of facilities of transportation than in Germany. Unlike the situation in France, little attention was given to road-building in the eighteenth century, or until after the close of the era of Napoleon; and subsequently, for a time, the introduction of the railway diverted attention from highway construction. Since the middle of the nineteenth century, however, improvement has been rapid; and although the highways of some districts leave much to be desired, those of the larger portions of the country are justly famed. Commanding attention also are the Empire's natural and artificial waterways. The river system is exceptionally extensive. There are six major streams, i.e., the Rhine, Elbe, Weser, Oder, Vistula, and Danube, besides a score of minor ones, as the Ems, Havel, Spree, Saale, Main, Neckar, and Memel, which form indispensable subsidiary links in the waterway system. The total length of navigable rivers and lakes is approximately 6,000 miles. Canal-building was

begun before the middle of the nineteenth century, but the great era of canal construction and the canalisation of rivers has been the past thirty-five or forty years—a period in which canal-building in other countries has practically come to an end. Nowhere have canals been employed more systematically to link up the natural waterways. Thus the Rhine is connected with the Weser to the east, with the Danube to the south, and with the Meuse to the west; the Elbe, Oder, and Vistula are joined; and the North and Baltic seas are brought into immediate touch by means of the Kaiser Wilhelm Canal, built primarily for defensive purposes but utilised extensively also for commercial ends. In 1905 there was adopted a program of new construction calling for an expenditure of more than 335,000,000 marks. The aggregate length of canals and canalised streams in 1914 was about 2,200 miles. In 1907 the number of vessels of all kinds engaged in transportation on inland waters was 26,235, and in 1911 the total tonnage of goods carried on waterways was 76,632,000. The rates for waterway carriage, although fluctuating considerably, were distinctly lower than those prevailing on the railways. The administration of the waterways was committed, in general, to the states, and in Prussia it was shared by the four ministers of Public Works, Commerce, Agriculture, and Finance. The first had to do with construction and maintenance, the second with shipping and police, the third with reclamation, drainage, and flood prevention, and the fourth with transport and dock dues.[1]

Railway Development in Germany. The railway era was launched in Germany by the building of a line four miles in length from Nuremberg to Fürth in 1835, followed by the opening of a line between Leipzig and Dresden in 1839. As might be supposed, the course of development was essentially different from that which has been observed in France.[2] In the latter country construction was carried on in accordance with a preconceived, comprehensive plan, with Paris as a focal point. In Germany each state was free to build as it liked and the earlier roads were designed entirely to serve local interests. In the decade 1840-49 construction proceeded rapidly, and by the middle of the century

[1] For an excellent description of the conditions attending water transportation in France and Germany see Moulton, *Waterways versus Railways*, 170-257, 271-297.

[2] See p. 235

the aggregate mileage was 3,633. In most parts of the country, especially in the south, railway building was regarded as exclusively a public function; and the roads which were constructed were from the outset owned and operated by the state. In Prussia, however, the earliest lines were built by private capitalists, and about 1842 the French policy of granting state subsidies in the form of guarantees of interest came into vogue. The first exclusively state-built and state-operated road was one from Berlin toward the Russian frontier, projected for military purposes primarily, and begun in 1848. Throughout the ensuing decade the way for the fuller installation of state ownership was prepared not only by state construction of a few other lines but by state purchase of railroad stock from the proceeds of a special railroad tax.

At the creation of the Empire, in 1871, the railroad situation was complicated in the extreme. The small states generally owned the roads within their borders. Private enterprise had provided connecting links and built through lines. Prussia owned about one-third of the lines within her boundaries, having built some, having acquired others through business operations, and having taken over still others when she had annexed the states owning them. For a time multiplicity of interests prevented the Imperial government from taking up the problem which this condition of affairs imposed. But Bismarck strongly desired the establishment of a consistent state railroad system, managed, not by the several states, but by the Empire, and to that end he had caused to be inserted in the constitution of the North German Confederation in 1867 (continued, with slight changes, as the constitution of the Empire) an extensive article relating to the subject.[1] The provisions of this instrument contemplated that the railways, while remaining the property of the several states, should be administered, under Imperial supervision, on a uniform basis as parts of a co-ordinated system. In the matters of utilisation for defence and general traffic rates and facilities the Empire was given large legislative power. It might even construct, or authorise the construction of, new lines in any state, whether with or without the state's consent.

With these provisions as a basis, it was the desire of Bismarck to bring all the railroads of the country eventually under Imperial

[1] Art. VIII, §§ 41-47. See W. F. Dodd, *Modern Constitutions* (Chicago, 1909), I, 337-339.

ownership and management, and as a first step the railway lines of the newly acquired provinces of Alsace and Lorraine were taken in charge in 1870-71. As a second step there was established in 1873 an *Eisenbahnamt,* or central Railway Office, which was in effect a board entrusted with power to carry out the stipulations of the constitution. When, however, the establishment of universal Imperial ownership was suggested, a majority of the states, led by Bavaria,[1] offered determined resistance; and, although in 1876 Bismarck carried through the Prussian parliament a proposal to turn over all Prussian railways to the Empire, the action (intended, obviously, to influence the other states) yielded no positive result. The sentiment of particularism was too strong to be overcome, and not one state actually made the desired concession.

The attempt was never renewed; and, foiled in his original design, Bismarck fell back upon the plan of enlarging and improving the Prussian railway system and consolidating the state's control over it. Within a few years the Prussian railroads were the best managed in the Empire. State ownership was rapidly extended. In 1878 there were in the kingdom about 3,000 miles of state-owned and state-operated lines, 2,000 miles of lines owned by the state but privately operated, and 6,000 miles privately owned and operated. By the close of 1881 the state virtually owned 7,000 miles of road; and in 1884 there were about 13,000 miles of state roads and but 1,000 of private roads. Thereafter Prussia became the world's principal laboratory for the study of the problems of railway nationalisation. In 1910 the state-owned mileage was 21,250 and barely 0.6 per cent. of the main and secondary mileage of the kingdom was under private control.[2] The progress of nationalisation throughout the Empire as a whole appears from the following figures:

Date	*Total mileage*	*State-owned mileage*
1875	17,488	.....
1880	21,028	13,888
1890	26,136	18,738
1900	31,049	28,570
1910	36,894	34,596

[1] In respect to railways, as in a number of other matters, Bavaria occupied a privileged position in the Empire. See Dodd, *Modern Constitutions,* I, 339.

[2] In addition there were 1,362 miles of narrow-gauge railways, about half publicly owned, and 6,303 miles of "light railway" distinct from the urban tramway system.

In 1910 the public and private capital invested in railways in the Empire was 17,350,000,000 marks; the number of railway employees was 697,000; the number of passengers carried was 1,541,300,000; the tonnage of goods transported was 575,300,000. The country at that time had about 18 miles of railway per 100 square miles of surface, a ratio exceeded in Europe only by Belgium, Holland, the United Kingdom, and Switzerland, in the order named.[1] The Central Railway Office remained in 1914 the coordinating administrative agency. Its work, however, was always attended with extreme difficulty, and only within late years were the several state administrations brought into agreement upon the rate question, with the very desirable result that rates for passengers became uniform throughout the Empire, and for goods virtually so. All in all, the railway system of Germany was, in 1914, one of the best in the world, and, supplemented as it was by an elaborate system of waterways and by a trans-oceanic shipping closely rivalling that of Great Britain, it offered the industry of the nation every possible facility for the attainment of market outlets.

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[1] Dawson, *Industrial Germany*, 51.

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CHAPTER XII

A CENTURY OF BRITISH TRADE LIBERATION AND EXTENSION

Antecedents of the Corn Laws. As has been explained, the maritime and imperial supremacy which Great Britain enjoyed at the close of the Napoleonic period was for a considerable time offset by unfavourable economic and social conditions within the country's borders.[1] In 1815 the nation found itself burdened with a debt of £860,000,000, while the government, hard pressed to meet current expenses, was quite unable to devise means of lessening the load. Taxation, which before the war had amounted to £17,000,000 a year, now was £72,000,000, for a population numbering less than twenty millions, and every sort of possession and transaction was levied upon, including incomes. Duties had been increased or imposed afresh on almost every article of trade, and in many instances they were practically prohibitive. Commerce was shackled. Agriculture was depressed. The people were still struggling to make the readjustments incident to the transformation of industry. Wages were low and food was dear, and through a succession of years harvests were bad. All in all, as public-spirited men of the time frankly recognised, the economic state of the country was both critical and incapable of simple or immediate remedy.

The policy which Parliament first adopted in dealing with the situation was unfortunate. No steps whatsoever were taken to mitigate the burden of taxation upon the poorer classes. Instead, in 1815 there was enacted a measure, conceived in the interest of the landowners, whose object was to maintain the price of grain and to keep up rents; while in the following year, against the desire of the ministry of Lord Liverpool, the tax upon incomes, as being a war tax, was abolished. Many existing imposts which fell heavily upon the masses, including a large share of the cus-

[1] See Slater, *Making of Modern England*, Chap. I.

toms, were war taxes just as truly as was the income tax, but they were left substantially untouched.

The trade in corn (i.e., grain) had been subjected to regulation in England from as early as the fourteenth century, although from period to period the character of the restrictions imposed had varied widely. The first policy which requires present mention was that of encouraging the exportation of corn, dating specifically from the Corn Bounty Act of 1689.[1] England in the seventeenth century was an agricultural country, and it was thought to be in the interest of national prosperity for the state to pay bounties on all corn exported at home prices. This policy was maintained until 1773. From about 1740 the exports of corn underwent gradual decline, for the reason that the growth of population and the rise of industrialism left the country with smaller surpluses, and in 1773 it was found necessary to readjust the system in such manner as not only to lessen the attractiveness of exportation but to encourage importation when grain should be scarce and prices high. By 1793 the exportation of corn ceased entirely, the nation having arrived at the point where it needed all that it produced, and in many years more. Regulation thenceforward had to do exclusively with the conditions of importation.

During the Napoleonic wars, when the kingdom was cut off much of the time from the sources of supply around the Baltic, every effort was put forth to increase the home product and make it sufficient for the people's needs. The policy was fairly successful. By enclosure, and in other ways, the arable area was much enlarged, and the capital invested, as well as the output, was materially increased. Inevitably there took place, however, a sharp rise in prices. And the higher scale, being continued year after year, came to be considered by the landowners as permanent. Rents were calculated upon it; local rates seemed tolerable only in consequence of it. When, therefore, in 1815 peace was restored and the probability arose that foreign grain would again be poured into the English markets, bringing down the price, the agricultural interests of the kingdom professed to see ruin staring them in the face. Rents, it was contended, would fall; land values would shrink; and not only owners but tenant farmers and labourers would suffer. To forestall this contingency, the landed interests

[1] Earlier regulation had been for the benefit of the consumer. But beginning with the act of 1689 emphasis was shifted to the interests of the producer.

appealed to Parliament for protection; and Parliament, being controlled largely by the representatives of the landholders, forthwith enacted, by substantial majorities, the memorable "Corn Law" of 1815.[1]

The Corn Laws in Operation. It is to be observed that the principle of the act of 1815, namely, the permission of the importation of corn only when the price in England should have reached a certain figure, was in no wise new. The act of 1773 had authorised importation when the price should be not less than 48 shillings a quarter, and an act of 1791 had fixed the limit at 54 shillings. By prohibiting importation, however, except when the price should be 80 shillings or above,[2] the authors of the act of 1815 hoped to ensure home producers a maximum of security and to maintain prices at substantially the inflated level to which they had been raised by the war. In point of fact, the price actually prevailing when the act was passed was 61 shillings.

Like its predecessors, the Corn Law of 1815 was a class measuse. It was designed to promote the interests of one element of the people without reference, directly at least, to the interests of other elements and of the nation as a whole. Experience early demonstrated the harshness of it. In 1816 and 1817 crops were poor and wheat rose to an average price, in 1817, of 96s. 11d. per quarter. Under these circumstances importation was possible; but it was demonstrated that before the "scarcity-price" should have been reached there might be very great privation, and that imports were likely to be delayed until the period of dearth was drawing to a close. As a means also of keeping the price of grain high and steady, the arrangement was a failure. Prices persistently fluctuated, with a predominating tendency to fall. Again, as a device for the encouragement of agriculture, to the end that the kingdom should become once more self-supporting, the system failed, for it continued to be necessary all of the time to rely in some degree upon foreign grain. Finally, the system's effects upon commerce were most mischievous, for large opportunities for the

[1] 55 Geo. III, c. 26. Bland, Brown, and Tawney, *English Economic History, Select Documents*, 692-698.

[2] This was the figure stipulated for wheat. For barley the figure was 40 shillings, and for oats 26 shillings. In relation to the British colonies the figures were, respectively, 67s., 32s., and 22s. But as yet little grain was imported from the colonies. A quarter was equivalent to about eight bushels, so that a price of 80s. a quarter would mean something like $2.50 a bushel. In 1822 the limit price of wheat was reduced to 70s.

exchange of English manufactures upon favourable terms for the foodstuffs of the Baltic countries, the United States, and the colonies were constantly and of necessity ignored.

From the outset it had been perceived, in some quarters at least, that the principle of the corn laws was vicious. The industrial population, in particular, was sceptical. Fallacious economic reasoning which made the price of grain the controlling factor in wages, operated, however, for a time to silence opposition, and it was only as the failures and the adverse effects of the law became patent that there arose a movement directed definitely toward its amendment or repeal. The corn laws were, of course, only a part of a vast restrictive system, covering substantially the entire field of industry and trade, and proposals of liberalisation, while aimed at them primarily, were not likely to stop there. Thus when, in 1820, a group of London merchants addressed to Parliament a petition relating to conditions of commerce, they cited at length arguments drawn from the *Wealth of Nations* and requested a general reform of the tariff system in the direction of free trade.[1] And when, in 1821, a Committee of Inquiry of the Lords and Commons, after a prolonged investigation, submitted a report which showed that its faith in the corn laws was shaken, the entire protective system was, at least by implication, challenged.

Navigation and Tariff Reform. After 1820 the movement for trade liberalisation moved, in England, along three principal lines: (1) the repeal of the navigation laws designed for the special protection of shipping; (2) the revision of the general tariff; and (3) the repeal of the corn laws. No one of these objects was attained speedily or easily; the last two, indeed, were realised in full only after several decades of agitation and laborious legislation. The overthrow of the colonial theory upon which were based the larger portions of the English navigation laws of the seventeenth and eighteenth centuries was accomplished in part by the establishment of the independence of the United States, in part by the successful revolt of the Latin American peoples, in part by the wars of the Napoleonic period, and in part by the displacement of

[1] The text of this document is printed in Bland, Brown, and Tawney, *English Economic History, Select Documents*, 698-701, and in Cunningham, *Free Trade Movement*, 39-44. See W. Smart, *Economic Annals of the Nineteenth Century, 1801-1820* (London, 1910), 744-759.

mercantilist by *laissez-faire* opinion.[1] Under the changed conditions that had arisen it was entirely impossible, from 1815 onwards, to revive the old system. After a period of wavering, the government, guided in the matter by the President of the Board of Trade, William Huskisson, began in 1824 the negotiation of treaties admitting foreign nations to a full equality and reciprocity of navigation rights; and by 1830 treaties of the kind had been concluded with all important commercial countries. Foreign vessels were still excluded from the coasting trade, which was construed to include the trade between the mother country and the colonies. But the right to trade with the colonies was extended to all nations which granted reciprocal privileges in their colonies, and finally, in 1849 and 1854, all discriminations in coastwise and colonial shipping were given up. Contrary to the predictions of the opponents of Huskisson's policy, the English merchant marine achieved throughout the era of liberalisation a substantial, if somewhat unsteady, growth. A tonnage which in 1800 was 1,600,000 and in 1820 approximately 2,400,000 had grown by 1850 to 3,500,000.

Taking advantage of international quiet and of returning prosperity, Huskisson succeeded in effecting not only this relaxation of the revered navigation policy but also a reasonably comprehensive reconstruction of the country's fiscal system. In particular, the customs were overhauled and shorn of their most serious abuses. Huskisson and his colleagues were not free traders. They proposed no changes involving the subversion of traditional protectionist principles. But they recognised that old purposes must sometimes be attained in new ways, and that no system of trade can be sufficiently satisfactory to endure unchanged forever. They found English commerce shackled by some fifteen hundred statutes prescribing prohibitions or other restrictions. And they undertook to free it, without yielding at any point the essential right of the state to regulate. They went much farther than had Walpole and Pitt; yet they left much for Peel and Gladstone to do at a later day.

Four things, in the main, were accomplished. First, the customs laws were simplified and condensed and made more intelligible.

[1] For extracts from contemporary writings illustrating the *laissez-faire* doctrine see W. H. Hamilton, *Current Economic Problems* (Chicago, 1915), 90-106.

Second, the duties on raw materials imported for English manufacture, notably wool and silk, together with coal, were reduced. Third, duties on imported manufactures were brought down, by an act of 1825, to an average of about thirty per cent. Manufactured silks, whose importation hitherto had been prohibited, were put upon the thirty per cent. basis. And, fourth, virtually all restrictions upon exports—whether of raw materials, manufactures, or labour—were abolished. Even the restrictions upon the exportation of machinery, hitherto rigidly maintained in the fear that foreign peoples might become dangerous rivals in industry, were relaxed. All in all, a considerable breach in the protective system was made. And eight years later (in 1833) the government returned to the task and carried a measure abolishing all duties on fifty-eight enumerated articles and lowering the rates on about seven hundred others. The effects exceeded expectation. Both imports and exports increased and the prosperity of the country was visibly enhanced.

The Anti-Corn-Law Movement. Meanwhile the demand for the repeal of the corn laws was growing.[1] Prior to 1832 it was connected closely with the agitation for parliamentary reform. The reconstruction of the House of Commons in the year mentioned, however, hardly advanced the cause of corn law repeal, for the chamber was thereafter but slightly more representative of the industrial and mercantile classes than it had been. The anti-corn-law movement, therefore, had to be continued independently, and outside Parliament as before. By 1832 it was winning the allegiance and the leadership of influential economists, and soon thereafter it began to gain rapidly in organisation and spirit. To repeated appeals the House of Commons made replies which indicated clearly that the intention of the membership was to follow, not lead, public opinion; from which it appeared that the only hope of the reformers lay in creating an overpowering public opinion upon the subject. The struggle involved in the accomplishment of this task was one of the most remarkable in English history. "It was," as a recent writer has said, "a deliberate effort to overthrow a system supposed by its supporters to be not only the

[1] The original law, failing to attain its avowed objects, had been subjected to various modifications. Thus in 1828 there had been introduced, without important effect, a sliding scale, under whose operation the duty upon such grain as was permitted to be imported went up and down inversely with the fluctuations of prices.

bulwark of the agricultural industry, but also necessary to the revenue of the nation, and this system was supported by the richest and most influential classes in the country, who were also directly interested in its maintenance." [1]

The principal agency in carrying on the propaganda was the Anti-Corn-Law League, organised at Manchester in 1839 and comprising an affiliation of anti-corn-law associations scattered over the country.[2] The backbone of the League was the cotton manufacturers, and the most capable and influential exponents of its policies were two men who early identified themselves with the organisation and in the end contributed most to its success, Richard Cobden (1804-65) and John Bright (1811-89). Cobden was of yeoman ancestry, and he knew from close observation the baleful effects of the existing artificial agricultural system upon the farmer and tenant classes. Educated for a business career and long engaged in commercial pursuits, he knew also the shortcomings of the system as they appeared to the trader and manufacturer. He was broad-minded, practical, vigorous, and persuasive, even if occasionally unscrupulous in method of argument, and no less a critic than Mr. Arthur Balfour has denominated him, albeit somewhat extravagantly, "the most effective of missionaries and the greatest of agitators." [3] It was at the suggestion of Cobden that a local anti-corn-law association, formed in the city of his residence, Manchester, in 1838 was converted, in the second year of its history, into the national organisation already mentioned; and of this larger organisation he became and remained the presiding genius and animating soul. Bright, who was a prosperous manufacturer of Rochdale, first met Cobden in 1836 or 1837 and gradually thereafter became his principal ally in the anti-corn-law campaign. Under the guidance chiefly of these two men the agitation was carried on, not alone for the repeal of the corn laws, but for the adoption of free trade in general. A paper, the "Anti-Corn-Law Circular," was founded; members of the

[1] Armitage-Smith, *The Free-Trade Movement*, 65. In 1838 Melbourne, the Premier, said: "To leave the whole agricultural interest without protection, I declare before God that I think it the wildest and maddest scheme that has ever entered into the imagination of man to conceive."

[2] Bland, Brown, and Tawney, *English Economic History, Select Documents*, 701-702. As early as 1836 a group of London radicals had organised an Anti-Corn-Law Association, which, however, had made small impression.

[3] "Cobden and the Manchester School," in *Essays and Addresses* (Edinburgh, 1893), 189.

League went up and down the country lecturing to interested audiences; processions and demonstrations were planned to attract the attention of the masses. At the annual meeting of the League in 1843 it was reported that nine million tracts had been distributed and that meetings had been held in 140 towns.

Peel's Tariff Measures: Repeal of the Corn Laws. In 1841 the Liberal ministry of Lord Melbourne, which had been making ineffectual effort to hit upon some harmless concession to the rising public demand, met defeat at a national election and retired from office. Thereupon a Conservative ministry was made up, presided over by Sir Robert Peel. As a party, the Conservatives had been wedded to the protectionist system quite as firmly as were their opponents. Circumstances, none the less, were now conspiring to hasten the victory of free trade. In the first place, the finances of the kingdom were in an extremely unsatisfactory state and heroic measures of relief had become imperative. In the second place, the country was passing through a prolonged period of bad harvests, commercial crises, and industrial depression. In the third place, the election of Cobden, in 1841, to a seat in the House of Commons gave the reform movement a masterful spokesman on the floor of Parliament; while it was in the same year that Bright for the first time threw his eloquence and fervour unreservedly into the fight.[1] Out of this general situation came one of the most remarkable turns of events in the history of modern England—nothing less than the repeal of the corn laws by a Parliament dominated by a party which was mainly agricultural and aristocratic and by interest and tradition committed to the continuance of the protective policy.[2] Following closely the line marked out by Peel, the first important steps were taken in 1842. Three things, in particular, were done at this time. First, there was revived a national tax on incomes, designed to counterbalance the losses to the Treasury to arise from customs reductions.[3] Second, the general tariff was reformed by the removal of all prohibitory duties and by the reduction of rates on a large number of articles of import, especially foodstuffs and raw materials. In a total of more than 1,150 items in the list of dutiable goods, 750

[1] He was elected to Parliament in 1843.

[2] For an exposition, however, of Tory origins of free trade policy see W. J. Ashley, *Surveys, Historic and Economic* (London, 1900), 268-303.

[3] As has been observed, the taxation of incomes which had prevailed during the period of the Napoleonic wars had been discontinued in 1816.

were now subjected to some modification. Lastly, the severity of the corn laws was mitigated in some degree by the introduction of a new and more liberal sliding scale of duties. The corn laws were affected rather less than were other parts of the restrictive system, and the propaganda of the League went steadily on. As early as 1841 Peel had been recognised by Cobden as a free trader; and, while such characterisation was premature, the Premier in succeeding years inclined more and more to the relaxation of restrictions, and especially to the abrogation of the corn laws; and in this he drew after him an increasing proportion of his party. In 1844 further duties were remitted, and in 1845 the sugar tax was reduced and as many as 430 petty items of the tariff were abolished.

In the matter of the corn laws, the bad harvests of 1844 and 1845 and the famine in Ireland in 1845-46 definitely turned the scale, and on January 27, 1846, in a great speech in the House of Commons, Peel submitted a measure wherein it was provided (1) that on February 1, 1849, the corn laws should cease entirely to be operative, with the trifling exception of the maintenance of the registration duty of one shilling per quarter, and (2) that duties should be abolished or reduced on 150 other articles of food, raw materials, or manufactures. The outcome was curious. After a long and heated debate [1] the measure was carried in the House of Commons, March 15, by a vote of 327 to 229; and in the House of Lords it was passed, June 25, by a vote of 211 to 164. Immediately, however, the irreconcilable protectionists, led by Lord George Bentinck and Benjamin Disraeli, gave vent to their wrath by joining hands with the Liberals and forcing Peel out of office (1846). Having, as Cobden said, "lost a party, but won a nation," the Premier disappeared from official life. Accusations of inconsistency which were, and still are, brought against him, find little to support them save in the judgment of persons who would deny to public men the privilege of revising their opinions in the light of increasing knowledge and experience.

The Final Triumph of Free Trade. With the collapse of the corn laws, after forty years of apparently irresistible support, the doom of the protective system in England was sealed. Already,

[1] Extracts from speeches delivered during the discussion are presented in Bland, Brown, and Tawney, *English Economic History, Select Documents*, 705-711.

in consequence of the measures of Huskisson and Peel, the duties on imports of miscellaneous character were comparatively low. To remodel them in such manner as to withdraw the protectionist element from them altogether was a task involving no great difficulty. The accomplishment of it fell, in the main, to Gladstone, disciple and earlier ministerial colleague of Peel. When, in 1852, Gladstone became Chancellor of the Exchequer in Lord Aberdeen's composite ministry of Liberals and Peelites, he procured the removal of duties (in the budget of 1853) on 120 articles and reduced those on 140 others. During the next few years, which were marked by increased expenditures and general unsettlement incident to the Crimean War, little further change could be made. In 1860, however, as a member of Lord Palmerston's ministry, Gladstone returned to the task and, in conjunction with the negotiation of a great commercial treaty with France,[1] reduced the total number of taxed imports to 48, removing the last duties on silks, woollens, and manufactures generally. Already England was a free trade nation, and it remained in subsequent years only to repeal a few other duties which were inconsistent with the position that had been taken, chiefly the hops duty in 1862, the timber duty in 1866, the shilling registration duty on grain in 1869, and the sugar duty in 1875. Eventually the number of taxed articles was reduced to about twenty, where it remained until after the outbreak of the European war in 1914. Food was altogether free, except that duties on tea, cocoa, and currants were retained for revenue.

The struggle for free trade, and especially for the repeal of the corn laws, partook strongly of the character of a class contest, and it was attended by numerous exhibitions of gross demagogy. The results of the change of policy, furthermore, did not measure up to the free traders' expectations. The prediction of Cobden in 1846 that within five years every European tariff system would be remodelled on the pattern of the English was by no means fulfilled.[2] After all allowances are made, the fact remains, however, that the British adoption of free trade is one of the cardinal facts of modern economic and political history. The change was made, in the last analysis, not in deference to any abstract theory or as the outcome of any mere popular propaganda, but because the logic of the whole course of the country's economic development led

[1] The Cobden Treaty. See p. 275.

[2] *Speeches*, I, 360.

straight to it. Speaking broadly, the country passed through the same series of awakenings and shifts of viewpoint that Peel passed through during the fifty years of his public career. It discovered that wages, instead of fluctuating with the price of grain, as had been supposed, tended rather to fall when prices rose. It found that the lowering of duties on foodstuffs did not necessarily mean the congestion of markets and the distress of agriculture. It took at their word the manufacturers of cottons and certain other kinds of goods when they asserted that they stood in no need of protection against foreign competition, and by slow experience it learned that English agriculture likewise could compete with continental agriculture unaided. It came to realise that, however much the landed gentlemen might deprecate the intrusion of the trading classes in politics and society, and however much more attractive than a mere "industrial" state might be a self-sufficing England, able to live of her own, the cold fact was that England had become a predominantly industrial nation and could never again be anything else; from which followed the conclusion that the industrial classes must be brought into a position to obtain cheaply from abroad the foodstuffs and other necessaries of life which they no longer could obtain in sufficient quantity at home. It perceived that industrial protection could not be maintained after the repeal of the corn laws—that when the measures controlling the food supply of the country were cut away the whole fabric of regulation was inevitably involved in collapse. Finally, it was demonstrated that the revenue sacrificed by the abolishment of protectionism could be obtained satisfactorily in other ways.[1]

The Growth and Character of British Trade. Toward the close of the eighteenth century a British statesman confided to Benjamin Franklin his ambition to see England made a "free port," for which he said the English "were especially fitted by nature, capital, love of enterprise, maritime connections, and position between the old and new worlds, and the north and south of Europe," adding that "those who were best circumstanced for trade could not but be gainers by having trade open."[2] The hope thus expressed was founded upon a shrewd understanding

[1] On the effects of the establishment of free trade see Slater, *Making of Modern England*, 143-148.

[2] Cited in Day, *History of Commerce* (rev. ed., 1922), 378.

of both the advantages of England's physical position and the peculiarities of the English temperament; and the development of the country's commerce during the past seventy or eighty years has brought substantial fulfilment of it. Notwithstanding the phenomenal expansion of the commerce of Germany, France, the United States, Japan, and other nations in recent decades, the export and import trade of the United Kingdom was still, in 1914, almost one-fifth of the estimated total foreign trade of the world.

The reasons for the remarkable growth of British foreign trade in the nineteenth century are so obvious as to require little explanation. First may be mentioned the exceptional location of the country with respect to the trade of Europe, to that of the outlying world, and especially to that *between* Europe and the outlying world—an advantage comparable, in the broader commercial area of modern times, with that enjoyed by Italy in the more restricted area of the Middle Ages. A second consideration is the country's long maintained maritime ascendency, ensuring not only protection for her sea-borne trade in time of war but ample facilities, in ships, docks, and sailors, for the conduct of trade at all times. A third factor of importance is the nation's pre-eminence in the possession of colonies and other dependencies. Under the freer colonial policy pursued in the past half-century, trade does not invariably follow the flag. The bulk of the trade of most of the British colonies, none the less, is to this day, through no compulsion, with the mother country; and in view of the exceptional number, size, and stage of advancement of the British colonies, this circumstance is of large importance in determining the aggregate volume of British external commerce.[1] A fourth fact, and one of fundamental consequence, is the comparatively early development in England of large-scale industry, yielding great quantities of surplus products for export. Not until after the middle of the century did France, and not until after 1870 did Germany, attain industrial output which contributed heavily to the volume of international trade. Closely related is the farther fact that British manufactures have been peculiarly adapted to the needs of the peoples of the outlying world, and consequently have been in heavy demand. Finally, may be mentioned again

[1] On general aspects of colonial trade see P. S. Reinsch, *Colonial Administration* (New York, 1905), Chap. V.

the leadership of Great Britain in the relaxation of navigation restrictions and in the liberation of trade from the fetters imposed by the protectionist system. The actual extent to which free trade contributed to commercial expansion is a warmly controverted question. It may be regarded as somewhat less important than two or three other factors enumerated. But the circumstance that within five years after the repeal of the corn laws British exports rose from fifty to one hundred million pounds creates a strong presumption that some relation of cause and effect was involved.

The rapidity of British trade expansion through the second half of the century is shown by the following statistics: [1]

Years	*Average imports in million £*	*Average exports in million £*	*Average re-exports in million £* [2]
1855-59	146	116	23
1860-64	193	138	42
1865-69	237	181	49
1870-74	291	235	55
1875-79	320	202	55
1880-84	344	234	64
1885-89	318	226	61
1890-94	357	234	62
1895-99	393	238	60
1900	460	283	63

As appears from this tabulation, condensed though it is, the growth of trade progressed quite irregularly. Periods of swift expansion were succeeded by periods of stagnation, and even retrogression. At the middle of the century commerce, in common with all branches of business, was disturbed by price fluctuations incident to the discovery of gold in California in 1847 and in Australia in 1851. Shortly afterwards it suffered from the crisis of 1857, and recovery had only fairly begun when new embarrassments arose from the American Civil War, especially from the curtailment of manufacturing made necessary by the cotton famine. Again, the years 1875 and 1884 were the acute points of the most serious and prolonged depression in the history of British agriculture and industry—a depression by which, indeed,

[1] Cf. Day, *History of Commerce* (rev. ed., 1922), 377.
[2] Foreign and colonial goods imported but shipped away again.

the entire world was deeply affected. As a royal commission was able to show in 1886, however, the volume of British commerce at no time declined sharply and over the whole period showed a considerable increase.[1] During the decade 1890-99 progress was intermittent and slow. But about 1900 exceptionally rapid expansion set in, not only in Great Britain, but throughout the world, and in fourteen years the total value of British exports, long practically stationary, was doubled.[2] In 1913 the value of exports rose to the astonishing figure of £525,245,000 and the value of imports to £768,734,000. Throughout the half-century ending in 1914 Great Britain specialised more and more in manufacturing and the effort to grow enough foodstuffs for her own consumption, or even to produce the bulk of the raw materials which she used, was abandoned. The exports of the country, consequently, were confined very largely to manufactures, chief among them being textiles (cottons, woollens, and linens), machinery, leather goods, chemicals, and pottery. Imports, on the other hand, consisted in the main of foodstuffs and raw or half-finished materials of manufacture—grain, meats, fruits, dairy products, iron ore, cotton, wool, flax, leather, and paper.

The geographical distribution of the British export and import trade at certain periods is shown in the following table, the figures indicating millions of pounds: [3]

Exports (British produce) to	*Annual Averages*				
	1885-89	*1890-94*	*1895-99*	*1905*	*1911*
British India	31	30	28	40	52
United States	28	26	20	24	27
Australasia	23	20	21	23	40
Germany	16	18	22	30	39
France	15	15	15	17	27
Holland	9	9	8	13	18
Total to					
Foreign Countries	147	156	158	216	297
British Possessions ...	79	78	81	113	156

[1] Perris, *Industrial History of Modern England*, 364-381.

[2] The bulk of exports was not increased in full proportion, the increase in value being attributable in a slight measure to the universal rise of prices.

[3] Reproduced from Perris, *Industrial History of Modern England*, 575.

	Annual Averages				
Imports from	*1885-89*	*1890-94*	*1895-99*	*1905*	*1911*
United States	85	98	110	115	124
France	39	44	51	54	51
British India	33	30	26	36	45
Australasia	24	30	31	40	57
Germany	25	26	27	35	43
Russia	20	21	21	33	41
Total from Foreign Countries ...	293	322	355	437	508
British Possessions ...	87	96	97	127	171

The Reaction against Free Trade. For thirty years after the repeal of the corn laws free-trade sentiment in England was altogether preponderant. Some of the interests which had stood longest by the protective principle never really underwent a change of heart, but their numbers and influence were not great. During the last two decades of the century, however, free trade—as a practical policy under existing conditions, if not as an economic theory—began to be called widely in question, and by the close of the period there were abundant indications of a considerable popular reaction toward protectionism. Subsequently, this reaction progressed until by 1914 the nation seemed to be permanently, and not very unevenly, divided upon the issue.

The reasons for the protectionist revival are diverse, and it is not to be supposed that the several which will be mentioned have appealed with equal force—or, indeed, that some of them have appealed at all—to any particular individual or group of individuals. First was the realisation, about 1885-90, that while the country's imports were increasing with much rapidity, its exports were growing but slowly, and were growing less rapidly than those of other countries. After 1900 this state of affairs no longer prevailed. But prior to that date it suggested to many Englishmen the question whether the nation's tariff policy did not involve an excessive emphasis upon ease of importation. More directly influential was the depression of agriculture during the last two decades of the century, involving a sharp decline in the prices of agricultural products, in rents, and in farmers' profits. As has been pointed out, the principal cause of depression was the ever-increasing competition of the newer agricultural sections of the

world;[1] and the chief remedy which presented itself to the agricultural interests was the imposition of tariff restrictions upon imports of foreign agricultural produce. Men who, without being themselves agriculturists, conceived of the domestic production of foodstuffs as a fundamental national concern, were inclined to sympathise with the agrarian view. Of similar effect was the decline, after 1880, of industrial and commercial profits, and to some who suffered therefrom it seemed that protection might afford a remedy by stimulating home industry. A still farther circumstance of some importance was the change which in recent decades has come over public opinion relative to the proper functions of the state and the natural scope of governmental activity. The habitual intervention of the state on behalf of various industrial classes and other elements of the population, by factory regulation, compulsory education, employers' liability legislation, and many other kinds of measures, has accustomed the public mind to social and economic regulation, and has had the effect of inclining the public more strongly toward a system of trade control by tariffs.

A final factor in the situation, and one of substantial influence, has been the solitariness of the position which Great Britain, as a free-trade country, is compelled to occupy. As has been said, the expectations of persons who fifty or sixty years ago believed that they stood at the threshold of an era of universal free trade have not been realised. On the contrary, France and Germany, after inclining for a time toward a free-trade policy, definitely faced about and for more than a generation have maintained rigidly protectionist systems. Most other European countries have extended and increased their tariffs, as has also the United States. Most noteworthy of all, the British self-governing colonies have very generally adhered to the policy of protecting their growing industries. So that Great Britain has found herself in an isolated position indeed, receiving free of duty almost all exports of rival countries while compelled to pay on goods sent to those countries duties ranging from ten to as high as one hundred and thirty per cent.

That the kingdom has suffered from this situation admits of no doubt. The question is simply whether the injury incurred outweighs the advantages which arise from adherence to the free-trade

[1] See pp. 157-159.

principle. A considerable portion of the political leaders and of the people at large have come to the conclusion that they do; hence the demand in recent decades for a reversal of the nation's fiscal policy. Among the many programs that have been propounded with a view to the partial revival of protectionism, two may be regarded as representing the principal lines of thought upon the subject. The first takes the form of a demand for "fair trade" and reciprocity. The nation, according to this plan, should adhere to free trade as an ideal, and, on the basis of reciprocity agreements, should maintain free trade as widely as possible in its dealings with other nations. Wherever unable to obtain reciprocal privileges, however, it should impose protective tariffs. Under this program the tariff becomes a weapon of retaliation, of a sort which, at the present time, the nation does not possess.

The Proposals of Mr. Chamberlain: Colonial Preference. The second proposal goes farther. It contemplates two fundamental innovations, namely, the erection of a tariff wall against the entire non-British world and the establishment of an Imperial customs-union, embracing the mother country and all of the colonies and dependencies, with a trade system specially devised for its own use. Suggestions of this tenor were heard somewhat before the South African war,[1] and when, in 1902, there was introduced, for revenue purposes, a registration duty of a shilling a quarter on imported corn,[2] the hope was widely shared that the tax might eventually be remitted on colonial corn only, thereby inaugurating a preferential system. The Colonial Secretary, Joseph Chamberlain, was one of those who advocated this course. In 1903 the tax was abolished altogether, but not until after there had appeared a considerable rift in the ruling Unionist party between the more rigid free-traders and the elements which desired to use the opportunities of a tariff, of however moderate character, to attain national and Imperial, and not merely fiscal, advantages In Chamberlain's mind the preferential idea took root deeply, and during the course of a visit, in 1903, to the recently pacified provinces of South Africa he became entirely convinced of its essential soundness.

[1] In 1898 Canada established a system of preferential duties in favour of the home country. The same thing was done by Cape Colony in 1903. On the operation of the Canadian system see Root, *Trade Relations of the British Empire*, Chap. II.

[2] The duty which had been abolished in 1869.

In a memorable speech to his constituents at Birmingham, delivered May 15, 1903, immediately after his return to England, the Secretary startled the nation by declaring unequivocally that the hour had come for Great Britain to abandon the free-trade doctrines of the Manchester School and to knit the Empire more closely together, and at the same time to promote the economic interests of both the colonies and the mother country, by the adoption of a system of preferential duties on imported foodstuffs. The nation, he urged, should withdraw its attention somewhat from education bills, licensing bills, and similar "parochial questions" and should learn to "think Imperially." More specifically, the proposal was two-fold. In the first place, there should be levied on imported foodstuffs a general tariff, the products of the colonies being given an advantage in rates over the products of foreign countries. "If you are to give a preference to the colonies," the House of Commons was assured, "you must put a tax on food." In the second place, British industries should be protected against the "unfair competition" of foreign industries by the imposition of duties on imported manufactures.[1] From these measures, it was contended, the rich would profit by the reductions of direct taxation made possible by the increase of revenue; while the poor, if they should be made to contribute more heavily to the state through indirect taxation—which, however, they were assured would not be the case—would derive proportionally large benefits through more steady employment, higher wages, and the old-age pensions and other social reforms to which the increase of revenues would lead. Further, it was insisted that British agriculture, long depressed, would profit from the protection accorded it, and that by adding to the political ties already subsisting between the colonies and the mother country new and powerful ties of an economic character, the security and perpetuity of the Empire would be effectually assured.

The Tariff Reform Movement. The scheme attracted wide attention. Many of the cleverest of the younger politicians and

[1] The rates advocated were: on corn and flour, 2s. per quarter; on meat and dairy produce, 5 per cent. *ad valorem;* on manufactured goods, an average of 10 per cent. Maize and bacon were to be excluded from taxation, the former because of its use by farmers as feed for stock, the latter because it forms an indispensable article of food of some of the poorest of the population. The new duties should be accompanied by the following remissions of duty: on tea, three-fourths of the duty (in 1903, 6d. per pound); on sugar, one-half of the duty; on coffee and cocoa, one-half of the duty.

journalists of the Unionist party declared for it, as did not a few of the economists of the first rank.[1] On July 21, 1903, there was instituted a Tariff Reform League, which began to flood the country with pamphlets, and later in the year Mr. Chamberlain retired from the ministry in order to be in a position to prosecute more effectively the campaign upon which he was now resolved. The cabinet was divided, even after four uncompromising free-trade members had withdrawn from it. The Prime Minister, Mr. Balfour, sought to assume middle ground by declaring himself "a reasonable free-trader" and laboured hard to avert the threatened disruption of his party. From October, 1903, to January, 1904, the ex-Colonial Secretary engaged in an exceptionally vigorous speaking campaign in defence of his project, and he succeeded in convincing large numbers of hearers in all sections of the country. At the beginning of 1904 the Tariff Reform League created a non-official Tariff Commission of fifty-two members, which was instructed to make an exhaustive study of all questions and conditions pertinent to the general problem under consideration. After more than five years of work, this commission submitted a series of detailed reports; and, while the entire enterprise was carried through by partisans of the cause, it has been generally conceded that the materials brought together, if not the conclusions reached, are trustworthy and useful. The commission's findings corroborated the arguments of the reformers, and its recommendations were in general harmony with Mr. Chamberlain's proposals.[2]

Meanwhile the injection of the issue into politics had been productive of important results. The Unionists, both in and out of Parliament, were sharply divided upon it, and Mr. Balfour's government was never in a position to give the subject a place in its official program. In this situation the Liberals—now fast recovering from a decade of powerlessness—found their opportunity. Almost unanimously opposed to the suggested departure, they assumed with avidity the rôle of defenders of England's "sacred principle of free trade" and pressed with telling effect their appeal to the working classes in behalf of cheap bread.

[1] Notably Professors William Cunningham, William Ashley, and W. A. S. Hewins. On the other hand Professors Alfred Marshall, Charles F. Bastable, William Smart, J. S. Nicholson, and E. C. K. Gonner, and Messrs. Leonard Courtney and A. L. Bowley (all teachers of political economy) signed a manifesto in opposition to the proposal.

[2] Under the chairmanship of Sir V. Caillard the Tariff Commission long continued to be an active body.

The tariff reformers denied that their proposal contemplated a general reversal of the economic policy of the nation, but in the judgment of most men the issue was joined squarely between free trade as a system and protection. The embarrassments of the government were increased by difficulties attending the administration of the Education Act of 1902, by popular dissatisfaction with the handling of the problem of Chinese labour in South Africa, and by discontent aroused by the failure to remit the bulk of the taxes imposed during the recent war. The result was that, in December, 1905, the Balfour ministry retired; and at the general election of the succeeding month the Liberal government of Mr. Campbell-Bannerman achieved a victory of overwhelming proportions. From 1905 until after the outbreak of war in 1914 the Liberals and their allies, the Irish Nationalists and the Labourites, were continuously in power, and there was no possibility that any kind of protectionist measures should, within official circles, receive favourable consideration. Throughout the country, however, the tariff reform propaganda went on, with Mr. Chamberlain (although in ill health from 1906) still, until his death in 1914, its chief inspirer and adviser. And its effectiveness was such that the mass of the adherents of Unionism were gradually won over and the proposals were fully incorporated in the program of the party.[1] Within the decade several notable victories were won at by-elections. In considerable measure the readjustments of taxation undertaken by the Liberals in the Finance Bill of 1909 comprised, and were intended to comprise, an alternative to tariff reform; and it was, in part at all events, on that account that those readjustments encountered the almost solid opposition of the protectionists. Throughout the heated controversies of 1909-11 the Liberals continually bracketed the maintenance of free trade with the absolute control of the House of Commons over finance. But the Unionists, with substantial unanimity, stood by protectionism and colonial

[1] In a speech at Edinburgh, January 24, 1913, Mr. Bonar Law, leader of the Unionist party, declared that the policy of tariff reform was now supported by the membership of the party with a unanimity which never before had existed. It is to be observed, however, that, through fear of the enmity of the poorer industrial classes, a large section of the party had weakened on the question of food taxes, and that in deference to a memorial on the subject presented to him by prominent party members Mr. Law promised on this occasion that, should the Unionists be returned to power, food duties would not be imposed until the people should have been consulted at a general election. The Tariff Reform League insisted that, while the party might postpone food duties, it must not abandon them.

preference. In 1914 the presumption still was that, if returned to power, the Unionists would incorporate in their first budget the fundamentals of their new—or, more accurately, their revived—faith. At all events, it was manifest that, far from having succeeded in the effort to convert their European neighbours to free trade, the English people had themselves become sharply divided upon the merits of the policy.

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CHAPTER XIII

FRENCH COMMERCIAL EXPANSION AND COMMERCIAL POLICY

Alternations of Tariff Policy, 1774-1830. Since the time when the Physiocrats began proclaiming the doctrines of economic liberalism the commercial policy of France, with respect to tariffs, has passed through four principal stages. The first extends from the accession of Louis XVI (1774) and the elevation of Turgot to the post of comptroller-general to the outbreak of the war with England in 1793; the second, from that date to the establishment of the Second Empire, in 1852; the third, from 1852 to about 1880; and the fourth is still in progress. In two of these periods, the first and third, tariff restrictions upon trade were much relaxed. In the other two, the second and fourth, the tendency was in the opposite direction. It will be observed that shifts of policy in the first three of the periods indicated were synchronous with similar developments in Great Britain, as marked by (1) the reforms of the earlier years of the ministry of Pitt, (2) the reversion toward extreme protection arising from the Napoleonic wars, and (3) the establishment of free trade, inaugurated by Huskisson and completed by Gladstone. Even the revival of protectionism in France since 1880 finds, in a measure, a counterpart in the tariff reform movement in England, associated principally with the name of Joseph Chamberlain.[1]

Concerning the first period it is not necessary to speak at length. The most that can be said of it is that, within the limited circles really affected by Physiocratic thought, free-trade sentiment was growing, and that at one juncture, namely, during the months covered by the ministry of Turgot, there was effort to transmute this sentiment into national policy. Turgot was appointed comptroller-general August 24, 1774. After suppressing or reducing a number of petty indirect taxes which interfered with the freedom of commerce and industry, he promulgated, Septem-

[1] Meredith, *Protection in France*, 2.

ber 13, 1774, a comprehensive edict sweeping away the entire mechanism of restriction—prohibitions on export, regulations of maximum price, and restraints upon internal traffic—which had grown up about the corn trade, and, in short, restored in the fullest degree the freedom of that important branch of commerce. All legal restraints upon the internal trade in wines, furthermore, were abolished shortly after. In these acts the minister had the support of the *philosophes,* and for a time of his royal master. Failure of crops in 1774, however, aggravated the confusion which had been brought upon the grain and wine trades, and under the circumstances the animosity of influential persons who were interested in speculation in agricultural produce proved irresistible. On May 12, 1786, Turgot was forced from office, and thereafter most of his measures were revoked, although some earlier trade restrictions were not reimposed and free trade principles continued to command a certain following. In 1786 it became possible to conclude a commercial treaty with England involving a real breach in the French restrictive system.

As has been pointed out, the first effect of the Revolution was to liberalise the conditions of trade. At the hands of the National Assembly this result was attained in two principal ways: first, by the abolition, in 1790, of the entire accumulated mass of provincial tariffs and local trade restrictions, giving the country for the first time substantial economic unity, and second, by the establishment, in 1791, of a uniform and moderate tariff against foreign nations. In 1792, however, war broke out, and thereafter tariff rates were pushed upwards rapidly. From 1793 to 1814 the country's trade policy was dictated entirely by hostility to Great Britain. It culminated in Napoleon's continental system and in an almost universal interdiction of importation which, nominally at least, was still operative at the time of Napoleon's fall. The circumstances under which this prohibitive policy was applied have been noted.[1] An effect of fundamental importance remains to be observed, namely, the fastening upon France of a rigidly protectionist system which was finally relaxed only after the middle of the nineteenth century. The tariff policies of the period 1793-1814, combined with the general circumstances of the war, brought into existence in France a small but influential class of iron-masters and textile manufacturers who, at the restoration of peace, were

[1] See p. 98.

determined to avert the threatened invasion of British goods and to keep for themselves the substantial monopoly of the French market which they had acquired. The restored Bourbon government was inclined somewhat strongly to a policy of free and open competition. But the demands made upon it by the vested interests proved irresistible. These demands, furthermore, arose not alone from the producers of those commodities whose importation had been taxed during the war. Producers of other kinds of commodities clamoured equally for protection. The consequence was that high tariffs were retained or adopted all round, and "a system designed to ruin England in time of war was extended to all other countries in time of peace."[1] An ad valorem duty of 50 per cent. on iron, laid in 1814, and increased in 1822 to 120 per cent., was designed to afford protection against both the "charcoal" iron of Russia and Sweden and the "coal" iron of England. A corn law of 1814 differed widely in character from the English corn law of the following year, but was dictated by the same purpose to protect agricultural interests.[2] Duties on general imports were raised in 1818, again in 1822, and yet again in 1826, when the protective system was made so thorough as to give evidence of a settled purpose to render the nation practically self-sufficing. Designed originally in the interest mainly of manufacturers, the system had been extended until it served the interests of agriculture fully as well.[3] Throughout the Bourbon period the government found itself continually obliged to hold a balance between the elements which favoured commercial liberty and those which demanded protection, and it was driven many times to the acceptance of protectionist measures of which it did not really approve. Almost the only liberalising achievements of the period were the commercial treaties of 1822 and 1826 with the United States and Great Britain, respectively, admitting the shipping of these countries to equal rights with that of France. A commission of inquiry in 1828 pointed out the need of preventing the aid given

[1] Meredith, *Protection in France*, 4.

[2] The country was divided into three zones and export was permitted when the prices in the three had fallen to 23, 21, and 19 francs per hectolitre respectively. In 1816 there was laid a small import duty, which in 1819 and 1822 was much increased.

[3] It will occur to the reader that the tariff history of France in the period 1815-30 presents an interesting parallel to that of the United States. The policy of protection was revived and extended in the one country under pressure from newer industries much as it was freshly instituted in the other

one industry from proving injurious to another industry, but recommended the continuance of "reasonable" protection.[1]

Trade in the Orleanist Period. The Orleanist monarchy (1830-48) was distinctly a middle-class government, supported by the industrial interests and the landholders, and under it no change of commercial policy took place, other than in matters of unimportant detail. It is to be observed, however, that in the later portion of the period there set in that shift in public opinion which under the Second Empire resulted in a general relaxation of the protective system. Prior to 1830 the industrial and commercial advancement of the country was not rapid. By her restrictions on the importation of machinery and other commodities France denied herself the means of participating in the progress of manufactures then so notably proceeding in England; while her foreign trade was kept at a level so low that in 1829 she received fewer goods from the British Isles than did Spain, Turkey, or Chile. In the period 1830-48, however, despite the fact that its economic policy continued unchanged, the country had so far recovered from the Napoleonic wars and gathered strength that it was able to make rapid strides alike in industry, agriculture, and commerce. Facts relating to the industrial and agricultural advance have been cited.[2] In the matter of commerce it may be noted simply that between 1831 and 1847 importations of merchandise of all kinds for home consumption rose in value from 375,000,000 francs to 951,000,000 francs, while exports of domestic produce were increased from 455,000,000 francs to 720,000,000 francs. Such was the general progress of the country that it began to be urged that the policy of extreme protection was no longer necessary. This view was taken especially by the merchants of Paris and of Bordeaux and other seaports, and it was concurred in by other scattered but important elements, including the wine-growers and the agriculturists of the Gironde.[3]

In Frédéric Bastiat (1801-50), an experienced farmer and a life-long student of taxation and other economic questions, the movement found an able leader. Becoming acquainted with the work of the Anti-Corn-Law League in England, Bastiat resolved, about 1843 or 1844, to inaugurate a similar free-trade campaign

[1] Levasseur, *Histoire des classes ouvrières et de l'industrie en France*, I, 591.
[2] See pp. 192-193, 214-218.
[3] Noël, *Histoire du commerce extérieur de la France*, 83.

in France. He began in 1844 by publishing in the *Journal des Économistes* (founded in 1841) free-trade articles which attracted wide attention,[1] and in 1845 he published at Paris an able book entitled *Cobden et la Ligue, ou l'agitation anglaise pour la liberté des échanges.* During a visit to England he formed the acquaintance of Cobden, Bright, and other free-trade leaders, and, returning to his own country, he assisted in establishing at Bordeaux, in 1846, the *Association pour la Liberté des Échanges,* the earliest French free-trade society. Through branch societies, and through the Association's organ, *Le Libre Échange,* all parts of the country and all classes of the people were reached. On their part, the manufacturers, supported by the bulk of the agriculturists, formed a counter-association and placed their views before the nation through the columns of a paper established for the purpose, *Le Moniteur Industriel.* Although the forces in favour of free trade were weaker and those opposed to it were much stronger in France than in England, the movement at one time gave promise of success. Near the close of 1847 a bill of somewhat thoroughgoing character was prepared, proposing to abolish the prohibition upon the importation of seventeen kinds of goods and to place 113 articles on the free list absolutely and 185 others on the free list on condition, in most instances, of their being brought into the country in French vessels. The measure, however, was powerfully opposed; and in February, 1848, its consideration was abruptly and permanently terminated by the fall of Louis Philippe and the overthrow of the existing governmental system.[2]

Tariff Reductions under the Second Empire. The relaxation of the prevailing extreme protectionism was, however, only postponed. The brief career of the Second Republic (1848-52) brought no change; although resolutions introduced in the Legislative Assembly by Saint-Beuve in December, 1850, proposing the

[1] Certain of these articles collected under the title *Sophismes Économiques* have been designated "the completest and most effective, the wisest and the wittiest, exposure of protectionism in its principles, reasonings, and consequences which exists." Encyc. Brit., 11th ed., III, 501. Bastiat's most immediate service consisted in demonstrating that the principle of free trade was applicable to French agriculture, industry, and trade in his day. At the time of the Revolution of 1848 he became an equally keen and influential critic of socialism.

[2] For a brief account of Bastiat's work see L. H. Haney, *History of Economic Thought* (New York, 1911), 251-261. For his criticism of protectionism see C. J. Bullock, *Selected Readings in Economics* (Boston, 1907), 489-513. Cf. Von Leesen, *Frédéric Bastiat* (Munich, 1904).

abandonment of all prohibitions, the abolition of the protective duties on foodstuffs and raw materials, the establishment of maximum duties of from ten to twenty per cent. on all manufactured goods, and the making up of the deficit in revenue by the imposition of an income tax, were debated zealously in 1851 and supported by the votes of one-third of the Assembly's members, showing that the free-trade party in the country had lost none of its strength. Led by Thiers, the protectionist opposition prevailed. But a decade of agitation had prepared the public mind for a decisive step; the return of prosperity following the troubled events of the revolutionary period emphasised afresh the needlessness of many of the prevailing restrictions; and in the Emperor Napoleon III, a close student of English affairs and an admirer of Peel, the free-trade movement found a determined, if not always consistent, champion.

From the outset the government of the Second Empire was convinced that the existing tariff system was bad, and was bent upon modifying it, especially by reducing the prohibitions upon importation and lowering the rates on foodstuffs and the raw materials of manufacture. As the law stood, there were four possible methods of bringing about changes of the kind contemplated: (1) the enactment of bills by the Legislative Chambers; (2) suspension, by executive order, and subject to subsequent ratification by the Chambers, of the duties on foodstuffs and raw materials, under authorisation of a law of 1814; (3) remission by executive order, independently, of duties on goods intended to be still further worked up in France, under authorisation of a law of 1846; and (4) alteration of the tariff through treaties with foreign states, requiring no action by the Chambers, as authorised by a clause of the Imperial constitution of 1852. During the first eight years of its existence the Imperial government employed principally the second of these courses of procedure. Between 1853 and 1855 the rates on cotton, wool, coal, iron, meat, wines, and other commodities were reduced; and, in 1856 chiefly, the decrees received the sanction of the Chambers. At the same time (1856), the Chambers rejected a bill stipulating a general repeal of prohibitions, and in 1859 the sliding scale of duties on grain, suspended in 1853, was revived. The breaches effected in the protective system were, however, considerable, and it was mainly as a result of them that the total commerce of the country in the decade 1850-59 was

more than doubled, while the volume of trade with England was quintupled.

The Cobden Treaty, 1860. In 1860 resort was had to the fourth of the methods above mentioned, i.e., tariff alteration by treaty. At the close of 1859 Napoleon III found himself in a position which, in its international aspects, was one of considerable difficulty. The participation of France in the war of 1859 as an ally of the Italians had made of Austria an open enemy; at the same time, the abrupt withdrawal after the battle of Solferino had alienated Italian sympathies; while the acquisition of Savoy and Nice had alarmed all Europe, and especially England. France, in short, was isolated and under suspicion. To prove his pacific intentions and to regain some measure of the good will that had been lost, the Emperor determined to seek a commercial treaty with England. Preliminary negotiations were conducted on the side of France by Michael Chevalier and the economist Cherbuliez and on that of England by Cobden and Gladstone; and on January 23, 1860, the completed instrument was signed and put in operation. The negotiations were surrounded with unusual secrecy, for while there could be no question of the power of the Emperor to proceed independently in the matter, the protectionist element could be depended upon to jeopardize his program in every conceivable manner. When the nation was apprised of what had been done there was sharp division of opinion. The economists approved, as did the wine-growers and some other substantial groups. But the manufacturers, especially the iron-masters and the cotton-spinners, were indignant, and the hostility thus aroused became one of the rapidly accumulating factors in the decline in popularity of the Emperor, and of the Empire itself, after 1860. We have the word of Cobden for it that nine of every ten Frenchmen were opposed to the Emperor's reform. This is probably an extravagant estimate, but the fact remains that the innovation was thrust upon the nation entirely in accordance with prevailing absolutist principle.

The treaty, which by its terms was to last ten years,[1] contained little more than a broad statement of policies to be instituted. Save in respect to coal and iron, the determination of rates, in de-

[1] Unless, however, one year's notice of termination should be given by one of the parties, it was to be operative through an additional five-year period.

tail, was left to subsequent negotiations. Each country guaranteed "most-favoured-nation" treatment of the other, and it was stipulated that each should be free to extend similar reductions to other states. The British government undertook to recommend to Parliament certain abolitions and diminutions, which, in point of fact, were incorporated in Gladstone's budget of 1860 and carried into effect. The French government engaged to discontinue all prohibitions and to levy in their stead duties not exceeding thirty per cent. ad valorem until 1864 and thereafter twenty-four per cent. On the side of Great Britain the treaty was of substantial importance. At the least, it supplied the immediate occasion for adding to the free-trade system the finishing touches. On the side of France it was of far greater moment, for it comprised the one great stroke whereby the backbone of protectionism in that country was broken. Starting from it, the legislation, executive decrees, and diplomatic engagements of the ensuing decade brought the Empire into the position of a low-tariff, if not a free-trade, nation. In 1860-66 "most-favoured-nation" treaties were concluded successively with Belgium, the Zollverein (Germany), Italy, Switzerland, Sweden and Norway, Holland, Spain, Austria, and Portugal. And all of these countries made sharp reductions of duty on French products, France agreeing to admit their products at the low rates of the British treaty tariff.[1] In this way the treaty of 1860 became a veritable turning-point in the commercial history of Europe. Its direct or indirect effects were felt by the trade of all western nations.

Trade Expansion, 1860-69. To what extent the remarkable economic progress of France during the decade 1860-69 is attributable to the new tariff policy was a matter of disagreement at the time and is perhaps no less so at the present day. Most students of the subject regard the effect of the liberation of trade as immediate and powerful.[2] At all events, expansion was rapid. In 1861 the value of imports for home consumption was 2,442,500,000 francs; in 1869 it was 2,867,500,000 francs. Between the same dates the value of exports of domestic produce increased from 1,927,500,000 francs to 2,822,500,000 francs. In 1860 the merchant

[1] It may be added that in 1866 the special favours formerly extended to French shipping were abolished, save that foreign vessels continued to be excluded from the coasting trade.

[2] Ashley, *Modern Tariff History*, 368; Day, *History of Commerce* (rev. ed., 1922), 425.

shipping of France was 996,000 tons; in 1870, 1,072,000 tons. The raw materials of industry were imported in rapidly increasing quantities, the amount of wool and silk brought in being doubled, while, despite the cessation of supply incident to the American Civil War, the average annual consumption of raw cotton was increased from 171,600,000 pounds in 1857-59 to 198,000,000 pounds in 1887-89. Agriculture flourished, and the one aspect of the economic and social situation which gave reason for apprehension was the continuing low rate of the increase of population.

Notwithstanding these facts, the elements which had opposed the treaty of 1860 never really acquiesced in the new commercial policy. By 1868 the growing unpopularity of the Emperor's government, the unsettled state of trade incident to recent wars in both Europe and America, and the approach of the time when the continuance of the treaty would be optional with the country, combined to stir the protectionist forces to renewed activity. A year or more of agitation ensued, culminating in 1870 in the appointment of two government commissions to institute a comprehensive inquiry into the effects of the British treaty and the desirability of the continuance of the system of trade which was contemplated in it. The investigation, however, was barely begun when it was brought abruptly to a close by the outbreak of the war with Prussia.

The Protectionist Revival: Legislation of 1881-85. The war of 1870-71 and the establishment of the Third Republic halted, but only for a time, the protectionist revival. By 1875 the movement had taken on the character of a nation-wide reaction, and within a decade thereafter the country swung back definitely to protectionism. The circumstances which produced this turn of events were, in the main, two—the expiration of the commercial treaties and the depression of agriculture. The treaties had been concluded for ten-year periods, with provisions for optional extensions. In anticipation of the expiration, one by one, of these engagements, there was under discussion almost continuously the desirability and the terms of their renewal, and by this circumstance the protectionists were afforded every opportunity to keep their views before the public. The British treaty was denounced in 1872, and although actually renewed in the same year and several times thereafter, in 1882 it was finally abandoned. Under

varying conditions, most of the treaties, while renewed for a time, were eventually given up.

The most fundamental factor in the overthrow of the liberal system was the depression which in the period 1875-80 succeeded the economic expansion of the preceding decade. As has been observed, depression was at the time general throughout western Europe, affecting both industry and agriculture. In France it was agriculture that was touched most seriously, for to the fast increasing competition of foreign foodstuffs, resulting in diminished prices, was added the destruction wrought in the vineyards by the phylloxera. The agriculturists, and especially the wine-growers, who hitherto had been indifferent, rapidly embraced protectionism, and the *Société des Agriculteurs de France* became the active ally of the already existing *Association de l'Industrie Française pour la Défence du Travail national.* By 1878 the government was committed to a plan, broached three or four years earlier, to give France a new tariff system which should be uniform in respect to all countries, save in so far as it might be modified by treaty arrangement. And after a prolonged contest a comprehensive measure instituting such a system was enacted in 1881.

The new law made a general substitution of specific for ad valorem duties and raised the level of duties on imported manufactures by an average of twenty-four per cent. It was intended, however, as a fresh basis for the negotiation of commercial treaties, and in the long series of conventions concluded in accordance with its provisions, mainly in 1881 and 1882, were incorporated reciprocal concessions which involved considerable reductions of rates upon goods coming from countries with which the agreements were established. While, therefore, the act of 1881 marked a triumph of the protectionists, its effectiveness was by no means such as had been desired. With respect to manufactures, the new treaties left little room for change during the ensuing ten years. With respect to agriculture it was otherwise, for despite the efforts of the agriculturists to procure the incorporation of protective provisions applicable to their interests, the law of 1881 left agriculture almost entirely out of account. The upshot was that during the decade 1881-90 the protectionist movement in France centered about the demands of the agriculturists, who were now well united in the cause of high tariffs and ably seconded by many of the manufacturers. In 1882 the number of persons supported by agriculture

was over eighteen millions, as against about nine millions supported by industry and four millions supported by trade; so that the demand which arose was one which could not be ignored. The issue was really settled by the elections of 1885, which were contested almost entirely upon the question of agricultural protection. The protectionists were very successful, and without delay legislation was enacted laying or increasing duties on wheat, barley, oats, cattle, meats, and other agricultural products. By 1890 agriculture was protected at almost every point, although as yet but moderately.[1]

The Tariff Law of 1892. At the opening of the decade 1890-99 the tide of protectionist sentiment was running stronger than at any earlier time. The elections of 1889, fought principally on the tariff issue, resulted in another complete triumph for the protectionists, giving promise of fresh and yet more radical tariff legislation. Pending the expiration of the treaties, mainly in 1892, action was perforce delayed. But there had grown up a strong feeling, cherished by agriculturists and manufacturers alike, that the treaties ought not to be renewed on their present terms; and at their expiration they were allowed to lapse. Meanwhile, in October, 1890, there was presented for the consideration of the Chamber of Deputies a comprehensive tariff measure prepared by two councils of commerce and industry, under the direction of the government. This bill was debated through many months. The opposition, although ably led by the economist Léon Say, was powerless; but the protectionists were not in agreement among themselves, and time was consumed in the consideration of amendments proposed both by the Chamber's standing commission on customs and by the Senate. As finally passed, the bill became a law in January, 1892.

The new law adopted the plan of maximum and minimum scales of duties, the former to be applied to the goods of all countries which in their tariff systems discriminated in any way against French products, the latter to be applied to imports from countries which did not so discriminate; the arrangement being designed to facilitate the negotiation of a new series of commercial treaties. Originally it was asserted that the intent of the minimum scale was not protection but simply the placing of French producers in

[1] A notable aspect of the period 1886-90 was the tariff war of France and Italy. See Ashley, *Modern Tariff History*, 394-399

a position to compete with foreign producers on even terms. In the course of the debates the rates, however, were pushed upward, and the minimum as well as the maximum scale became distinctly protective. Speaking broadly, one may say that the law of 1892 did two things: it completed the structure of agricultural protection which had been in process of erection since about 1882, and it entirely reconstructed the protection of manufactures along lines hitherto impossible under the treaties. The new schedules dealt with 721 commodities or groups of commodities and were much more detailed and comprehensive than those of any other continental tariff of the time. The minimum rates on manufactures, especially textiles, were distinctly higher than those of the conventional tariff established in the same year for Germany by the Caprivi treaties; while the products of agriculture, being exempted almost wholly from the operation of the minimum principle, were given a measure of protection scarcely equalled in any European state.

The Tariff Law of 1910. In the case of most of the European countries France was able to enter into agreements giving them, without limit of time, the advantage of her minimum rates and securing their lowest rates in return, although an unhappy aspect of the readjustment was a tariff war with Switzerland lasting from 1892 to 1895. By 1898 the only portion of Europe whose products were subjected to the French maximum rates was Portugal, and the advantages of the minimum rates had been extended to Japan, Canada, and most of the countries of Latin America. With certain modifications, conceived mainly in the interest of agriculture, the law of 1892 continued in operation eighteen years, or until 1910. There was, of course, at all times some dissatisfaction, and after the opening of the present century the demand for revision steadily grew. One argument was supplied by the introduction in the markets of automobiles, typewriters, and scores of other articles unknown to the existing schedules. Another arose from the changes which were made in 1903 and succeeding years in the tariff systems of other European states.

But the principal source of complaint was the failure of the law of 1892 to work out as its authors had intended and expected. The assumption had been that the maximum rates would be the rule and the minimum rates the exception. The situation which arose, however, was of quite the contrary sort, the minimum

rates being applied, as has been stated, to all European countries save Portugal. It was discovered, further, that the difference between the maximum and minimum rates—an average of about fifteen per cent.—was not sufficient to render a threat to impose the higher scale of much effect in commercial conflicts. The agricultural interests had obtained practically everything that they had asked and were highly prosperous. The manufacturers, however, were doing only moderately well, and it was they who now began to press most vigorously for "tariff reform." In no influential quarter was there desire to discontinue the existing system in its essential principles. France had become thoroughly protectionist. The demand was rather for two things, principally: (1) the increase of both the minimum and maximum scales of rates and (2) the introduction of a wider interval between the two.

In the summer of 1906 the Customs Commission of the Chamber of Deputies [1] undertook a comprehensive inquiry, and toward the close of 1908 it brought in an extensive report, accompanied by the draft of a new tariff law. The tone of the report was extravagantly protectionist, and the bill was devised plainly to meet the demands of the manufacturers. Minimum rates were very generally increased; the difference between the maximum and minimum scales was raised to an average of fifty per cent.; and many new articles were taxed. Agricultural products were left substantially untouched, and the free admission of raw materials was continued. With some of its proposed rates lowered, the measure passed the two houses of Parliament in the early weeks of 1910 and on April 1 went into operation. Simply substituting as it did one set of rate schedules for another, the law made no change in the existing commercial relations between France and other countries. Its enactment, however, prompted the negotiation of agreements whereby the United States obtained the advantage of the new minimum rates on a large number of commodities.

The Country's Commercial Status. The position of France in modern commerce is unique. In the first place, the republic is so rich in agricultural resources and its people are so largely engaged in agriculture that it is much less dependent upon trade than is Germany or England. In the second place, the character of its industries determines that the country's commerce shall be very

[1] The Commission then contained seventeen members. M. Klotz was president and M. Jean Morel secretary.

different from that of most of its great neighbours. The products which France has to export consist chiefly of silks, laces, wines, delicacies—in brief, objects of art, luxury, and fashion; while the articles which she is obliged to import comprise mainly machinery, coarser fabrics, coal, iron—products, in general, of mines and large-scale manufacture.[1] In both Germany and England the situation is precisely the opposite. Because, therefore, of predilection for the production of "quality" goods, as well as by reason of her rigidly protectionist policy, France cannot hope to take front rank among the trading nations of the world. Her commercial position has been respectable, but not commanding. The volume and value of her trade are enhanced by her dealings with her extensive colonial possessions, notably Algeria; yet the cost of the colonies has outweighed the commercial advantages accruing from them.[2] And the system of bounties on ship-building and navigation, instituted in 1881 with a view to developing the mercantile marine, yielded no result down to the Great War beyond keeping the French merchant fleet stationary while rival fleets were steadily advancing.[3]

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[1] Day, *History of Commerce* (rev. ed., 1922), 429. On the effects of the post-war settlements see pp. 663-668.

[2] On the system of colonial tariffs see Ashley, *Modern Tariff History,* 417-419; Reinsch, *Colonial Administration,* Chap. V.

[3] Ashley, 419-424; Meeker, *History of Shipping Subsidies,* 43-83.

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CHAPTER XIV

GERMAN COMMERCIAL EXPANSION AND COMMERCIAL POLICY

Tariffs in the Early Nineteenth Century. In turning from France to Germany we approach another great country of which it must be said that its traditions have been so completely restrictionist that when freedom of commercial intercourse has prevailed such liberty has represented merely a lapse from custom rather than a settled policy. In Prussia freedom of trade, on a treaty basis, was not unknown in the best days of Frederick the Great. At the opening of the nineteenth century, however, neither Prussia nor any other important German state was pursuing a commercial policy which can be considered, even for the times, liberal. On the contrary, all maintained protective laws in the interest of both agriculture and industry and applicable to not only the products of purely foreign states but those of each of the two or three hundred large and small German states as well. Nor was this all; for some of the larger kingdoms and duchies were themselves broken into several distinct customs areas, each with its own tariff walls. Thus there were in operation in Prussia in 1800 more than sixty different tariffs, covering almost three thousand articles of trade, and ranging all the way from the extreme protectionism of the oldest provinces to the low-tariff arrangements of certain of the newer provinces in the east. The multiplicity of tariff barriers prevented normal trade expansion and imposed an enormous burden of administration; at the same time, by all testimony, it was productive of a great amount of petty smuggling.

The consolidations which took place in Germany in the Napoleonic period bettered the situation somewhat. Nevertheless, in 1815 there remained thirty-eight states (after 1817 thirty-nine), each with its complicated external tariffs, and many with internal tariffs as well. In Prussia both Stein and Hardenberg had been theoretically favourable to free trade, and by a law of October 28,

1810, some customs simplifications and reductions had been effected. The reconstitution of the kingdom in 1814-15, however, involved the incorporation of many new or recovered territories to which the measure of 1810 did not apply, and the situation which resulted was almost as confused as before. Impelled by the spirit of the earlier reformers, the government of Frederick William III gave the subject prompt and intelligent attention. At the opening of 1817 the finance minister, Count von Bülow, prepared a comprehensive plan for the readjustment of both customs and excises; and, after the introduction of some modifications, the measure thus originated became law under date of May 26, 1818, and went into effect January 1, 1819. The purpose of the reform was in part administrative, in part commercial, in part financial, and in part political, in that the law was expected at the same time to simplify the collection of duties and break up smuggling, to render possible the easier flow of trade, to produce increased revenue, and to bind the provinces in a more compact union. By the terms of the measure all internal customs barriers were abolished and the country was for the first time made a fiscal unit; the importation of raw materials was made free; a duty averaging ten per cent. was imposed on imported manufactures, the rates being (until 1822) somewhat higher in the eastern provinces than in the western ones; and all prohibitions upon importation were abolished, except in respect to salt and playing-cards, which were government monopolies. Altogether, the system provided for was more liberal than that prevailing at the time in any other continental country. Even in England, in 1826, Huskisson expressed the hope that the time would come when his country "would follow Prussia's example."

Rise of the Zollverein. The next important development in German tariff history was the building up, under Prussian leadership, of the Zollverein, or customs union. The policy which Prussia first adopted toward her German neighbours, after 1818, was that of enforced commercial assimilation, and many of the small states in the north (among them being several "enclaves," i.e., areas entirely surrounded by Prussian territory [1]) were compelled to accept arrangements under which trade between them and Prussia was made free, while Prussia administered the common customs system

[1] E.g., Lippe, Saxe-Weimar, Schwarzburg-Rudolstadt, and Schwarzburg-Sondershausen.

upon a *pro rata* basis. Not unnaturally, this policy aroused apprehension among the larger states of the center and south, and after a prolonged period of fruitless negotiations certain of these states drew together into two unions, both designed primarily to counteract the influence of the union which had been built up under Prussian auspices. One of these affiliations, in the south, consisted of Bavaria and Württemberg and took form in 1825; the other was composed of Saxony, Hanover, Brunswick, Hamburg, and Bremen, and was organised in 1828. By irresistible tendencies (chiefly those of self-interest), however, the members of these two groups were drawn toward, and eventually into, the Prussian union; the process being facilitated by Prussia's discontinuance of the policy of enforced absorption and her introduction of the principle of voluntary coöperation. As early as 1825 agreements were effected whereby Hesse-Darmstadt became a member of the Zollverein. In 1831 Hesse-Cassel joined. In 1833, following prolonged negotiations, Bavaria and Württemberg came in and the southern union was abandoned. Saxony forthwith followed, accompanied by the Thuringian states. By the opening of 1834 the Zollverein included seventeen states, with a population of some twenty-three millions and an area comprising at least two-thirds of the territory from which the German Empire was eventually to be formed. In the treaties upon which the union rested it was stipulated that policies should be determined by a conference of delegates of the affiliated states meeting annually; that any change should require unanimous approval; and that, while a common tariff should be enforced against all states outside of the union and no duties should be laid on goods carried from the territories of one member into those of another, each state should retain its own commercial code and its own monopolies; and, finally, that the proceeds of the common customs should be divided among the various states in proportion to population. After 1833 the territorial expansion of the union continued, although more slowly. Baden, Nassau, and Hesse-Homburg joined in 1835, Frankfort in 1836, Waldeck in 1838, and Brunswick, Lippe-Detmold, and Luxemburg[1] in 1842. Hanover held out until 1851 and Oldenburg until 1852. By the last-mentioned year the whole of Germany was included except Austria, the Mecklenburgs, and Hamburg, Bremen, and Lübeck.

[1] Although in dynastic union with Holland, Luxemburg was a member of the Germanic Confederation.

At twelve-year intervals, i.e., in 1841, 1853, and 1865, the terms upon which the union rested were formally renewed.

The Mid-Century Era of Protectionism. In the main, the tariff of the Zollverein was the Prussian tariff of 1818 and comprised, therefore, moderate duties on manufactures, with freedom of import for raw materials and some manufactured articles required in industry. For a time there was division of sentiment concerning the policy to be pursued; Prussia, in general, advocating liberalism, the southern states mildly urging more protection. And until about 1840 increases of duties were few and unimportant. After that date, however, the situation changed. This was the period in which the tenets of protection found scientific and influential expression in the writings of the economist Friedrich List, whose most notable book on the subject, *Das nationale System der politischen Oekonomie* ("The National System of Political Economy"), was published in 1841. The doctrine which List propounded was that economic laws are relative to stages of economic advancement, so that the question whether free trade or protection is preferable for a country must be decided in accordance with that country's economic position. With the aid of protective tariffs England, it was contended, had passed successfully from the status of a purely agricultural country to a higher stage of combined agriculture and industry. She had arrived at the point where protection could safely be dispensed with. In Germany, however, this transition remained to be made, and until it should be fully achieved the country must continue on a protective basis. Protection alone, it was insisted, would enable the German states to attain a higher economic position in the teeth of the overwhelming industrial supremacy of England.[1] This was a course of reasoning of which the newer industrial elements, especially the iron and cotton manufacturers, were glad to avail themselves. It made wide appeal and powerfully reinforced the protectionist sentiment already preponderant in the southern states. And it was in the discussion of the validity of this argument, and especially of the applications of the argument to the iron and textile industries, that Germany became involved, during the decade 1840-49, in her first

[1] On List and the national system of political economy see C. J. Bullock, *Selected Readings in Economics* (Boston, 1907), 472-489; C. Gide and C. Rist, *History of Economic Doctrines from the Time of the Physiocrats to the Present Day* (Boston, 1915), 264-290; M. E. Hirst, *Life of Friedrich List* (London, 1909).

great domestic controversy over trade policy. For a time the protectionists had the upper hand, and by measures of 1843, 1844, and 1846 rates upon imports were pushed steadily upward.

The Free-Trade Movement. Soon after the middle of the century, however, the protectionist wave began slowly to recede, and the ensuing twenty-five years became the most notable era of low tariffs in modern German history. The adoption of free trade by England was not without influence. But the fundamental factor in the situation was the growing ascendency, economic as well as political, of Prussia. The protectionist measures of the preceding decade had been concessions to the southern states, designed mainly to prevent their possible withdrawal from the Zollverein. And from 1850 onwards the Prussian authorities sought systematically to manipulate both foreign relations and the internal affairs of the Zollverein in the interest of free trade. In 1851 and 1852 the two low-tariff states of Hanover and Oldenburg were added to the Union's membership. In 1853 a prolonged series of negotiations with protectionist Austria resulted in a treaty whereby, while the southern empire did not enter the Zollverein, goods passing between Prussia or her allies and Austria or her dependencies were relieved, wholly or in part, of duty. And in the same year the Zollverein was renewed for another twelve-year period upon terms practically dictated at Berlin. In 1856 duties on grain were further reduced.

The full triumph of the Prussian liberalising policy was realised in the decade 1860-69. One circumstance which contributed to it was the establishment, in 1858, of the German Economic Congress, an association of economists and leaders of the Liberal party which through its yearly meetings and its publications was able to influence public opinion decisively in behalf of free trade. A second contributing circumstance was the negotiation by Prussia, in 1862, of a comprehensive treaty with France, closely resembling in principle the Cobden treaty of 1860 between France and England, followed by the bringing of this treaty into operation throughout the entire area of the Zollverein in 1865. A third circumstance was the defeat of Austria by Prussia in 1866 and the establishment, in 1867, of the North German Confederation. From first to last the free-trade movement was curiously intertwined with national politics, and especially with the rivalry of Prussia and Austria for German leadership. Prussia consistently sought, in indirect

ways, to prevent Austria from becoming a member of the Zollverein, fearing that were she to do so she might gain economic ascendency or political ascendency, or both. And the Prussian insistence upon a distinctly low-tariff basis for the Zollverein was dictated in some degree by the hope that the highly protectionist southern rival would never be able to accept the Union's terms of admission. In its original form the Zollverein, renewed in 1865 for the third time, disappeared in 1866. By a treaty of 1867 between the North German Confederation and the south German states (Bavaria, Baden, Württemberg, and Hesse), however, a new Customs Union was erected, and upon principles highly favourable to free trade. All of the German states except Hamburg and Bremen were included; and it was arranged that changes in the tariff schedules, instead of requiring the assent of every state in the Union, might be made by majority vote in a Zollbundesrath, or Customs Union Council, consisting of fifty-eight members. Already in 1865 there had been a sharp downward revision of the Zollverein tariff, and after 1867 the process of liberation was resumed. A new treaty with Austria, in 1868, reduced duties on iron, steel, drugs, and numerous other commodities, and within the same year these reductions were made applicable to the trade of all countries. In 1870 there were still further reductions.

Customs Arrangements under the Imperial Constitution. At the founding of the Empire, in 1871, therefore, tariffs were low and the free-trade movement was in the ascendant.[1] And no important tariff changes were brought about immediately by this event, save in methods of administration. The Customs Union was now merged in the Empire and the Customs Union Council disappeared. Under the terms of the Imperial constitution, Germany formed "one customs and commercial territory," having a common frontier for the collection of duties; although it was stipulated that the Hansa cities, Bremen and Hamburg, should remain free ports outside of the common customs frontier until they should request admission.[2] The Empire, it was further provided, should have "the exclusive power to legislate concerning everything relating to the customs." On the other hand, the collection of customs duties, as well as of excises, was left to the states, "so far as these functions have heretofore been exercised by each state,"

[1] Day, *History of Commerce* (rev. ed., 1922), 405.
[2] Both were admitted in October, 1888.

with an arrangement for supervision by officers appointed by the Emperor. And after the deduction of the costs of collection and of protection of the frontiers, the proceeds were required to be turned over to the treasury of the Empire.[1] To the Great War, the customs duties were the most important single source of Imperial revenue, their yield constituting in 1914 about one-half of the total income. After 1879, however, a share of the proceeds was retained by the states. In the Imperial constitution it was stipulated that so long as Imperial taxes were not introduced, the several states should contribute according to population to the making up of any deficit with which the Empire was confronted. These contributions were known as *Matrikularbeiträge*. In 1879, as will be explained presently, there was enacted a high protective tariff, and the authors of the measure, desiring to prevent the contributions from being rendered unnecessary by the increased income from the customs duties, carried the so-called *clausula Frankenstein,* or Frankenstein Clause, which provided that at the close of each year all proceeds from the customs and the tobacco tax in excess of 130,000,000 marks should be distributed among the several states in proportion to population.[2] After 1871 the movement for the liberation of trade went on substantially as before. In 1873, at the demand of the agricultural elements, which desired cheap machinery, the iron duties were lowered, and in 1877 they disappeared entirely. Other taxes went a similar course. By 1875 the Empire's tariff had altogether lost its protective features and was maintained for revenue purposes only. In 1877 ninety-five per cent. of all imports entered the country duty free.

The Protectionist Revival: the Tariff of 1879. The low-tariff system thus instituted was, however, short-lived. It, indeed, was not fully established before reaction arose against it; and as early as 1879 this reaction, ably supported by Bismarck, made Germany once more a protectionist country. The reasons for the revival of protectionism were many. In the first place, let it be emphasised that the imposition of protective duties was a revival, not a

[1] For the text of the section of the constitution relating to this subject see W. F. Dodd, *Modern Constitutions* (Chicago, 1909), I, 334-337.

[2] The clause was proposed in the Reichstag by Frankenstein, a Clerical. The technique of German public finance is described in B. E. Howard, *The German Empire* (New York, 1906), Chap. XI, and more briefly in F. Krüger, *Government and Politics of the German Empire* (Yonkers, 1915), Chap. XI.

departure. Protection, as one writer has put it, was the German tradition, and free trade was a plain infraction of that tradition.[1] Never did free trade become in Germany a national tenet, or even a party policy, as in England. In the second place, it is to be observed that at all times the reduction of the duties had been opposed by various powerful elements, notably the iron-masters and the manufacturers of cottons, linens, chemicals, sugar, and leather goods. In 1876 these elements had drawn together in the Central Union of German Manufacturers, whose object was to combat the free-trade tendencies of the times. The demands of the industrial leaders were reinforced, furthermore, by agitation of a similar character on the part of the landowners. Formerly the landowners had been favourable to free trade. Now, however, the competition of Russian and American grain was being felt with increasing severity, and at a time when the flow of population from the rural districts to the rising industrial cities was already injuring the proprietors by depriving them of their labour supply and forcing wages upward. The tendency was much accentuated by the crisis and depression which, beginning as early as 1873, flowed from the extravagant speculation and over-production following the payment of the French war indemnity.

In Bismarck the protectionist reaction found leadership which ensured its eventual success. Originally an ardent free trader, the Chancellor, after 1871 was gradually brought to the conviction that the interests of the Empire demanded reversion to protectionism; and, being habitually disposed to be guided by practical considerations rather than by theory, he shaped the government's policy accordingly. In 1878 he broke with the Liberal party, which was committed to free trade, and entered into working relations with the Center or Clerical party, which inclined strongly toward protection. And in the spring of 1879 he introduced in the Reichstag a great tariff measure calculated to place the country again on a protectionist basis. The proposed change of policy was defended entirely upon practical grounds. "For the abstract teachings of science in this connection," declared the Chancellor, "I care not a straw. I base my opinion on experience, the experience of our own time." The facts of this experience which appealed to him with convincing force were that "protectionist countries are prospering, free-trade countries are retrograding"; that England was

[1] Dawson, *Protection in Germany*, 26.

the only important nation which was committed, both theoretically and practically, to free trade, and that (as Bismarck believed) the position which had been assumed would soon prove untenable for her; and that Germany, on account of her present trade policy, was the dumping-ground for the surplus products of other countries. The objects chiefly sought in the proposed legislation were two: the protection of native industries and the increase of the Imperial revenues. It is generally agreed that, with Bismarck himself, the second of these was rather the more fundamental. Imperial expenditures were fast increasing, and the existing fiscal system was proving more and more inadequate. It was not contemplated that the practice of calling upon the states for contributions should be permitted to become obsolete; hence the Frankenstein Clause above mentioned. But it was desired that the Empire should have larger revenues of its own. In proposing sweeping increases of the customs it was Bismarck's idea, therefore, not only to afford protection for the Empire's industrial interests, but also to increase the Empire's immediate income, to lessen the dependence of the Imperial government upon the states, and to bring about the increased employment of indirect forms of taxation.

Although warmly opposed, the Chancellor carried the day, and with the enactment of the tariff law of July 7, 1879, Germany entered upon a new epoch of protectionism which has continued uninterruptedly to the present time. That measure, although serving subsequently as a basis of more extreme legislation, was itself moderate. It dealt with forty-three groups of commodities, some industrial and some agricultural, exempting cotton, wool, ores, and most other raw materials. All of the duties imposed were intended to be revenue-producing, the highest—notably those on coffee and tea—being laid for fiscal purposes exclusively.

The Agrarian Agitation and the Treaties of 1891-94. From the point of view of the Imperial exchequer the new system proved very satisfactory. Although for a time the expansion of trade proceeded slowly, the income from the customs increased rapidly, and as early as 1882-83 there began to be yearly surpluses for distribution among the states. From the point of view of the industrial and agricultural interests, however, the new arrangements were less acceptable. Interests which considered themselves insufficiently protected, and some which were not protected at all,

continued to clamour for relief; while the protection accorded one interest not infrequently worked clearly to the disadvantage of another, and so added to the general discontent. During the decade 1880-89 the duties on manufactures were altered only slightly, and increases at some points were offset substantially by reductions at others. With agricultural produce, however, the case was otherwise. In 1884, while Bismarck was proclaiming that protection had "freed the country from economic pressure," and that prosperity was steadily advancing, there was rising from the landholders, chiefly of eastern Prussia, an insistent demand for an increase of protection as the only means of averting impending ruin. Wheat was lower in price than in thirty years; rye and other products were far below the average; and the agrarian element, now fast growing in political power, maintained that without added protection its profits would vanish entirely and the Empire would be left without an adequate food supply in the event of war. In response to this demand, the duties on foodstuffs—mainly grain and meats—were considerably increased in 1885, and again in 1887. It would appear that the measures were not without effect. At all events, agricultural prices ceased to decline in Germany in 1887, as they did also in protectionist France, while in England, Holland, and other low-tariff countries the downward tendency continued longer and lower levels were reached.

As Germany entered the last decade of the century she subjected her tariff system to somewhat extensive alteration, and the years 1890-1902 became a period of comparative commercial liberalism.[1] To this change she was impelled by circumstances arising principally from the attitude of her neighbours in proposing to terminate reciprocal "most-favoured-nation" agreements and thus to leave the Empire without specially defined status in their trade. The dismissal of Bismarck was hastened by the turn which affairs had taken, and it fell to his successor, Caprivi, to devise a new and more conciliatory policy. The plan at length agreed upon was the abandonment of the principle of tariff autonomy and the elaboration of the repudiated agreements into a new series of treaties, based upon the principle of reciprocal reductions of duties; in other words, emulation of the course upon which France had embarked in 1860. The agrarians opposed the new policy,

[1] It is to be observed that among the European countries, France, Italy, and Austria had gone farther in protection than, even in 1890, had Germany.

but the manufacturers, desiring larger foreign markets, supported it, and in the end, when it was perceived that the only alternative was renewed tariff retaliation, it commended itself to both the government and the mass of the nation. The first treaties of the new type were concluded with Austria-Hungary, Italy, and Belgium at the close of 1891. Further engagements were entered into with Switzerland in 1892, Rumania and Servia in 1893, and (following a notable tariff war in 1893-94) with Russia in 1894. In all cases the treaties provided for "most-favoured-nation" treatment and for mutual reductions, and even entire remissions, of duties. All except the Russian convention were to continue in operation until the close of 1903, and thereafter indefinitely, until terminated (on one year's notice) by either of the contracting powers. The Russian engagement bound the two nations not to increase the duties on certain commodities during a period of ten years.

Later Stages of the Agrarian Movement. The agrarians never became reconciled to the new system; and inasmuch as it happened that the years covered by the negotiations witnessed another sharp fall in agricultural prices, they redoubled their protests until, in October, 1894, they succeeded in forcing the retirement of Caprivi from the chancellorship. From this time onwards agrarianism was a preponderating issue in German politics. Already in 1893 there had been established the *Bund der Landwirthe,* or League of Farmers, which as a propagandist agency was extraordinarily successful; and under the leadership of the landowners and Junkers of north and east Prussia the agrarian forces closed ranks and addressed themselves to the task of gaining complete control of the Empire's economic policy. The measures immediately demanded included increased protection for the produce of agriculture and its allied industries, revision of the land laws in the interest of landowners, and legislation restraining agricultural labourers from leaving their native districts; and there was a very strong tendency to exalt the interests of agriculture with little or no regard for interests of any other kind. "Agriculture was to be regarded as the primary concern of the nation and the promotion of it the chief business of the government."

The favours which the agrarians won for agriculture in the next twenty years were many and varied. During the period covered by the chancellorship of Prince Hohenlohe-Schillingsfürst (1894-

1900) the government contrived to rule with the support of the newly-risen "blue-black" *bloc,* composed of the Center and that portion of the Conservative party which was not agrarian, and the agrarian elements obtained no important concession. As, however, the year approached when the Caprivi treaties might be denounced, it became manifest not only that there would have to be a somewhat general overhauling of the existing tariff arrangements but that in determining the nature of the readjustments the agrarians would be able to exert a powerful influence.

Discussion of the question of prolonging the treaties began in the Reichstag as early as 1897, and in that year there was established an Economic Committee, consisting of thirty persons, charged with the task of investigating the subject and submitting a report upon it. The committee was strongly protectionist, and the principal recommendation which it made was that there should be enacted a new and comprehensive tariff law, more specialised and detailed than the law of 1879, and fixing high maximum rates which should be made the basis of the negotiation of new commercial treaties. The recommendation promptly found a place in the program of the government, with the important qualification, urged by agrarian and industrial protectionists alike, that minimum rates, as well as maximum, should be prescribed. In January, 1901, Count von Bülow, who in the preceding year had succeeded Prince Hohenlohe in the chancellorship, gave the agrarians the desired pledge of a substantial increase of the duties on grain, live-stock, and all agricultural products; and in the following July the government submitted its bill.

The Tariff of 1902 and the New Treaties. The predominating features of the measure were as follows: (1) 946 classes of imports were recognised, of which 200 were to remain free of duty; (2) existing duties on most raw materials were reduced; (3) the duties on grain, live-stock, and meats were greatly increased, while taxes on various articles of use to agriculturists were abolished; (4) with respect to wheat, rye, oats, barley, and spelt there was specified, in each case, a minimum below which reductions by treaty arrangement should not be made; and (5) the duties on manufactured goods were increased. Although professing to desire no less ardently than had Count Caprivi to promote impartially the interests of agriculture and industry, Chancellor von Bülow, in introducing the bill in the Reichstag, avowed that the govern-

ment's present object was "above all to endeavour to meet those wishes which have been expressed by the agricultural interests in favour of increased protection." The bill aroused prolonged and heated discussion in the Reichstag and throughout the country. The agrarians, while demanding an increase of the minimum duties on grain for which it made provision, supported it; the manufacturing interests were divided; disinterested consumers opposed it. Amended in details, it was at last carried in the Reichstag, by fractions of the Center, Conservative, and National Liberal parties, on December 25, 1902.

The measure thus enacted comprised the "general tariff," to be enforced against all countries which should not conclude treaties with the Empire stipulating reciprocal reductions of duties, or should not extend to the Empire the benefits of a "most-favoured-nation" agreement. With respect to countries taking the action indicated there was to be brought into operation, on terms to be fixed in the individual case, a special or "conventional" tariff. Fortified with the rigorous provisions of the new law, the government, in 1903, set about the negotiation of a new series of treaties. The task abounded in difficulties, more particularly because, in anticipation of the negotiations, Russia, Austria-Hungary, Switzerland, and Rumania enacted fresh legislation increasing their duties on manufactures, especially on such as were produced chiefly in Germany. The first of the new treaties was concluded with Belgium in June, 1904; and thereafter the work proceeded rapidly, until an Austro-Hungarian convention of January, 1905, completed the new series. On March 1, 1906, the conventional tariffs, on the basis of the treaties, took effect; and at the same time there was put in operation the general tariff contained in the law of 1902, which had been held in suspense pending the negotiation of the treaties. The treaties were to continue in force until the close of 1917, and thereafter to be subject to one year's notice on either side.[1] They provided for reductions in the rates of duty imposed upon many commodities by the general tariff, and all contained reciprocal guarantees of most-favoured-nation treatment.

From 1906 to 1914 the bulk of Germany's foreign trade was carried on either under the conventional tariffs or under most-favoured-nation agreements with states which were not parties to

[1] For reasons arising from the commercial relations of Austria and Hungary the treaty with the Dual Empire was terminable in 1915.

special commercial treaties with the Empire. On the latter basis was conducted the trade with Great Britain, France, Spain, Holland, the Scandinavian countries, and most of the Latin American states. By an agreement in 1900 the United States was admitted to the advantages of the German minimum tariff; and although when the new Imperial tariff went into operation in 1906 this arrangement was terminated, the United States was given the privilege of the new minimum rates on most commodities. Following the revision of the American tariff in 1909, there was fresh unsettlement, but with the result that the two nations admitted each other reciprocally to the advantages of their minimum rates. Thus, in practice, the Empire hardly enforced at all the schedules provided in the act of 1902. In the main, they were not meant to be employed, save as weapons in the negotiation of commercial agreements. The fact remains, none the less, that the tariffs which were operative, on the conventional basis, were highly protective, and that, officially at least, the nation was more thoroughly committed to a protectionist policy in 1914 than in any earlier period of its history. Agrarianism continued to be a dominant influence, and the demand of the agrarian elements was for yet more protection. While the manufacturers were resentful of the favouritism shown the agrarians in the past twenty years and were apprehensive concerning the effects of the increased cost of food arising from agricultural protection, they did not, save in some special instances, feel free to break with their allies. Upon the general issue of protectionism the nation at large was sharply divided; so likewise were the economists.[1]

Later Commercial Expansion. A notable aspect of German economic development during the twenty-five years preceding the Great War was the increasing absorption of the products of agriculture and industry by the home market. The causes of this phenomenon are not difficult to discover. One which suggests itself instantly is the growth of the Empire's population between 1871 and 1910 by almost twenty-four millions, involving somewhat proportionate increase in the demand for agricultural and manufac-

[1] Thus Professor Adolf Wagner, of the University of Berlin, cherishing strong agrarian sympathies, was an ardent protectionist; Professor Brentano, of the University of Munich, was a strong free trader; Professor Schmoller, of Berlin, occupied middle ground, maintaining that the desirability of protection or of free trade is relative to local circumstances. See Ashley, *Modern Tariff History*, Chap. VIII.

tured goods of every kind. Important also is the enlargement of the consuming power of the people by reason of the growth of wealth and the improvement of standards of living. A third consideration is the growth of the domestic interchange of raw and partly manufactured wares which the development of large-scale industry inevitably promotes. Finally may be mentioned the extension of the facilities of inland transportation, chiefly the railway and the waterway.

Even more remarkable, however, was the expansion of the Empire's trade with the outlying world. German foreign trade in late decades had a humble beginning. Not only was it, as recently as 1870, small in amount, but the method of its propagation long continued to be the flooding of the markets with cheap imitations of high-grade English goods. The German representative at the Centennial Exposition held at Philadelphia in 1876 felt obliged to report that German industry produced only articles which were *schlecht und billig*, i.e., poor and cheap, and that Krupp guns comprised the only portion of the country's industrial output of which it was possible to be proud.[1] Starting thus on a low plane, Germany contrived gradually, none the less, to raise the quality of her manufactures and to compete successfully with her rivals for the possession of the more desirable branches of the world's trade. The statistics of the Empire's commercial development since 1870 are difficult to present, for the reason that the figures before and after the admission of Bremen and Hamburg to the customs union in 1888 are not comparable, and by reason of the farther circumstance that in 1907 a new classification of both imports and exports was adopted which renders impossible close comparison with respect to particular branches of trade. In 1872 the value of imports, however, was stated at 3,468,000,000 marks and that of exports at 2,494,000,000 marks; in 1905 the figures were, respectively, 7,420,000,000 and 5,840,000,000. At the last-mentioned date, the foreign trade of Germany was exceeded in value by that of Great Britain only.

The country's economic development was such as to involve changes no less important in the character than in the volume of the trade abroad. Sixty years ago exports consisted almost exclusively of foodstuffs and raw materials; by 1914 they consisted very largely of manufactures. Population and industrial growth

[1] Blondel, *L'Essor industriel et commercial du peuple Allemand*, 152.

had outstripped agricultural development and the Empire was no longer even approximately self-sufficing. Of raw materials exported, coal alone was important; and the large export of this commodity was offset by a heavy import. On the other hand, the great articles of import had come to be foodstuffs and raw materials—cotton, wool, silk, wheat, barley, coffee, rye, flour, etc.—and only about one-fifth of the total consisted of manufactures. Beet sugar was the only foodstuff exported extensively. The distribution of German exports and imports among the principal countries at three periods is shown in the following tables:

EXPORTS

Country	*Per cent. of total*		
	1894	*1903*	*1907*
Great Britain	20.8	19.3	15.5
Austria-Hungary	13.2	10.3	10.5
United States	8.9	9.1	9.5
Holland	8.0	8.2	6.6
Russia	6.4	8.1	6.4
Switzerland	6.2	5.9	6.5
France	6.2	5.3	6.6
Belgium	4.9	5.2	5.0

IMPORTS

Country	*Per cent. of total*		
	1894	*1903*	*1907*
United States	12.4	14.9	15.1
Russia	12.7	13.1	12.7
Great Britain	14.2	13.2	11.2
Austria-Hungary	13.6	11.9	9.3
France (including colonies)	5.0	5.5	5.2
British India	3.8	4.5	4.7
Argentina	2.4	4.3	5.1

In a considerable measure the restrictions upon trade expansion which were imposed by the country's protectionist policy were offset by the pertinacity and adroitness of the German manufacturer and merchant in seeking and developing foreign markets. In the first place, extreme care was taken to ascertain precisely the kinds of goods which the peoples to be dealt with desired, and every effort was made to ensure that the wares sent to them were of these kinds and no other. Quality, colour, size, fittings, price—all were determined entirely by the purchasers' needs or whims. Furthermore, commercial openings were carefully watched and

reported, not only by the consuls and other officials, but by a multitude of agents of the great industrial, commercial, and banking establishments. These agents were specially trained in languages and commercial law, and easily excelled those employed by the business interests of all other countries. Trade papers, also, were published in eight or ten principal tongues and circulated widely in the various parts of the world in which trade had been developed. German banks co-operated in a number of ways, especially by assisting merchants in the establishment of liberal credit arrangements with their customers. And, finally, trade expansion had been powerfully stimulated by the improvement of shipping facilities, including the building up of the two largest steamship companies in the world.[1]

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[1] The Hamburg-American and the North German Lloyd.

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CHAPTER XV

THE ECONOMIC RECONSTRUCTION OF TSARIST RUSSIA

Stages of Economic Evolution. A notable development of the half-century preceding the World War was a change of attitude among western peoples toward Russia and things Russian. As late as 1900 Russia, save within very restricted circles, was regarded as a vast, undeveloped, conglomerate empire, whose government was hopelessly autocratic and corrupt, and whose people were ignorant, intolerant, unproductive, barbarous, non-European, and largely incapable of progress. By 1914 the Empire was considered one of the great and promising states of Europe, its political system broadly based and by no means wholly unenlightened, its people industrious, ambitious, serious, and possessed of much actual and latent culture. The shift of view came in part because the realities of Russian life and character were made known as never in earlier days by travellers and writers and by the products of Russian scholarship. It came to be understood that Russia was never quite the sheer ogre-land of wolves, knouts, serfdom, and cruelty that it had been represented to be. The changed opinion was attributable in the main, however, to the fact that under the very eyes of the contemporary world the government and the social and economic organisation of the Russian lands had undergone readjustments which had brought them, more nearly than ever before, into accord with the ideas and usages of western peoples. The Russia of 1914 was not the Russia of Alexander I, or even of the early years of Nicholas II.

Appreciation of the extent and character of the nineteenth- and twentieth-century social and industrial changes by which European Russia was made what it was by 1914 will be assisted by mention of the principal stages in the country's economic history and of the predominating facts regarding the physical character of the country itself. The best modern writers on Russian social

and economic development have discovered five great periods with essentially distinct characteristics.[1] The first, extending from the eighth to the thirteenth century, was marked chiefly by the political division of the land under the leadership of the primeval Slavic trading towns. The principal occupation was not agriculture, but trade, and the commodities which were exchanged were not the products of cultivated soil but of the forest, principally furs, wax, honey, and resin. The population was concentrated in towns, and the characteristic political unit of the time was the fortified trading city, the center of a region dependent upon it voluntarily for protection or held forcibly in subjection to it. Prior to the eleventh century there was practically no cultivation of the soil at all; and while from that time the surplusage of slaves which did not find ready sale began to be employed in various forms of tillage, agriculture on a considerable scale appears only much later. The first period closed with the incursions of the Tartars, which entirely disrupted political and economic conditions in the great region of Kiev and turned the Slavs perforce to the occupation of the plains of the Upper Volga and its tributaries.

The second period, beginning at this point and extending to the middle of the fifteenth century, was characterised by the agricultural exploitation of the heavy clay soils of the region of Moscow by means of free peasant labour under the princes of the *Udeli,* or appanages of the Upper Volga. Trade had been broken up; the trading class was impoverished; towns in these northern parts were few and small; economic necessity threw the population more and more into agriculture. For the first time, Russia became what she ever since has remained, a predominantly agricultural country. The third period, extending from the middle of the fifteenth to the second decade of the seventeenth century, was characterised on the political side by the enforced union of the principalities, under the leadership of Moscow, in the Russian state and by the disappearance of the last vestiges of Tartar power, and on the economic side by the continued working of the upper Volga basin and of the Don black-soil region by free peasant labour. But this was the period, not only of the establishment of

[1] Notably V. O. Kluchevsky, in his monumental *Course of Russian History,* 4 vols. (Moscow, 1906-10), trans. by C. J. Hogarth, 3 vols. (London, 1911-13), and J. Mavor, *An Economic History of Russia,* 2 vols. (London, 1914)

the power of the tsar, but of the ascendency of the boyar military class, and the freedom of the peasant was beginning to be encroached upon seriously by the consolidation of large estates in the hands of the members of this class. It was in this period that most of the fundamental principles of Russian land tenure, as well as the essentials of serfdom, were brought into widespread operation. In the sixteenth century the mass of the peasants were still free renters, but heavily burdened with obligations to the state and to the landowners, and with debts. Their gradual subjection to land bondage was inevitable.

The fourth period, which began with the accession of the Romanov dynasty in 1613 and closed with the death of Nicholas I in 1855, witnessed the rise of Russia to the rank of a great European power. The authority of the princes of Moscow was extended northwards, westwards, and southwards, until the whole of the vast Russian plain was occupied; an outlet to the sea was acquired; a new capital was founded; the governmental system was amplified and strengthened; and the widely scattered elements of the Russian nationality were unified. On the economic side, the cardinal facts were the firm binding to the soil of the peasant cultivator class and the rise, from the middle of the eighteenth century, of manufacturing. The decline in status of the peasantry was a consequence, in the main, of the increasing burden of debt to the landowners. The process was intricate, and many of its phases are imperfectly understood, but the outcome was the reduction of the great majority of the peasants to the condition of serfs of the state or of individual landed proprietors. The last of the five historic periods is that extending from the middle of the nineteenth century to the outbreak of the World War. It is the epoch of incipient political liberalism, of growing discontent and recurring crises, of revolution, and of intermittent reform. It was marked, more specifically, by the large-scale exploitation of the mineral, forest, and agricultural resources of Siberia; by an enormous expansion of agriculture in the European provinces and of the exportation of cereals; by the formal emancipation of the bondaged peasantry, with subsequent relapse of large numbers into debt dependence upon their former owners or others; by heavy importations of French and other foreign capital to be employed in railroad construction and similar enterprises; and by the transformation of the conditions and methods of industry on lines

already familiar in England, France, Germany, and other western lands.

The Country One Hundred Years Ago: the Serfs. The aspects of Russian development with which we are here concerned belong to the closing portion of the fourth and to the fifth of these periods. At the opening of the nineteenth century the Empire was outwardly powerful and imposing. Its splendid achievements during the long reign of the statesmanlike Catherine II (1761-96) were fittingly capped by Alexander I's assumption of leadership in the campaigns which culminated in the overthrow of Napoleon and by the ascendency of Russian diplomacy at the Congress of Vienna. The country was of enormous extent—in 1815, ten times the size of France, thirty-three times the size of England and Wales, forty times the size of the state of New York. And over its area of two million square miles was spread a population of fifty millions, bound together by common religion, language, and tradition. It was rich in natural resources—in black soil, in forests, in minerals, and in rivers suitable for the transportation of commodities. And throughout two-thirds of its vast extent climate imposed no necessary limitations upon settlement and productive enterprise. In a considerable measure, however, richness of resources and external prestige were offset by adverse political and social conditions. Government was bureaucratic, inefficient, corrupt. Agriculture was crude and unproductive. Industries were few and in a rudimentary stage of development. The possession of capital was practically restricted to the nobility. External commerce was in the hands of foreigners. Home trade took the form mainly of barter. The public finances were disorganised and unstable, and taxes were heavy and wastefully collected. The learned professions had no corporate existence. The masses were without education and without the means of acquiring it.

Starting as a trading country, Russia early became predominantly agricultural; and this character is retained at the present day, although in consequence of the industrial development of the past fifty years the Empire had by 1914 become decidedly less purely agricultural. In describing, however briefly, Russian economic development in modern times one must, therefore, begin with agriculture, taking note especially of the status of the agricultural classes, the system of land tenure, and the progress of agricultural technique.

The capital fact concerning the population of Russia a hundred years ago is that it consisted of two great classes, the nobility and the peasantry. A middle class of well-to-do and intelligent bourgeoisie such as comprises to-day, and comprised even then, the backbone of western nations, was virtually non-existent. Peter the Great had proposed to build up such a class by organising the merchants in gilds, but the effort had borne little fruit. The nobility in 1815 numbered some 14,000 families. Barring the clergy, a few professional people, and some merchants and bankers, the remainder of the inhabitants were peasants. Fully nine-tenths of the arable land was owned by the crown, the royal princes, and the nobility. It was held in large estates, and it was cultivated by the peasants, most of whom were serfs. The number of serfs on the crown domains alone in 1815 was 16,000,000. The great estates, as a rule, were divided into two portions, one of which was reserved for the immediate use of the owner, the other being allotted to his serfs. The serfs lived in little village communities, known as mirs, and each village regulated the cultivation of the land assigned to its inhabitants, paying the proprietor every year a stipulated sum as a collective obligation of the village group. The serfs, of course, were only tenants; they owned no land, and their sole means of livelihood was such portion of the product of their bits of ground as remained after the dues to the landlord had been met. As was true of serfs in western countries, they were subject to the obligation of the *corvée*, and the amount of time which they were bound to spend in labour upon the lord's demesne rose to the enormous average of three days a week. The landlord, furthermore, wielded powers of discipline and punishment, which, although nominally regulated by law, were in practice absolute. No serf might withdraw from the estate upon which he was born, and when the estate was sold or otherwise alienated, he passed with it to the new proprietor. By and large, the condition of the Russian serfs was at least as unfavourable as was that of the serfs of Prussia prior to 1807, and was distinctly worse than was that of such serfs as there were in France in 1789.

Steps in the Emancipation of the Serfs. That the problem created by the number and the unhappy lot of the serfs was one of real seriousness was recognised in influential quarters even before the close of the eighteenth century. The prevailing system was strongly entrenched in tradition and in the predilections and

interests of the nobles; one's wealth, indeed, was reckoned, not in acres of land, but in the number of "souls" that one possessed. The system, none the less, offended the most enlightened moral sense of the age. It had not even been proved of clear economic advantage. And from the era of the French Revolution it was subjected to an increasing amount of criticism. At the close of the Napoleonic wars, Tsar Alexander I (1801-25), as yet of notable liberal-mindedness, gave the subject much thought and even projected schemes for a general emancipation. In 1819 the serfs in the three Baltic provinces were liberated, the peasants obtaining personal freedom on condition of giving up their land to the landlords.[1] The magnitude of the task and the sovereign's wavering disposition, however, prevented the taking of further positive steps. Alexander's successor, Nicholas I (1825-55), was a reactionary of the most thoroughgoing type, yet even he was frank to admit that serfdom as it existed throughout the Empire was both indefensible and inimical to the national interests. "I do not understand," he at one time declared, "how man came to be a thing, and I can explain the fact only by deception on one side and ignorance on the other. We must make an end to this. It is better we should give up, of our own account, that which otherwise might be wrested from us." But, despite the fact that during the three decades of the reign not fewer than six commissions were appointed to investigate the subject, the influence of the landholding official class was sufficient to dissuade the sovereign from action.

The formal abolition of serfdom remained to be accomplished by the "Tsar Liberator," Alexander II (1855-81). Within a year after his accession the new monarch confessed to a deputation of the Moscow nobility that he was not averse to emancipation and declared that some day the change would have to be made and that it would be better for it to come from above than from below. Early in 1857 he appointed a new commission to consider the question, and very soon he was rewarded by an offer from the nobility of the three Lithuanian provinces of Kiev, Volhynia, and Podolia to complete the emancipation which they had begun in 1817 by allotting to their freedmen land in full ownership. Public interest

[1] Napoleon had carried out a similar reform in Poland in 1812. The result was dubious in both instances, being chiefly to create a great agricultural proletariat.

attained a lofty pitch, and some of the Tsar's advisers proposed that a great national assembly should be convoked for the consideration of the subject. The sovereign had no intention to let slip from his hands the power of shaping the new agrarian system, but he authorised committees of landowners to deliberate upon the problems involved, and he sought to impart to the impending action a broadly national character.

The serfs in the country now numbered approximately 47,000,000. Of these, 20,000,000 dwelt on the domains of the crown, 4,700,000 on the appanages reserved for the Imperial family, and 21,000,000 on private estates; 1,400,000 were in domestic service. The liberation of the serfs on the crown estates and the appanages was the easier part of the task. Their position, as a rule, was better already than that of the serfs on the estates of the nobles, and all that was immediately necessary was for the crown to grant them personal freedom and to recognise them as owners of the parcels of ground which they had been accustomed to cultivate. By way of example, a rescript of July, 1858, liberated the appanage serfs and conferred upon them full ownership. In the following year was inaugurated a series of measures freeing the serfs of the crown. This part of the work was executed gradually, being completed only in 1866. The purposes of the Tsar, however, extended farther. They included the emancipation of the serfs on private estates as well. The way was carefully prepared, and amid reforms of the press laws, of the judicial system, of local government, and of education, there was promulgated, March 3, 1861,[1] a decree unsurpassed in boldness, or in importance, by any liberating measure in the history of modern Europe. This was the Edict of Emancipation, which accomplished the liberation of not fewer than 23,000,000 people attached to the estates of the nobility and effectually pledged the nation against the further tolerance of an economic system long outworn and already swept from every other country of Europe.

Conditions of the Emancipation. It was recognised by the Tsar that a mere grant of personal freedom would be insufficient. "Liberation without land," he rightly said, "has always ended in an increase of the proprietor's arbitrary power." Provision must be made whereby the personal independence that had been granted might be safeguarded and some real measure of economic inde-

[1] February 19, according to the Russian calendar.

pendence might be attained. The emancipated peasantry must be given land, else it would be a sheer proletariat and nothing of substantial importance would have been gained. The nobles were the legal owners of the land and could hardly be made to give up any considerable portion of it without compensation. At the same time, the peasants, whose ancestors for centuries had lived upon and cultivated it, considered it already rightfully theirs. The solution hit upon was in the nature of a compromise whereby the nobles kept a portion of their land and sold the remainder to the peasants. In large sections of the country the problem was simplified by the fact that the peasants lived in villages, each family having a cottage and a surrounding plot of garden ground. Under these circumstances, after a portion of an estate was set aside to be retained by the landlord, the peasants dwelling on the estate were recognised as the owners of their houses and garden plots, while the general farming lands surrounding the villages became the collective property of the village, to be re-divided at intervals among the village inhabitants. Where, however, individual proprietorship, as distinguished from communism, had been the rule—especially in Little Russia and in Poland—the land was assigned directly to individuals. The amount of land which, under either of the processes mentioned, fell to an individual for use in sustaining his family varied with soil, climate, and density of population. The average for the Empire as a whole was 22.5 acres; but in the fertile, more thickly settled south it was only 5.5 acres. In no case was the property bestowed gratis. For everything of which he was deprived the landlord was granted compensation. The peasantry itself had no means with which to pay; consequently there was devised an arrangement whereby the requisite funds were to be advanced immediately by the state and the loan, bearing six per cent. interest, was to be repaid by the peasants in instalments termed "redemption annuities" covering a period of forty-nine years.[1] The principle was the same as that utilised somewhat later in the land purchase laws for Ireland. The amount of land which in this way passed from the hands of the great proprietors into the hands of the peasantry was 350,964,187 acres—practically one-half of the agricultural area of the Empire.

[1] Strictly, the redemption was not calculated on the value of the allotments of land, but was considered as a compensation for the loss of the compulsory labour of the serfs.

Save in the west, where individual ownership prevailed, the scheme of land tenure upon which the settlement was based was that of collective ownership of farming land combined with private ownership of houses and lots. The ownership of the farming land in any particular locality was vested in a commune, or mir, composed legally of representatives of each resident family and presided over by a mayor. One of the functions of this body was to meet from time to time to re-allot the common lands among the heads of families, and the individual enjoyed only the usufruct of his allotment without power of sale or mortgage. The mirs inherited the police and other public functions hitherto devolving upon the proprietor, and they were responsible, not only for the redemption annuities due the government, but also for all taxes and for the quota of recruits for the army. For administrative purposes the mirs were grouped in volosts, or cantons, with an elected president, an assembly, and tribunals of their own.

The Results of Emancipation: Later Agrarian Legislation. It cannot be said that the outcome of the settlement thus effected was altogether happy. The moral uplift of the emancipation is indubitable. But the economic gain proved somewhat illusory. Prior to the emancipation economic life retained much of its mediæval character. It was based on home production for home consumption. The peasant was not a free man, and he was liable to harsh treatment; but his outlay for food, lodging, clothing, fuel, and light was practically naught. How valuable were the old ill-defined rights of grazing cattle on the landlord's pasture, of gathering wood in the landlord's forest, and of obtaining from the landlord pecuniary help in time of need was not realised until these privileges were suddenly swept away. Everything under the new system had to be bought and paid for. Furthermore, while the peasant was relieved of his obligation to the landlord, for it was substituted an almost equally galling obligation, through the mir, to the state. Upon the mir was imposed the task of reimbursing the Imperial treasury for the funds advanced, and to fulfill this task meant inevitably to regulate closely and to tax unsparingly the economic activities of the villager.[1] Even the

[1] Even in those parts of the country where the communal system did not exist at all, and the peasants received their land in individual holdings, the entire grant was nevertheless considered as allotted to the village community, which was held responsible for the accurate payment of the redemption dues of the individual householders.

newly-won freedom of the individual to go where he liked proved fictitious, because to prevent the depopulation of heavily indebted mirs and the repudiation of their obligations it was found necessary to restrict the liberty of migration very nearly as rigidly as under the former system. The peasant became, for all practical purposes, the "serf of the state." Furthermore, the government in the end dealt so generously with the great proprietors that the readjustment really left the peasantry with less land than it had been accustomed to hold in allotments from the nobles; and with the growth of population and successive redivisions of the soil it came about that the peasant found himself with, on an average, not more than half as much land as was assigned to him under the old régime.

It is well within the truth to say that the most important problem in Russia in the half-century preceding the World War was that of agrarian reform. Approximately seven-eighths of the inhabitants of the European portion of the Empire were engaged wholly or mainly in agriculture. But in no important country of Europe did the tillage of the soil stand at a lower level. The principal obstacles to progress lay in the legally restricted position of the peasant, in the excessive burden of taxation which he bore, in his poverty, and in his lack of enterprise. In large regions the peasants lived from year to year on the brink of starvation. From a period closely following the emancipation, failure of crops and improvidence operated to throw the mirs in arrears. In 1900 the total amount of such arrearages was estimated at more than seventy-five million dollars, and in 1904, there being in many cases no prospect of payment, a large portion of this amount was cancelled by the government as a measure of conciliation.

In later times, and especially after the revolution of 1905-06, the agrarian situation received close attention in the Duma and the Council of the Empire, and from the ministry of agriculture, the provincial zemstvos, and students of economic affairs. Agrarian discontent was one of the mainsprings of the revolution, and agrarian riots formed one of its most serious phases. The cry of the peasantry was for more land, and while during the year 1905 the landlords sold to the peasants lands which aggregated one-quarter of their entire possessions, the demand was satisfied only temporarily. The rock upon which the first Duma, in 1906, split was the proposal of the Constitutional Democrats that the re-

maining estates of the great landholders be expropriated in favour of the peasants. Meanwhile, by a manifesto of November 16, 1905, it was laid down that after January 1, 1907, there should be no farther collections of dues from the mirs on account of the loans made at the time of the emancipation. In other words, the state completely cancelled this communal obligation and provided that after the date mentioned the villages should become full owners of their land, with no farther liability to the state except, of course, for ordinary land taxes.

In the next place, in November, 1906, during the interval between the dissolution of the first Duma and the assembling of the second one, two edicts were promulgated which had for their purpose the encouragement of the conversion of collectively-owned land into individual proprietorships. These edicts, consolidated and extended by measures enacted by the Imperial Duma and the Imperial Council, took form finally in the great laws of July 27, 1910, on "the revision and completion of certain regulations on peasant land-tenure" and June 11, 1911, on "land settlement." The principal objects of the reform embodied in these measures were the development of small proprietorships and the extension to landowners of the fullest freedom to cultivate their holdings as they desired and to dispose of them without restraint. In communes in which there had been no redistribution of land since the original allotment of 1861 all holders were recognised as owners of their holdings.[1] And in all other communes every occupier was given the right to demand at any moment that he should be assigned as individual owner the portion of the communal land which he was actually occupying. This legislation, in reality, introduced into Russian law the conception of the individual ownership of land by persons of any and all stations, under conditions similar to those existing in western Europe. In a sense it was revolutionary; yet to an extent it involved a return to the principles of the emancipation edict of 1861, for by the terms

[1] These were generally the more fortunately situated communes, in which the peasants, having been successful as farmers and having invested much money and labour in their land, were naturally opposed to a system of periodic redistribution. Under such conditions the holdings had become, for all practical purposes, private property. An Imperial law of 1893 prohibited redistributions of land at intervals of less than twelve years and required that peasants who had improved the land allotted to them by drainage, irrigation, or in any other way, should in the event of a redistribution be given the same or equally good allotments, or should be given compensation

of that edict the communes were given the power to allot to individual peasant members in private property their share of the lands purchased by the community, the only restriction being that any distribution must be on the plan of uniformity for all members. Between 1861 and 1910 not more than half of the communes made such a distribution, and in several pieces of legislation during the period, notably a law of December 27, 1893, it was clearly assumed that the communal system was characteristically Russian and to be regarded as permanent.

As might be supposed, the new legislation provoked sharp differences of opinion. In the Duma it was supported by the Center but opposed by both the Right and Left parties. Those who believed that only individual ownership of property can stimulate an adequate development of agriculture defended it. They pronounced the collectivism of the mir obsolete; they avowed that the commune did not allow the development of individual initiative and enterprise, that it lowered the productiveness of labour, that it prevented the holders of the land from giving full attention to its rational exploitation; and they argued especially from the agrarian productiveness of France, Belgium, and other western countries. On the other hand, it was contended that the faults of Russian agriculture had not arisen from the communal system and that the shift from that system to a different one, if made at all, should be very much more gradual than that which the new laws contemplated. Meanwhile, under the provisions of the controverted measures the dissolution of the communes went forward with fair rapidity. The fact alone can be noted; it was still too early when the whole process was arrested by the World War and the revolutions of 1917 to say what the results would be. But it was plain that the laws as passed could be no more than the introductory measures of a long series which would be required to bring about the practical application of the principle of individual ownership generally throughout the country.[1]

Agriculture on the Eve of the World War. No single description of the products and methods of agriculture in pre-war Russia is possible, because Russia was a world of itself, with the widest contrasts of climate and soil, and its economic organisation was peculiarly regional. A sinuous line drawn from Zhitomir via Kiev

[1] For a brief discussion of the agrarian situation after 1906 see Mavor, *Economic History of Russia*, II, 340-357.

and Kazan to Ufa separated the "northern soils" from the "southern soils," and each half of the country was itself divided into several belts or zones with sharply contrasted characteristics. In the tundra of the far north agriculture was impossible, and in the forest region south of the tundra it was carried on with much difficulty by reason of the poverty of the soil and the shortness of the seasons. Speaking broadly, south of 60° only did the tillage of the soil become the principal resource of the inhabitants. Here, in an area of 600,000 square miles, rye, oats, barley, wheat, flax, and potatoes were grown extensively, especially in the Baltic provinces. Farther to the south lay the great black-earth region, in whose western provinces of Kiev, Podolia, Poltava, and Kharkov agriculture was more productive and more advanced than in any other section of the Empire. Wheat was the principal product, although rye, buckwheat, corn, and other cereals were grown in large quantities, and in Bessarabia, Crimea, and the Caucasus much attention was given to vine-culture. In the more eastern portions of this black-earth district, stretching off to the Volga, the winters were severe and droughts were frequent, while the land was much impoverished by prolonged grain cropping without rotation or renovation. For these reasons the peasantry there was exposed at frequent intervals to the horrors of famine. Finally, there were the steppes, extending from Bessarabia to the Caucasus, in which agriculture was more diversified. Taking the Empire as a whole, the grain most largely grown was rye, which formed a staple of the peasant's food. But wheat was the principal commodity produced for export.

The methods of cultivation employed over the greater part of the country were extremely primitive. The mass of the peasant cultivators were too poor to procure improved seeds or labour-saving machinery, or to keep up the productiveness of their land by fertilisation or by allowing it to lie fallow. It was only on the estates of well-to-do landowners that much machinery was used, and even upon such estates there was some falling off in efficiency of cultivation through the shortage of labour arising from the abolition of serfdom. The plough most commonly utilised was the old peasant implement of wood drawn by a single horse or ox; seed was sown as a rule by hand; grass and grain were cut ordinarily with a scythe; threshing was commonly carried on by hand labour or by treading. None the less, iron ploughs, drills, self-

binding machines, and threshing machines had been introduced, and all were manufactured in Russia as well as imported from abroad. The increase in the volume of agricultural products had been considerable, as is illustrated by the fact that between 1860 and 1900 the average annual export of cereals rose from less than one and one-half million tons to more than six million tons.

Beginnings of the Industrial Revolution. Until recent times Russia was almost exclusively an agricultural country. The limited needs of the peasantry for manufactured goods were met by handicraft industries carried on by the peasants themselves in the intervals of their agricultural employment, while the manufactured articles required by the richer portion of the population were imported from abroad. After about 1890, however, the development of industry proceeded at a rapid pace, the factory system was introduced, large towns sprang up, and, in short, the Empire underwent a transformation of industrial conditions quite comparable in kind, if not in degree, with that which has been described as taking place in England, France, and Germany. The fundamental fact about the development of Russian manufactures is that the achievement was predominantly a product of state initiative and not, as in England, a natural outcropping of unassisted private enterprise. "Nothing," says a recent Russian writer, "could be less spontaneous than the development of our manufacturing industries." From the days of Peter the Great the Russian government was untiring in its effort to stimulate manufactures. At one time it employed monopolies to this end, at another the payment of bounties, and all of the while it utilised to the utmost the device of the protective tariff. It was Peter the Great who first introduced industry on a large scale in the country, and it is interesting to observe that Russia has had genuine factories ever since his time. As early as 1765 there were in the Empire not fewer than 262 such establishments, employing 37,862 workmen and producing goods to the value of five million rubles. Some were maintained directly by the state, others by the nobles or by rich Moscow merchants under state patronage; and their output consisted principally in sail-cloth, linen, silks, arms, and ammunition. The supply of labour, however, was inadequate, both in quantity and in quality, and the methods of manufacture continued to be primitive.

From the close of the first quarter of the nineteenth century it

is possible to trace a considerable development of industry in the Polish districts, carried on with private capital, and with the newer kinds of machinery, in factories analogous to those operating in England. But it was only after the emancipation of the serfs that, by reason principally of the substitution of voluntary wage-earning labour for compulsory labour, conditions became at all favourable for the advancement of industrial technique. The immediate effect of this action was, it is true, adverse; for approximately one-third of the factory labourers at the time of the emancipation were workingmen in bondage, and upon attaining their liberty, they largely deserted their employers. The iron and cotton industries suffered especially. But the recovery was extraordinarily rapid, and in the long run the changes that had taken place in the status of the peasant proved industrially beneficial. Not only was the stock of free labour vastly increased; many of the noble proprietors, supplied with ready capital, were enabled to cancel their obligations to the state and to become leaders in large-scale industrial enterprises upon modern capitalistic lines. Their ability to purchase factory-made goods was at the same time increased. The technical improvements which were introduced enabled the factories to compete more successfully with the domestic industries, a rigid tariff system protected them against competition, and Russia began to advance rapidly toward a recognised place among the manufacturing nations of Europe. A prolonged industrial depression during the decade 1880-89 retarded, but did not wholly check, this development.

Pre-War Industrial Expansion. The era of greatest industrial progress began with the appointment of Count Sergius Witte in 1893 to the ministry of finance and commerce. It was Witte's conviction, as it had been that of his predecessor Wyschnegradski, that agriculture alone cannot make a nation strong, and it became his fundamental policy to diversify the country's economic interests by the construction of railways, the opening of mines, and the extension of factory industry. For the realisation of his plans capital was needed, in large quantities. The state had none to spare, the people little. Recourse was had, accordingly, to foreign lands, and it is to this period that one traces the beginning on a large scale of those enormous investments of French, Belgian, and other outside capital in Russian enterprises which have been a factor of such large importance in European and world politics in recent

times. Better import capital, even at high rates of interest, contended Witte, than manufactures. The policy encountered no small amount of opposition, but it was so far carried out as to be productive of remarkable results. Railroad-building and factory-construction went hand in hand, each acting as a powerful stimulus to the other. The state led with its railroads, iron-works, locomotive plants, chemical-works, and wood-works; private capitalists followed closely. The new industrial establishments sprang up in all parts of the land, but most numerously in the central districts of Moscow and Vladimir, in the Donets district, rich in coal and iron, in the great ports where foreign engineering skill and English coal were to be had, and in Poland, where German and Jewish capital and Silesian coal were readily available. Between 1887 and 1893 the number of workmen in the factories of the country increased by 264,856, and the value of the production by 400,000,000 rubles; between the years 1893 and 1899 the number of workmen increased by 515,358, and the value of the production by 1,104,000,000 rubles. It need hardly be remarked that growth of such rapidity was forced and abnormal. The principal outlet for the new products was sales to the government in connection with its gigantic enterprises; the nation at large was increasing very much more slowly in prosperity and in ability to absorb the output of the growing industries. In 1899 came a reaction, which was followed by a period of severe depression. The expansionist movement gradually set in again, however, and during the decade 1905-14 the volume of industry mounted irregularly but in the aggregate considerably.

The most important branch of the country's industries by 1914 was the manufacture of textiles. The principal seat of the textile trades was the governments of Moscow and Vladimir and the neighbouring provinces which lay near the intersection of the black-earth and forest zones. Linen was at an earlier time the main textile product, but it had been superseded by cotton goods, which, by reason of their cheapness and the ease with which they can be dyed bright colours, proved better suited to the needs and tastes of the peasantry. The cotton industry began with the weaving of imported yarn, and only in the last quarter of the nineteenth century was mechanical power extensively employed. Not until this same late period was cotton-spinning developed on a considerable scale. By 1914, however, the production of cotton

goods within the country entirely satisfied the home demand, and only novelties and the finest qualities of thread were imported. And, despite vigorous competition, there was heavy exportation of Russian cotton fabrics and thread to the Orient. There was marked increase in the amount of cotton grown in the Empire, and the tariff upon importations from other countries was raised repeatedly. The manufacture of linens, woollens, and hempen products had been encouraged since the era of Peter the Great and was of large later importance. Since 1875 the manufacture of silk had received increasing attention in South Russia and the Caucasus.

Russia possesses rich beds of coal in several districts, and in the Donets basin, in the south, she has one of the most inexhaustible fuel supplies in the world. Iron mining and smelting and working in iron are among the oldest of Russian industries. In 1914 there were two regions in which iron-works especially abounded, one in the Urals, the other in the south, chiefly in the government of Ekaterinoslaff. In 1898 the Empire passed France into fourth place among the nations of the world in the production of pig-iron. The supply, none the less, never equalled the demand, and while there were heavy importations, the extravagant prices which had to be paid for iron goods, in consequence of the prohibitive tariffs, continually impeded the development of most industries. The principal manufactures of the country, in addition to those that have been mentioned, were sugar, chemicals, paper, leather goods, hats, china, and glasswares. It is estimated that in the European portions of the Empire there were employed by 1914, in factories of all kinds, between three million and four million labourers.[1]

Survivals of Domestic Industry. Far from being ruined by the development of factory industry, the domestic system of manufacturing persisted, and seemed likely long to persist, on a very extended scale. The reason for this is to be found in the peculiar economic position of the peasants and in their exceptional capacity for co-operative enterprise. Through successive divisions and redistributions their holdings of land became in many cases so small that the yield was altogether too meager for the independent support of a household. The consequence was that the peasant was

[1] On labour movements and factory legislation in Russia see Mavor, *Economic History of Russia*. II. 407-428.

compelled to eke out his family's sustenance from agriculture by the income of industrial pursuits engaged in during the winter months. In thousands of communities the villagers entered into co-operative associations for the production of every sort of commodity for whose manufacture the requisite raw or partially manufactured material could be procured. The manufacture of wood, leather, bone, and fur products was most common, but every kind of spinning, weaving, and metal working was practised. Sometimes the cottage industry was subsidiary to a factory, but ordinarily it was entirely independent. The number of peasants engaged in the *kustarni promisel,* or cottage industries, in 1904 was estimated at between seven and eight millions. The hours of work were often very long and the profits very small; but the income from this source frequently spelled the difference between fairly comfortable subsistence and destitution.[1]

Although attachment to the soil and reluctance to engage in mechanical occupations were still deeply rooted among the Russian people, the conversion of their country from a purely agricultural to an agricultural-industrial area had the appearance of finality. The underlying causes of the change are several. In the first place, the emancipation of the serfs set free for employment vast numbers of labourers accustomed to a low standard of comfort, and many of these in the course of time sought the towns and entered industrial occupations. In the second place, the supply of industrial labour was increased, especially after 1890, by the gradual discontinuance of the method of taxation by "mutual guarantee," which had operated to hold the populations of the villages in their places. With this change peasant labour acquired a new measure of mobility. A third consideration is the attraction which Russia offered to foreign capital through her vast resources and labour supply, coupled with the fact that French and Belgian capitalists, having suffered from the American crisis of 1873, and again from that of 1893, were looking for new fields for investment. A fourth source of stimulus was the development of railways. A fifth was the promotion of popular education by the zemstvo authorities. And a sixth was the imposition and maintenance of high protective tariffs. Some of these influences relate to the supply of labour, some to the supply of capital, some to still other

[1] On the *kustarni promisel* see Mavor, *Economic History of Russia,* I, 542-555.

favouring conditions. With the development of industrialism, furthermore, had come the formation of a permanent industrial class, a fact of decided importance in the political history of the Empire in recent times.

The Growth of Domestic Trade: Transportation. Except in a few of the largest towns, settled and systematic trade did not exist in Russia prior to the middle of the nineteenth century. The reason was that the mass of the population was too poor to support an established merchant class. The small purchases of the peasants were made from peddlers or other nomadic traders, commonly at fairs, which were held at frequent intervals in all portions of the Empire. Later decades witnessed remarkable change. With the growth of factory industry commodities were multiplied in quantity and variety, and in many instances were reduced sharply in price. By the building of railways they were rendered more generally accessible. Several artificial restrictions upon the freedom of internal commerce were abolished. And the annual volume of such commerce was enormously increased. It is estimated that to 1914 not fewer than sixteen thousand fairs were still held in the Empire every year, more than three-fourths of them in the European provinces.[1] But they were no longer the sole points of exchange, and permanent localised trade was gradually taking their place. It seemed that in the not distant future their operations would be confined to the traffic with the peoples of the Asiatic dependencies.

A factor of the greatest importance in Russia's economic reconstruction has been the extension and improvement of the means of transportation and travel. Russia is a land of enormous distances and in no civilised country to-day save the United States is public welfare so dependent upon transportation facilities. Before the introduction of railways the rivers and canals formed the principal means of communication and of trade, and their rôle was still, in 1914, of very great importance. About one-third of the Empire's total freight was transported by water, and this proportion had shown little variation during the past thirty years. The country is fortunate in its large number of navigable streams rising in the interior and flowing north, west, and south to the sea-

[1] The most important were those held at Nijni-Novgorod, which is strategically located at the confluence of the Volga and the Oka, and at Irbit, in the heart of the fur-producing district of the Urals.

frontiers. At the same time, the value of these arteries is much impaired by the fact that they are closed by ice for periods varying from four to six or seven months of the year. Since the era of Peter the Great the river systems have been linked up and reinforced by a net-work of canals, notably the constructions connecting the basin of the Volga with that of the Neva and that of the Dwina, and those linking the Dnieper with the Dwina, the Niemen, and the Vistula. The total length of artificial waterways in 1914 was 1,225 miles. During the initial period of railway building waterways were neglected. But later they again received a large amount of care.

It is the railway, however, that wrought the greatest transformation of Russian trade and travel in modern times. The first Russian railway, constructed in 1836, was a short line running from Petrograd to Tsarskoe Selo, the summer residence of the tsar. In 1843 the government undertook the construction of two extensive lines, one in Poland connecting Warsaw with the Austrian frontier, the other running from Petrograd to Moscow, a distance of four hundred miles. These projects were carried through, but at great cost, and there was no farther building of importance for a decade. The Crimean War demonstrated the need of better means for the transportation of troops and supplies, and in 1856 Tsar Alexander II instituted fresh inquiry into the whole subject of railway construction. From this time onwards the railway system was developed with fair rapidity under the general direction of the government, although the actual construction of the lines was entrusted, as a rule, to private companies. Until 1878 construction proceeded at an average rate of six hundred miles a year. By the date mentioned the lines most needed for strategic purposes had been completed, and for a time there was a lull. The continued expansion of industry and the influx of foreign capital, however, prompted farther extension, and in 1881 the government itself undertook the building of new lines. Upon the appointment of Count Witte, in 1893, to the ministry of finance a new era of construction began, and by 1905 the aggregate mileage open for use rose to 40,500, as compared with 16,155 in 1885. The greatest undertaking of the period was the Trans-Siberian Railway, begun at Vladivostok in 1891, completed (save for a section around Lake Baikal) in 1901, and by 1905 affording absolutely continuous rail transportation from Petrograd and

Moscow to the Pacific Ocean over a system of roads aggregating more than 5,500 miles. The time and cost of transit between Europe and the Far East were thus reduced by half, and the colonisation of the Siberian lands by Russian emigrants was powerfully stimulated. From the period of Count Witte's ministry the government not only continued to build railways, but bought up many lines originally constructed by private enterprise. By 1900 the state owned more than sixty per cent., and by 1914 it owned approximately seventy per cent., of the total mileage of the country.[1] After 1889 the rates for both passenger and freight traffic on privately owned roads were regulated by the government, and in 1894, there was introduced a zone tariff under which the cost of long-distance travel and transportation was materially reduced.

Foreign Trade: Tariff Policy. In relation to foreign commerce the history of Russia from the eighteenth century to the Great War falls into four periods, corresponding closely to stages in the development of the Empire's tariff policy.[2] In the first period, extending to about 1824, exports were scant and importation was restricted by duties so high as to be practically prohibitive. Foreign goods were in small demand. The second period, comprising roughly the second quarter of the century, was marked by some reduction of tariffs, largely because the rise of smuggling revealed the growing market for imported wares and convinced the government that lower tariffs would yield larger revenue. By 1850 the landowners had become consumers of foreign goods and exporters of grain; and the third period, extending from that point to about 1877, was characterised by a pronounced trend toward free trade. By acts of 1850, 1857, 1859, 1864, and 1868, the tariff rates were reduced, and the introduction of agricultural and industrial machinery and the building of railways was thereby greatly promoted. The general tariff of 1868 was one of the most moderate that Russia ever had. The fourth period, dating from 1877, was an epoch of revived protectionism. It was inaugurated, in 1877, by an order making customs duties payable in gold rather than in the depreciated paper currency—a measure which, without altering the nominal amount of the various duties, had the effect of increasing all impositions by practically fifty per cent. A series of increases of rates in the decade 1880-89 culminated in a general

[1] In 1914, 33,928 miles in a total of 47,479.
[2] Drage, *Russian Affairs*, 220.

measure of 1891 which consolidated and systematised the acts of the past two decades and extended the protection hitherto enjoyed by manufactured goods only to the home production of raw materials and half-manufactured goods, to the end that equal protection might be accorded to all stages of production in Russia. The duties on coal, steel, and machinery were made prohibitive, and many others were raised far beyond their previous level. There followed a bitter tariff war with Germany, ending in a treaty in February, 1894, whereby the two powers agreed upon reciprocal "most favoured nation" treatment and Russia for the first time in her history yielded some measure of her independence of commercial policy. With such modifications as were required by the terms of this treaty, Russia maintained her protectionist policy during the ensuing decade with comparative steadiness. In anticipation of the expiration of the treaties with Germany and other countries another general revision of the tariff was undertaken in 1903. It consisted mainly in the simple increase of most of the duties, to the end that there might be created a basis for negotiation at times of treaty renewal. The new treaty with Germany, concluded July 28, 1904, and made operative until 1917, recognised certain increases of rates on both sides; and from that time to the outbreak of war in 1914 there were no specially notable developments. With occasional slight modifications, the high protection policy of the Empire persisted over into the war period. The main ideas underlying it were to make the country self-supporting, to develop its great natural resources, to establish a more favourable balance of trade, and to obtain revenue. Abstract economic theory played little part in it.[1]

To what extent the policy achieved, or was adapted to achieve, the ends desired is a controverted question. There can be no doubt that some industries were stimulated, or even created, by the encouragement that was given them. The ablest Russian writer upon Russian economics, Tugan-Baranovsky, however,

[1] The successive stages in the tariff history of the Empire during the second half of the nineteenth century appear from the following figures, which give the proportion of the total customs duties to the total value of the goods imported:

Years	*Per Cent.*	*Years*	*Per Cent.*
1851-1856	24·3	1881-1884	18.7
1857-1858	17.6	1885-1890	28.3
1869-1876	12.8	1891-1900	33.0
1877-1880	16.1		

denies that the protective tariff was an important general cause of the growth of the Empire's industry.[1] And it is certain that, whatever the gain, there was large loss. Upon no commodities were the rates more excessive than upon iron products, and it is indisputable that the effect was to check the importation of agricultural machinery and to hold agriculture widely in the primitive stage typified by the wooden plough. It is a striking commentary upon the system that, reckoning prices in the quantity of grain which must be produced as the equivalent in value, the Russian peasant in 1914 paid two and one-half times as much as the German peasant for his cotton and sugar, four and one-half times as much for iron implements, and six times as much for coal.

Russia's foreign trade consisted chiefly in the exchange of the raw and partly manufactured natural products of the country for the manufactured goods which could not yet be supplied in sufficient quantities to meet the home demand. The principal exports were wheat, oats, barley, rye, oil-seeds, eggs, flax, hemp, timber, and beet-sugar, and the Empire's best customers, in 1913, were Germany, Great Britain, France, the Netherlands, and Belgium. The principal imports were chemicals, coal, cotton yarn, leather, and manufactures of paper, silk, and wool; and, in late years, these commodities had been procured mainly in Germany, although to a considerable extent also in Great Britain, the United States, and France. In 1912 the total value of exports was $734,922,000, and that of imports was $532,768,500. The distribution of the two among the countries with which commercial relations were sustained chiefly was as follows (in millions of dollars):[2]

Country	*Exports*	*Imports*
Germany	234	267
United Kingdom	169	72
Netherlands	79	10
France	50	28
Austria-Hungary	38	17
Belgium	30	4
Italy	27	8
Denmark	20	3
Turkey	15	8
Roumania	11	1
United States	9	44

[1] Mavor, *Economic History of Russia*, II, 381.

[2] J. H. Snodgrass et al., *Russia; a Handbook on Commercial and Industrial Conditions, Special Consular Reports*, No. 61 (Washington, 1913), 11.

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CHAPTER XVI

THE MOVEMENT OF POPULATION—EMIGRATION

Population Growth in the Nineteenth Century. Among students of human affairs it is commonly agreed that the most remarkable social phenomena of the hundred and twenty-five years preceding the World War were (1) the increase of the aggregate population of the civilised world, (2) the concentration of this population in towns and cities, and (3) the dispersion of peoples of European origin over vast outlying portions of the earth, notably North America, South America, South Africa, and Australia. Of the general increase of population during the period mentioned it is impossible to speak with exactness, for the reason that a large portion of the data which must enter into computations upon the subject rest upon estimates, or sheer guesses, rather than upon trustworthy statistics. Not until 1801 was the first general census taken in Great Britain [1] and in France; [2] and not only were other important nations slow to emulate the example which had been set, but even in the countries named the decennial enumerations long continued to be incomplete and in sundry respects unsatisfactory. It has been said that in Great Britain the first census really worthy of the name was that taken in 1841. With full allowance for uncertainties, however, the fact is well established that during the course of the nineteenth century the population of Europe was more than doubled. The best estimate of the population in 1800 which can be made is 175,000,000. Competent statisticians in 1882 placed the figure for their day at 327,743,000; and equally good authority has placed it for 1914 at 452,000,000, which is considerably more than one-quarter of the population of the entire world.[3] This means, roughly, that for every four persons living in European lands at the time of

[1] A Census Bill was passed by the House of Commons in 1753, but was thrown out by the House of Lords as being "totally subversive of the last remains of English liberty."

[2] E. Levasseur, *La population française* (Paris, 1889), I, 299-300.

[3] W. F. Willcox, in *American Economic Review*, Dec., 1915, 742.

Napoleon's consulship there were more than nine at the outbreak of the war of 1914 To gain some notion of the economic, social, and political consequences of this tremendous transformation one has only to pause to consider what would be the effects of multiplying by two or three the number of people dwelling and making their living within one of our own states, or within a county, or, indeed, within any sort of community anywhere.

By the census of 1801 the population of England and Wales was shown to be 8,892,536; that of Great Britain as a whole, 10,500,956. Ireland's first census was authorised in 1811 and taken in 1813, although the earliest figures which are reliable are those of 1821, when the population was reported as 6,801,827. In 1821 the population of the United Kingdom was 20,800,000, representing a gain of 32.7 per cent. over the estimated population of 14,000,000 in 1789. During the nineteenth century the population of Scotland increased but slowly and that of Ireland declined by a third, but that of England and Wales was almost quadrupled. At the census of 1911 the population of England and Wales was 36,070,492; that of Scotland was 4,760,904; and that of Ireland was 4,390,219. The total for the United Kingdom was thus 45,221,615, which means, in round terms, a tripling of the estimated figure of 1789. The French census of 1801, taken under the direction of Napoleon, and covering, in addition to France proper, the territory of Alsace-Lorraine, showed a population of 27,445,297, which (leaving out of account the altogether unknown populations of Russia and Turkey) was at the time the largest in Europe. During the ensuing hundred years the inhabitants of France increased more slowly than those of any other European country for which definite data exist, and in the past quarter-century their number has been almost stationary. None the less, France had, in 1876, 36,905,788 people, and in 1906, 39,252,245; in 1911 the number was 39,601,509.[1] In the case of Germany complete statistics

[1] The stationariness of population in France has been the subject of extended discussion among not only French sociologists and statesmen but students of social phenomena in all countries, and it has been written upon voluminously. See A. Dumont, *Dépopulation et civilisation; étude démographique* (Paris, 1890); H. Clément, *La dépopulation en France* (Paris, 1910); E. Levasseur, *La population française* (Paris, 1889), III, 148-230; C. Richet, *La dépopulation de la France*, in *Rev. des Deux Mondes*, May 15, 1915; J. Bertillon, *La dépopulation de la France; ses consequences, ses causes, mesures à prendre pour la combattre* (Paris, 1911); P. Leroy-Beaulieu, *La question de la dépopulation* (Paris, 1913).

are not available until the nineteenth century was far advanced. But research has shown the population of the country as bounded in 1914 to have been, in 1816, about 24,800,000, and in 1885, about 36,100,000. After 1860 or thereabouts, growth was very rapid. At the founding of the Empire, in 1871, the population was 41,058,792; in 1900 it was 56,367,178; by 1910 it had risen to 64,925,993, which means distinctly more than a doubling in less than one hundred years. Following the completion of the nation's unification, in 1870, the population of Italy grew from 26,801,154 (in 1871) to 32,449,754 in 1901 and 35,959,077 in 1911. During the nineteenth century the population of Austria-Hungary rose from 25,000,000 (estimated) to 45,400,000,[1] and that of European Russia, from 40,000,000 (estimated) to 112,800,000.[2] In the second half of the century the average annual increase in Russia was approximately 1.5 per cent.; in England and Wales, 1.2 per cent.; in Denmark, Holland, and Spain, about 1 per cent.; in Germany, Belgium, Austria, Norway, and Sweden, about 0.8 per cent.; in Italy, Switzerland, and Hungary, about 0.6 per cent.; in France, about 0.25 per cent.; while in Ireland there was a yearly decrease of 0.5 per cent. In 1801 the average number of inhabitants per square mile in England and Wales was 154; in 1911 it was 614. In France the corresponding density increase was only from 134 to 191. But in Germany it was from about 113 to 311 (in 1910). Among the denser European populations prior to the outbreak of the war in 1914 were the Belgian, with about 654 per square mile (in 1911); the Dutch, with about 495 (in 1914); and the Italian, with about 322 (in 1914).[3]

Causes of Population Increase: Falling Death-Rate. "The true greatness of a state," remarks Bacon, "consisteth essentially in population and breed of men"; and in all ages rulers and governments have recognised in growing populations a principal source of military power and economic strength and have sought to maintain the rate of increase at a lofty level. The causes of the exceptional population growth of the nineteenth century, however, are to be found, not in the application of paternalistic state policy, but in the progress of science and the broadening of indus-

[1] In 1911, 49,856,000 (Austria, 28,826,000; Hungary, 21,030,000).

[2] In 1913, 140,841,000. The increase was at the rate of about 2,000,000 per annum.

[3] For a study of comparative population densities in Europe in the nineteenth century see Levasseur, *La population française*, I, 398-464.

trial achievement. For present purposes, they may be reduced to three: (1) the diminution of the death-rate; (2) the augmentation of the productiveness of European countries, and, consequently, of their capacity to support large populations; and (3) the development of outlying lands, and of facilities for commercial intercourse with those lands, rendering available for European consumption unlimited supplies of foodstuffs and of materials of manufacture. In the first place, the increase of population is attributable to a series of improvements whereby security of life has been augmented and the proportion of deaths to births has been reduced. Throughout the Middle Ages and in earlier modern times, population growth was restricted severely by a high death-rate, produced by a number of adverse circumstances.[1] One of these checks was recurring scarcity of food, amounting sometimes to famine, caused by failure of crops and inability to transport supplies readily from distant quarters. Another was pestilence, by which populations were not infrequently depleted. Yet another, of more continuous effect, was the prevailing unsanitary conditions of living, in both country and town, and especially the extraordinarily high rate of infant mortality. War was, of course, another influential factor.

Since the eighteenth century, however, the great scourges of mankind—war alone excepted—have been entirely overcome or much mitigated, at all events in Europe. The advance of medical and sanitary science, together with the expansion of state activity in behalf of the public health and welfare, has produced a sharp decline of the death-rate, notably among children under five years of age. Plagues and pestilences have become rare, and, save in some of the less developed districts of Russia, famine is, in times of peace, unknown. From the close of the Napoleonic conflicts until the coming on of the latest great international combat in 1914,

[1] Among cities London was rather above than below the average of healthiness. Yet throughout the eighteenth century the number of deaths in London steadily exceeded the number of births. The respective numbers in certain typical years are:

Year	*Births*	*Deaths*
1710	15,623	21,461
1730	18,203	27,492
1750	14,457	25,352
1770	19,784	24,943
1790	21,477	23,080

See Slater, *Making of Modern England*, 160.

the loss of life in European wars was comparatively slight. As a result of these developments and circumstances, the birth-rate, after the close of the eighteenth century, began to show a preponderance over the death-rate which was quite unprecedented. Throughout the first three-quarters of the nineteenth century the birth-rate was maintained, in most countries, at substantially its eighteenth-century level, or was even increased, and population grew enormously. Even after 1870-75, when there set in that pronounced and almost universal decline of the birth-rate which in late decades has provoked comment and inquiry in all parts of the civilised world, the continuing fall in the death-rate served to make possible very substantial population growth.[1] Thus in Germany, while in the period 1876-1911 the birth-rate fell thirty-three per cent., the loss was more than compensated by the steady decline of the death-rate, so that in times immediately preceding the outbreak of war in 1914 the excess of births over deaths amounted to from seven to nine hundred thousand a year. In the decade 1901-10 there was a decrease in infant mortality from 20.7 to 16.2 a year. The trend of birth-rate and death-rate in a number of countries between 1841 and 1905 is indicated in the following tables: [2]

BIRTH-RATE

Country	*Births per 1000 of total population*			
	1841-50	*1861-70*	*1871-75*	*1900-05*
England	34.6	36.0	36.0	29.0
Scotland	—	34.8	35.0	29.7
Ireland	—	26.1	26.4	23.2
Germany	36.1	37.2	38.9	35.5
France	27.3	26.3	25.5	21.7
Italy	—	37.5	36.9	33.5
Spain	—	37.8	36.5	34.8
Austria	35.9	35.7	37,2	34.2
Holland	33.0	35.3	36.1	32.1
Belgium	30.5	31.6	32.4	28.5
Denmark	30.5	31.0	30.8	29.7
Norway	30.7	30.9	30.3	29.7
Sweden	31.1	31.4	30.7	26.7

[1] On the decline of the birth-rate see E. A. Ross, *Changing America* (New York, 1912), 32-49.

[2] Adapted from J. A. Baines, *Population*, in Encyc. Brit. (11th ed.), XXII, 96-98.

DEATH-RATE

Country	*Deaths per 1000 of total population*		
	1841-50	*1861-70*	*1895-1904*
England	23.7	24.0	17.2
Scotland	—	21.8	17.3
Ireland	—	16.6	18.0
Germany	26.8	26.9	20.8
France	23.2	23.6	20.4
Italy	—	30.9	22.7
Spain	—	30.6	27.8
Austria	29.8	29.1	24.0
Holland	26.2	25.4	17.0
Belgium	24.4	23.8	17.8
Denmark	20.5	19.8	15.8
Norway	18.2	18.0	15.1
Sweden	20.6	20.2	15.8

From the period covered by the most recent of these figures to the outbreak of the World War the death-rate continued to fall. Thus in Germany in 1909 the rate was 17.2 per thousand, and in 1910, 16.2; while in England and Wales it averaged in 1901-10 15.3, and in 1909 was 14.5 and in 1910, 13.5. The decline of child mortality over several decades is well illustrated by the following statistics for France: [1]

Years	*Average annual no. of deaths per 1000 at varying ages*		
	0-4 yrs.	5-9 yrs.	10-14 yrs.
1867-70	128.5	10.6	5.2
1901-04	55.3	5.1	2.9

Other Causes of Population Increase. Notwithstanding the reduction of the death-rate, however, such increase of population as has taken place would have been impossible had not there been also a very great expansion of the economic basis of human livelihood. As has been suggested, this last-mentioned development presents two phases. One is the augmented productiveness of the European lands. The other is the exploitation of the outlying world. On the one hand, through the clearing of forests,

[1] *L'Illustration*, Jan. 26, 1907. On the reduction of infant mortality in Germany see Dawson, *Municipal Life and Government in Germany*, 286-292. The relations of birth-rate and death-rate in France are discussed fully in E. Levasseur, *La population française* (Paris, 1889), II, 3-65, 105-184. For later discussion of the subject in relation to Great Britain see S. J. Chapman, *Work and Wages* (London, 1914), III, 92-150.

the draining of swamps, the abandonment of the three-field system, the utilisation of machinery and of commercial fertilisers, the introduction of intensive farming, and, in general, the application of scientific methods to cultivation, the output of foodstuffs and of raw materials was vastly increased. And the effect was enhanced incalculably by the inauguration of railway and steamship transportation, which made it possible to carry food and other produce cheaply and quickly from regions of superabundance to regions of scarcity, and which also made it feasible to build up great industries in places not immediately adjacent to sources of food and other necessary supplies. On the other hand, the occupation by European peoples of broad stretches of agricultural land beyond seas—in North America, in Argentina, in Australia—together with the development of the means of ocean transportation of grain, meats, metals, cotton, and other bulky articles in demand among an industrial people, contributed powerfully to population growth in the European countries. There was, of course, a considerable drainage of population to the colonies and other outlying lands, but this was offset, many times over, by the increase which was made possible by the opening up of the newer countries. Under the changed conditions, Europe was able to turn more and more to industry, manufacturing goods which were exchanged in distant lands for foodstuffs and raw materials, and population was no longer limited by the capacity of the home territories to produce food.

The Growth of Urban Population. A second and equally fundamental populational development of the nineteenth century was the growth of towns and cities, with a corresponding shift from the conditions commonly attending rural life to those associated with the life of the urban center. It has been pointed out that, while the eighteenth century witnessed the beginnings of a new era of urban development, cities at the close of that century were, in all countries, comparatively few and small.[1] Growth in the succeeding hundred years was, however, astonishingly rapid. England and Wales in 1801 contained but 106 towns and cities exceeding 5,000 in population, and of these only fifteen exceeded 20,000. In 1891 the numbers were, respectively, 622 and 185. At the opening of the century the urban population of these lands formed about one-quarter of the whole, at the middle about one-

[1] See p. 14.

half, and at the close more than three-quarters.[1] In 1801 the proportion of Englishmen and Welshmen living in urban centers of 20,000 or more was less than 17 per cent.; in 1891 it was 53.5 per cent. At the present day eight of every ten Englishmen dwell in towns of 10,000 and upwards, and the interests and problems of the city have become the interests and problems of substantially the whole people.[2] In 1846, when the practice was adopted in French census reports of denominating as "urban" all communes having a population of 2,000 and upwards, the percentage of the total population of the country in such communes was 24.4. By 1861 it had risen to 28.9; by 1876, to 32.4; and by 1891, to 37.4.[3] This means an increase of fifty per cent. in forty-five years, or substantially the same as that recorded in England during the same period. Between the two dates the rural population declined by more than two and one-half millions. In the kingdom of Prussia the concentration of population can scarcely be observed prior to 1850; but thereafter it progressed rapidly. In 1867, when the North German Confederation was established, the population in *Gemeinden* of 2,000 and upwards comprised 35.8 of the total, and the number of such *Gemeinden* was 1,400. In 1880 the proportion was 42.6 per cent.; the number of *Gemeinden*, 1,841.[4] In Austria the proportion of population in places of 2,000 and upwards rose between 1843 and 1890 from 18.9 per cent. to 32.5 per cent. In Belgium the proportion in places of 5,000 and upwards rose in approximately the same period from 32.6 per cent. to 47.7 per cent. Even in Switzerland the population of places of 5,000 and upwards was almost doubled between 1850 and 1888.

[1] This comparison is indicated in detail in the following table presented in Weber, *Growth of Cities in the Nineteenth Century*, 43:

	1801		1851		1891	
Classes of Cities	*No.*	*Population*	*No.*	*Population*	*No.*	*Population*
Over 20,000	15	1,506,176	63	6,265,011	185	15,563,834
10,000-20,000	31	389,624	60	800,000	175	2,362,376
5,000-10,000	60	418,715	140	963,000	262	1,837,054
Total over 5,000	106	2,314,515	263	8,028,011	622	19,763,264
Total under 5,000	...	6,578,021	...	9,899,598	...	9,239,261
Grand total	...	8,892,536	...	17,927,609	...	29,002,525

[2] P. Meuriot, *Des agglomérations urbaines dans l'Europe contemporaine* (Paris, 1897), 121-149.

[3] *Ibid.*, 83-120.

[4] Weber, *Growth of Cities*, 83; Meuriot, *Des agglomérations urbaines*, 168-193.

And not merely did the proportion of urban to total population tend thus universally to be increased; the century saw also the rise of those vast agglomerations of people which to-day comprise the populations of London, Paris, Berlin, Petrograd, Vienna, and scores of other centers. In 1801 London, with 958,000, was the only city in the British Isles having a population in excess of 100,000. By 1851 the population of London was 2,362,000, and in 1911 it was 7,252,963;[1] while by 1881 there were twenty cities exceeding 100,000. The population of Paris in 1801 was 547,756; in 1911 it was 1,807,044. Berlin, which is one of the newer capitals of Europe, contained in 1801 but 172,000 people. At the founding of the Empire, in 1871, it had 826,000; in 1885 it had 1,315,000; in 1910 it had 2,070,695. Vienna increased from 231,000 in 1801 to 2,031,498 in 1914; Moscow, from 250,000 in 1801 to 751,000 in 1882, and 1,617,157 in 1914; St. Petersburg [Petrograd] from 400,000 in 1801 to 929,000 in 1882 and 2,018,596 in 1914.[2]

Causes of Urban Growth. Without pursuing statistical comparisons further, certain fundamental aspects of the phenomenon may be emphasised. In the first place, the growth of city populations is, after all, only a phase of a larger development, namely, the general increase of population throughout the civilised world. The doubling or tripling of a given population would, without the operation of any other special influence or circumstance, give rise to densely settled areas and transform villages into towns, towns into cities. The causes of this general increase of population in the past hundred and twenty-five years have been noted. In the second place, however, it is to be observed that the really vital aspect of city growth in the period mentioned is the increase of urban populations in comparison with rural; in other words, the increasing proportion of the peoples of the various countries gathered in cities. The phenomenon is pre-eminently one of concentration. In the third place, the development is world-wide. In a total population of 3,929,214 in the United States in 1790, but 123,551, or 3.14 per cent., dwelt in cities of 10,000 and upwards. In a total population of 3,809,895 in the seven colonies of Australia in 1891, 1,264,283, or 33.2 per cent., dwelt in cities of

[1] This figure is for Greater London, including the City of London and the whole of the Metropolitan Police District, an area of 692.84 square miles. The population of the administrative county of London (area 117 square miles) at the census of 1911 was 4,521,685.

[2] Meuriot, *Des agglomérations urbaines*, 249-280.

the size indicated. Australia in 1891, like the United States in 1790, was a country peopled predominantly by men and women of English blood; it was, as it yet is, a virgin country, in which the life of the frontier persisted; it was almost as independent, politically and socially, as was the United States in 1790. But Australia is of the nineteenth century, not the eighteenth; and although it is a new country, in which the propensity to rural life might be expected to be specially pronounced, it exhibits the same general tendency to urban concentration that characterises the populations of countries that are older and in a more advanced industrial stage.

The causes of urban growth (beyond the circumstances which have been responsible for the growth of *all* populations, urban and rural) have been indicated in earlier chapters in which the economic history of Europe during the century has been outlined. In summary, they may be enumerated as follows: (1) the introduction of the use of machinery and of steam, the rise of the factory system, and the growth of modern industrialism; (2) the improvement of facilities of travel and transportation, with the consequence of greater mobility of population, as well as increased possibilities of supporting vast numbers of people within a restricted area; (3) the growth of the world's wealth, the resulting elevation of the standard of living, and the enlargement of the demand for goods which are products of city types of labour and enterprise; (4) the quest of the higher wages and steadier employment ordinarily afforded by the city; and (5) the lure of the city's companionships and amusements and the desire of men for the superior industrial, social, and educational opportunities which the city offers, for themselves, and especially for their children. The consequences which have flowed from the disproportionate enlargement of urban populations since 1800 are incalculable. "The growth of large cities," remarks one writer without exaggeration, "constitutes perhaps the greatest of all the problems of modern civilisation."[1] In it are involved the questions of diminished rural labour supply, of urban labour organisation and unrest, of dwindling district schools and over-crowded and half-time city schools, of municipal transit and sanitation and taxation, of poverty, the tenement-house, and the "submerged tenth"—in short, a very large share of the maladjustments and

[1] Mackenzie, *Introduction to Social Philosophy*, 101.

physical and moral wastes of civilisation, as well as a great proportion of the improvements that have been made in the arts and opportunities of life. To some men the city is a blessing, to some a curse, to all a problem.[1]

Emigration: Volume and Causes. A third remarkable populational development during the nineteenth century was the increased emigration of Europeans to lands beyond seas. A German economist a decade ago estimated that during the four hundred years since the discovery of America a total of 105,000,000 men and women had gone out from European countries to take up their residence in America, Asia, Africa, and Oceanica, and that of this enormous aggregate (exceeding by 13,000,000 the population of the United States in 1910), 31,500,000, or approximately thirty per cent., migrated during the course of the nineteenth century.[2] These figures can hardly be more than carefully considered guesses. But they are probably too small rather than too large. We know, for example, that between 1815 and 1900 the aggregate emigration from the United Kingdom of Great Britain and Ireland alone was in excess of 15,000,000. It is a matter of record, also, that from 1820, when immigration statistics began to be kept somewhat systematically by the authorities at Washington, to 1914, a total of somewhat over 32,350,000 aliens settled within the bounds of the United States alone. Some of these came from Asiatic and American countries, but only a small proportion—not, certainly, more than one million in all. Taking into the reckoning the migration between 1800 and 1900 of Englishmen to Canada, Australia, New Zealand, South Africa, and the multitude of lesser British colonies, of Irishmen to the United States and British North America, of Germans to the United States and to South America, of Norwegians, Swedes, and Danes to the American Northwest, of Russians to Asiatic lands, of Italians to the United States, Argentina, and North Africa, of Spaniards and Portuguese to South America, and of Jews to the four quarters of the earth, one may safely conclude that the total of European emigration in the nineteenth century was nearer forty millions than thirty millions.

[1] The social and economic effects of the growth of urban populations are fully discussed in Meuriot, *Des agglomérations urbaines*, 333-448. Cf. E. Levasseur, *La population française* (Paris, 1889), II, 338-416.

[2] Supan, *Die territoriale Entwickelung der Europäischen Kolonien* (Gotha, 1906).

The causes of emigration have been grouped by some writers in two categories, i.e., positive and negative. The positive causes are considered to be the advantages or attractions of the land to which the emigrant goes. The negative causes are the discomforts and compulsions of the emigrant's home land and environment. And it has been truly observed that in view of the strength of home ties, the negative, or repellent, type of forces must be far the more important, as it would be an alluring prospect indeed that would lead a man to leave a spot where he was contented.[1] It is, of course, a fundamental circumstance that from the close of the fifteenth century, and notably during the past hundred years, the landless and luckless European has had at all times an opportunity to try his fortunes in a new and inviting world; otherwise there could have been little or no emigration. But the forces which have actually impelled migration have been, in the main, those springing from discontent with conditions in the home country. These forces fall into four principal groups, i.e., economic, social, political, and religious. The causes of emigration which have been by far the most continuous and the most important are those of an economic nature. They include inability to acquire or to retain possession of land, unemployment, low wages, injury wrought by drought, flood, or other temporary natural calamity, and over-population. As a society develops and economic activity becomes more variegated the last-mentioned cause declines in importance; yet, as is evidenced by the history of more than one portion of Europe in the past century, comparatively advanced populations may arrive at a point where, under existing conditions, the number of people is disproportionate to the supporting power of the region's agriculture and industries. Under such circumstances there will ordinarily be a fall of the birth-rate; but relief is likely to be found principally in emigration.[2]

The social causes of emigration are such as spring from dissatisfaction with the social organisation of the home country, and are especially likely to become effective where a tendency to caste renders it difficult or impossible for members of the lower classes to rise to a higher status. In all European countries this

[1] Fairchild, *Immigration*, 4-5.

[2] For a brief discussion of the modes of relief of over-population, apart from emigration, see P. S. Reinsch, *Colonial Government* (New York, 1902), Chap. II.

situation has obtained to some degree, although in the past sixty years it has been less productive of discontent than formerly. Political causes of emigration include both dissatisfaction with the existing form of government and injuries wrought by governmental acts. They have been comparatively unimportant in the period under survey; but following the suppression of the Polish insurrections of 1830-31 and 1863 and the failure of the revolution of 1848 in Germany, large numbers of political refugees sought a haven in the United States and other parts of the world. Religious causes include all restrictions placed on members of the body politic by reason of their religious beliefs or practices. They may involve actual persecution or only unjust and vexatious discriminations. Illustrations in earlier times are afforded by the flight of the Separatists and the Quakers from England and of the Huguenots from France, and in recent years by the migration of the Armenians from Turkish territories and of the Jews from Russia.[1] Further agencies which have operated powerfully to swell the volume of emigration have been the increased and cheapened facilities of transportation, especially since the dawn of the ocean steamship era at the middle of the nineteenth century, and, more recently, the stimulation of emigration by steamship companies and other transportation agencies.

Emigration from Great Britain and Ireland. The European country from which, during the past hundred years, the stream of emigration has flowed with most regularity is Great Britain. As a French writer has aptly remarked, it has been the unique fortune of Great Britain throughout this remarkable era of population expansion to have at the same time colonies and colonists.[2] In the second half of the century, as will appear, Germany and Italy had colonists, i.e., hundreds of thousands of citizens bent on migrating to distant lands, but no colonies adapted to receive them, while France had extended colonies but no surplus population with which to people them.[3] At the close of the Napoleonic wars Great Britain was incontestably the first maritime and

[1] It is scarcely necessary to observe that—as is illustrated by the semi-religious, semi-political impetus of Jewish emigration from Russia—groups of causes overlap, and that the motives of the individual emigrant may be so complex that he will himself hardly know which is dominant.

[2] Gonnard, *L'Emigration européen au XIX^e siècle*, II.

[3] After the setting in, within the past thirty years, of the tide of voluntary migration to Siberia, the position of Russia in this matter approximated that of Great Britain.

colonial power of Europe, and in the main her outlying possessions were located in temperate latitudes, were sparsely inhabited, and were capable of supporting almost any number of European settlers. Foremost among them was Canada. But of almost equal value were South Africa, lately taken over from the Netherlands, and Australia, already beginning to outgrow the stigma incurred as a convict station, and to attract wool-growers, traders, and other voluntary settlers. In addition, there were New Zealand and many other islands of favourable situation, not to mention India. The number of people migrating from the British Isles in the first half of the century has been estimated at 3,500,000. This includes many aliens arriving at British ports and subsequently taking passage for other countries—a number which cannot now be determined. But, in the main, this body of emigrants was English, Scottish, and Irish. During the third quarter of the century the outflow increased, rising to a maximum in 1883, when the number of British subjects migrating was 320,118 and the number of aliens departing from British ports was 397,157—a total of 717,275. Australia was now drawing heavily; Canada and the United States were receiving a steady stream; and the movement to South Africa was assuming considerable proportions. In the fifty years from 1853 to 1903 the number of emigrants from the United Kingdom exceeded 13,000,000, of whom 9,500,000 were British subjects. Approximately three-fifths of these people went to the United States;[1] but throughout the period large numbers settled in the colonies, the proportion settling in Canada rising, in 1904, to almost one-fourth. During the past decade the trend toward the colonies has been augmented. Of 268,486 people of British and Irish origin migrating in the year 1912 to countries outside of Europe, 133,531, or almost one-half, went to Canada; 68,688, or more than one-fourth, went to Australia; 11,054 went to New Zealand; 4,233 went to South Africa; and 45,847 went to the United States.

The portion of the United Kingdom from which emigration has been relatively heaviest is Ireland. Of some 17,000,000 British subjects migrating between 1815 and 1906, not fewer than 5,000,000 were Irish. During the first four decades of the nineteenth

[1] The proportion was so high for the reason that, as will appear, the heavy Irish emigration of the period was directed to the United States almost exclusively.

century emigration from the lesser island was slight, the birth-rate was high, and population increased with rapidity. The famine of 1846, however, proved a turning point. That calamity fell upon a teeming population whose margin of subsistence was narrow, and so widespread and disastrous were its effects that between 1847 and 1852 more than 1,200,000 people—one-seventh of the total population at the census of 1841—migrated to foreign lands, and the census of 1851 revealed a decline of population during the decade amounting to 1,600,000. Of the emigrants mentioned, fully 1,000,000 went to the United States, and it is to that country that the stream of Irish migration has ever since been directed. Between 1851 and 1905 somewhat more than 4,028,000 emigrants left Ireland—2,092,000 males and 1,936,000 females, the proportion of females to males being extraordinarily high as compared with the proportion among the emigrants of other countries. Irish emigration has been almost exclusively rural, and the causes of it are to be found mainly in the hardships arising from the prevailing system of land tenure, especially the difficulties of acquiring ownership of land and the exactions of the landlords. Agrarian legislation since 1885 has improved the situation in a measure, and emigration has fallen to an average of 30,000 a year. The reason for the decline lies principally, however, in the decrease of the country's population by almost exactly half since 1840 rather than in the amelioration of the lot of the population which survives.

Emigration from Germany. Aside from Ireland, no European country experienced during the nineteenth century an exodus of population equal to that from Germany. Because of the political disintegration of the German lands and the absorption of the German princes in projects nearer home, the German states had no considerable part in the opening and peopling of the new world in the sixteenth and seventeenth centuries. In the eighteenth century, however, German migration across seas began to assume importance, and large numbers of German-speaking settlers were added to the population of Pennsylvania and other portions of America. After 1800, and especially after the close of the Napoleonic wars, the number of emigrants rose irregularly until near the middle of the century, when there set in the most remarkable population movement in modern German history, and one of the most remarkable in modern times. Already in 1847 the number of emigrants was 41,310, of whom 32,287 went to the United

States, 7,352 to British North America, and 888 to Australia. The political events of 1848-50, which, as it happened, were preceded by a series of bad harvests and by exceptional economic depression, imparted to the movement a pronounced stimulus, and in 1852 the number of people leaving the country was 87,586 and in 1854, 127,694. During the single decade 1851-60 more than one million Germans settled in America. It was characteristic of this emigration after 1848 that the emigrants were largely peasants bent upon the acquisition of land and that they moved in masses, mainly via Hamburg and New York to the American interior. During the American Civil War the movement declined; but after 1865 the number of Germans migrating did not fall below 100,000, except in two years, in a decade. From 1874 to 1879 the figures were comparatively small, but thereafter throughout more than a decade they ran higher than at any earlier period. The maximum was reached in 1881, when the emigrants numbered 220,902, or 4.86 per cent. of the total population of the Empire.[1] After 1893 the number contracted rapidly. In the ensuing ten years it rarely rose above 30,000; and after 1905 it became so small as to be almost negligible. But the total outflow for the nineteenth century is estimated at between six and seven million people.

The causes of the heavy emigration of earlier times are to be sought principally in the dissatisfaction and uneasiness incident to the political contests involved in the establishment of constitutional government in Germany and the founding of the Empire, in desire to escape stringent regulations concerning military service, and especially in the longing of the peasantry for more land and for a larger measure of economic freedom. The sharp decline after 1893 is attributable to the exceptional expansion of industry and trade in the period, furnishing steady and profitable employment for larger and larger proportions of the people, and to the inauguration of social insurance and of other means of improving the status and outlook of the common man. The position of Germany in respect to emigration has been essentially different from that of Great Britain for the reason that the latter nation has great colonial possessions which are adapted to receive and

[1] Of this number, 206,189 went to the United States; 286 to British North America; 2,102 to Brazil; 362 to Argentina; 514 to other American countries; 314 to Africa; 745 to Australia; and 35 to Asia. This distribution was typical of that prevailing throughout the entire era of emigration.

support almost unlimited white populations, while the former, having entered the race for colonial dominion late, has had only colonies which offer few inducements to settlement by Europeans. It is true that until recently fewer than one-half of the emigrants from the United Kingdom actually settled in lands which are under the British flag. But, as has been pointed out, practically the whole of German emigration at all times has been directed toward regions which not only were not under German political control but were populated predominantly by non-Germans. It is, in part at all events, on this account that, whereas in the United Kingdom there has never been any serious attempt to restrain emigration, nor even any general deprecation of the continuance of the phenomenon, in Germany there was at all stages a strong conviction that emigration is a source of loss, and accordingly a disposition to impose checks upon the movement. In so far as emigration had as its objective the colonies, or non-colonial regions such as Brazil and Asia Minor which it was desired to Germanise, it was encouraged. Beyond that, the movement seemed to most economists and public men to involve a diminution of wealth and strength at home and a direct contribution by so much to the wealth and strength of the Empire's rivals. The virtual cessation of the outflow after 1893 was regarded, to 1914, with mixed feelings, because while it appeared to promote the conservation of German national strength it also operated to check the growth, such as it was, of German population and German influence in the colonies and in other outlying portions of the earth.

Emigration from France, Russia, and Italy. For France emigration has been a matter of small consequence. The French people have never showed a disposition to settle in distant parts of the world, and notwithstanding repeated efforts on the part of the government it has been found impossible to bring about any considerable movement of Frenchmen to even the near-by possession of Algeria. The number of emigrants from the country in fifty years before the war hardly exceeded 300,000. One-fifth of these went to the United States, while the remainder were distributed among many countries, both in Europe and beyond. In Algeria there were in 1914 about 300,000 French settlers and their descendants, and in the protectorates of Tunis and Morocco 46,000 and 26,000, respectively. The average annual outflow from France

in late years had been about 6,000.[1] Russia, on the other hand, was a country of large emigration. The movement from the European portions of the Muscovite empire fell into two widely differentiated phases. One was the migration of Jews, mainly to England and America, for the purpose of escaping the political and economic restrictions and the religious persecution to which this element of the population had long been subjected by the Russian authorities. The other was the migration of Russian peasants and tradesmen to Siberia. Until 1887 the number of immigrants arriving in the United States from Russia (almost entirely Jews) did not exceed 18,000 a year. Thereafter, however, it rose to 35,598 in 1890; 90,787 in 1900; 215,665 in 1906; and 291,040 in 1913. After the opening of the century the number of Russian home-seekers turning their faces toward the great Siberian plains varied from 40,000 to 200,000 a year; in 1907 it exceeded a half-million.

Aside from the decline of emigration from Germany, the most notable development during the three or four decades preceding the war was the increase of emigration from the countries of southern and southeastern Europe, principally Italy, Austria-Hungary, and Greece. The country, indeed, whose emigration in these decades was most homogeneous, most explicable in general terms, and most important numerically is Italy. For upwards of two generations the cure for over-population, the way of escape from poverty and high taxes, had been sought by the Italians in ever-increasing measure in the movement of labourers to other lands in quest of work and wages. The geographical range of this emigration was extensive. In the first place, large numbers of workmen, especially from the northern provinces, went to neighbouring countries—France, Austria, Germany, Switzerland, Tunis—where they undertook the most arduous forms of labour, at wages frequently below the minimum of those received by local workmen, and by living in squalor were able to earn and carry home enough to tide them and their families over the winter season. Some settled for years in France, and many more in Tunis; but even these generally returned eventually to the home country. The number of Italians who thus went out to near-by lands every year ranged from 150,000 to 250,000. Far exceeding in importance, and even in volume, this migration at short range

[1] E. Levasseur, *La population française* (Paris, 1889), III, 304-450.

was the movement to the countries across the Atlantic, principally Argentina, Brazil, and the United States. In South America the relative sparseness of population, the richness of resources, and the disinclination of the inhabitants to manual labour have combined to produce an exceptionally inviting field for Italian employment and settlement. In Argentina, Uruguay, Paraguay, and Brazil there were by 1914 not fewer than four million people born in Italy or of Italian parentage, and the accessions by immigration were from 100,000 to 150,000 yearly. Immigration from Italy exceeded that from all other countries combined. Large numbers returned to the home-land; yet, on the whole, the movement was permanent rather than transitory, and Italians became not only settled labourers, but also landed proprietors, factory owners, contractors, bankers, merchants, and holders of public office. As late as 1888 less than twelve per cent. of Italy's emigrants went to the United States, whereas thirty-three per cent. went to Brazil and twenty-three to Argentina, Uruguay, and Paraguay. By 1900, however, the situation was altogether different. In that year over forty-eight per cent. went to the United States, while only twenty per cent. went to Argentina and three per cent. to Brazil. By 1904 the proportion received by the United States had risen to 67.29 per cent. In some measure the shift was caused by depression of the South American labour markets and, in the case of Brazil, by laxness of governmental protection of Italian interests. The principal factor in it, however, was the increased demand in the northern continent after about 1885 or 1890 for unskilled labour, incident to the expansion of railroad building, highway and canal construction, and public improvements in cities.[1]

The volume of emigration from Italy through any considerable period is impossible to determine with exactness. It has been estimated that in the two decades 1880-1900 the number of emigrants exceeded by five millions the total from France, Belgium, Denmark, Spain, and Portugal; and that it was four times the number of emigrants from Russia, three times that from Germany, and greater by a few thousands than that from Great Britain,

[1] In 1879 the number of Italians entering the United States was but 5,791. Twice as many came in 1880, six times as many in 1882, nine times as many in 1888, thirteen times as many in 1891. The pace was maintained until in 1896 more immigrants came from Italy than from any other country, and until in 1903 the number rose to 230,622, and in 1907 to 285,731, a figure not since equalled.

including the movement to the colonies. It is estimated, farther, that at the opening of the present century there were living abroad 3,500,000 Italians born in Italy, of whom 734,000 were in the United States, 11,000 in Canada, 1,852,000 in South America, 168,000 in Africa, and 645,000 scattered through the various countries of Europe.[1] In the early years of the century the annual outflow rose to 500,000. The number entering the United States (4,025,345, in all, since 1820) by five-year periods after 1880 was as follows: [2]

Years	*Number*
1880-84	108,217
1885-89	159,444
1890-94	304-811
1895-99	298,950
1900-04	838,424
1905-09	1,102,051
1910-14	1,104,833

Effects of Emigration in Italy. In Italy, as in other European countries, opinions differed as to the effects, and the desirableness, of emigration. Originally there was a disposition almost universally to consider the tremendous yearly outflow an unmixed evil. There are still economists and public men who maintain this position. The view was widely taken by 1914, however, that, within certain limitations and under certain conditions, the movement of Italians to other lands might prove beneficial not only to the emigrants themselves but also to the home country. In the first place, a very considerable proportion of the emigrants, after months or years of absence, returned to Italy, and hence were not lost permanently as citizens, soldiers, and taxpayers. In 1902, twenty-eight per cent. as many Italians returned from the United States as went thither; in 1903, almost thirty-eight per cent.; and in 1904, more than sixty per cent. In South America, as in the United States, the proportion returning varied widely from year to year, depending on conditions; but it averaged at least fifty per cent. And those who returned did not do so empty-handed: they carried with them sums of money which represented their savings, and this money, turned into the channels of industry and trade in

[1] Whelpley, *The Problem of the Immigrant*, 235.

[2] Annual Report of U. S. Commissioner General of Immigration (Wash., 1915).

the home country, became a national resource of very great consequence. Almost, if not equally, important was the transmission of money by Italians in foreign lands for the support of their families or other relatives remaining at home. The amount of wealth thus poured into Italy varied widely from year to year, but in the early years of the century it seldom fell below $20,000,000 and sometimes rose above $40,000,000. It was the testimony of all observers that in large portions of the kingdom, as also in Greece, Spain, and Portugal, the amelioration of social and economic conditions through these channels was very perceptible.[1]

A further consideration which weighed with economists who viewed the emigration movement optimistically was the enlargement of trade which was supposed to follow the extensive settlement of Italians in distant countries. In the earlier years of the present century the trade of Italy with Argentina exceeded that of all other nations except Great Britain, mainly, it was contended, because Italian merchants best understood the needs and desires of the Italian settlers in the republic and because the mercantile establishments of the country had fallen widely into Italian hands. Experience goes to show that, while trade does not necessarily follow the flag, and while colonies are not indispensable to commercial pre-eminence, when relatively backward regions are concerned, emigration is likely to be an important influence in the determination of trade channels.

Until comparatively late, Italy like Germany, lacked suitable outlets for population in her colonies. After 1885 the kingdom had certain African dependencies in the vicinity of the Red Sea and the Gulf of Aden, and in the colonies of Eritrea and Somaliland it had, in 1914, an East African dominion aggregating 188,000 square miles. These possessions, however, were but slightly developed. The coasts were not suitable for European habitation, and the interior, while healthy and in places fertile, lacked water and was occupied by tribes inclined to be hostile. It was found impossible to divert thither any appreciable portion of the country's emigrants. Through the conquest from Turkey of the two provinces of Tripolitania and Cyrenaica in 1911-12, however, Italy acquired a vast dependency aggregating 400,000 square miles—three and one-half times the area of the home country—with a

[1] P. Leroy-Beaulieu, *La colonisation chez les peuples modernes* (6th ed., Paris, 1908), II, 472-473.

population of not more than one million. In no small measure, the object of the conquest was to bring under Italian control a great, adjacent, undeveloped territory in which Italians might settle and find prosperity without being obliged, even temporarily, to resort to expatriation. Concerning the degree to which the Libyan country could be made to serve this purpose there was great difference of opinion. It was known, however, that the coasts of Tripolitania and most parts of Cyrenaica were fertile, and that, while at present there was lack of water, an abundant supply could be reached at no great depth. The miracles of irrigation which have been wrought, in many instances by Italians, in Tunis and elsewhere afforded much ground for hope; and while it was denied by the anti-expansionists that the new lands could ever be fitted for European types of agriculture, it was the opinion of more optimistic travellers and surveyors that almost the whole of them could be utilised, the more favoured portions by peasant proprietors, the less favoured ones by capitalist owners of large cattle ranches. The Sicilians and other Italians of the south were especially interested in the colony, and there was reason to suppose that they would be attracted to it in considerable numbers.

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PART III

LABOUR LEGISLATION AND ORGANISATION TO 1914

CHAPTER XVII

A CENTURY OF LABOUR LEGISLATION IN GREAT BRITAIN

Introductory Considerations. At few points has the social economy of Europe undergone greater change since the eighteenth century than in the matter of the conditions under which men and women work. Prior to 1775 in England and about 1840 in western continental countries, labour was predominantly rural—agricultural, or agricultural and industrial combined. People lived, as a rule, in the country, in villages, or in small towns, and worked in the open air or in their own homes. Life, if not easy, was at least simple and, on the whole, safe and healthful. The introduction of machinery and steam-power, however, entailing the rise of the factory system, the concentration of industry, and the growth of cities, completely altered the situation. Large masses of people were tempted, or obliged, to abandon the life of the country, and the new industrial centers became the seats of hastily gathered, ill-adjusted, and restless populations. However labour may have been exploited under the old conditions, it was rarely subjected to a strain such as that which now befell it. Machines could run day and night, and ambitious factory and mill operators stretched the hours of their employees to the utmost limit. Many machines did not require the attention of full-grown men, and women and children were given the places of men because their labour was cheaper. In mines, on railways and steamship lines, and even in the public employ, hours, wages, and other conditions of labour tended steadily to become less advantageous for the workman. One of the tremendous tasks of the nineteenth century was the rescue of labour from the new perils into which, under the pressure of industrial change, it had been brought. The problem arose first in England, because there it was that the new conditions were first developed; but, at one time or another, it presented itself in every portion of western Europe. And involved in it were not only the working-people's hours of labour, their wages, and the condi-

tions of their employment, but also their housing, their education, their relief in sickness and old age, their social status as men and their political status as citizens.

Adverse Conditions in Early English Factory Industry. As has been pointed out, the first quarter of the nineteenth century was in England a period of widespread discontent and of grave distress. The causes are numerous and by no means easy to disentangle. In the first place, there were the Napoleonic wars, which entailed exceptionally heavy taxation. In the second place, there was the ultra-protectionist policy of the Corn Laws, which caused food to be scarce and its cost not infrequently to rise to a starvation level. In the third place, there was dissatisfaction with a political system under which the mass of the people had no control over public policy. In the fourth place, there was in operation an essentially indefensible poor law, under which pauperism and dependency were encouraged rather than the reverse. Finally, there was the enormous dislocation of labour and of living incident to the Industrial Revolution, together with a long train of abuses by which the various stages of the transition in industry and in agriculture were accompanied.[1]

While by no means all of the ills of the period can properly be attributed to the revolution in industry, those which arose from high prices, enclosures, unemployment, and poverty only accentuated the adverse effects of the new industrialism. All periods of rapid industrial change are times of hardship. A machine is invented, and a man is deprived of the one kind of employment with which he is familiar. A factory is built, and the workman must forsake his friends and associations to remove to its vicinity. The profits of labour may be increased, although often they are not; but, if they are, the disadvantages of the new life may quite offset the gain. Eventually it may prove that, by reason of the expansion of industry and of trade, the aggregate demand for labour is enlarged, and the change may contribute distinctly to the workingman's good. But, for a time at least, the readjustment is likely to be disagreeable.

This was precisely the case in England in the later eighteenth

[1] These adverse conditions are described in much detail in W. Smart, *Economic Annals of the Nineteenth Century*, 1801-1820 (London, 1910), 257-291, 461-511, 670-743, and in W. Cunningham, *Growth of English Industry and Commerce in Modern Times* (5th ed., Cambridge, 1912), Pt. I, 668-744.

and earlier nineteenth centuries. Between 1740 and 1815 there was a sixty-fold increase in the importation of cotton, a ten-fold increase in the Yorkshire clothing trade, a twenty-fold increase in the output of pig-iron, a seven-fold increase in the total volume of exports, a five-fold increase in the total volume of imports. So vast an augmentation of industrial and commercial activity inevitably meant, in the end, a greater demand for labour, higher wages, and, for many people at least, improved conditions of living. But during the earlier decades of the nineteenth century the transition had gone so far only as to be productive of the minimum of benefits and the maximum of evils. In their zeal for the extension of industrial operations and the piling up of profits, the great factory owners were as yet blind, or indifferent, to the conditions that rendered the existence of their employees wretched and were unappreciative of the principle, better recognised in these days, that in the most successful industry the interests of capital and labour are tied up closely together. Women and children were brought into the factories, because they were able to operate the new machines as well as men could operate them, because they were easy to control, and because they would work for lower wages. The hours of labour were drawn out to fourteen, fifteen, even seventeen, a day, because profits increased in proportion to output. Precautions in respect to safety and sanitation were neglected, because they cost money, and because there was no one to require them to be exercised. Wages were kept low, because labour was plentiful. Mills too often became veritable prisons in which men, women, and children toiled long hours, relieved only by scant sleep in fetid and cheerless homes, working until work developed disease and deformity and in many instances brought early death. The beginnings of the factory system were indeed grounded in social misery, and no one who has not read the harrowing details as set forth in the scores of "blue-books" containing the records of numerous investigating commissions during the first half of the nineteenth century can comprehend the depth of injustice and degradation into which English labour was plunged by the rise of the modern mill and workshop. "A great wrong was done," says an English writer, "partly through greed, partly through ignorance, a wrong so bitterly felt and bitterly resented that not all the prosperity which England has enjoyed in the last sixty years, not all the concessions which the law has enjoined and the employers have

yielded, have been able to bring back a good understanding between labour and capital, or alter the poor man's fixed idea that he is being exploited for the benefit of the rich." [1]

Until comparatively late, neither public opinion nor law did much to relieve the situation. The period was one in which the predominant social and economic principle was that of *laissez-faire*. The doctrine arose originally from the economic teaching of Adam Smith and represented a reaction against the restrictionist principles of the seventeenth and eighteenth century mercantilist school. It was intended to be applied more specifically to trade, but its advocates carried it into every department of economic activity. The purport of it was that the growth of wealth and of prosperity would be best promoted by allowing to the individual a broad freedom of action and by the abstention of the state from interference in economic concerns. Its more purely social application was stated by Malthus in the words: "By making the passion of self-love beyond comparison stronger than the passion of benevolence, the more ignorant are led to pursue the general happiness, an end they would have totally failed to attain if the ruling principle of their conduct had been benevolence." In practical effect, acceptance of the principle was equivalent to the assumption that all was well with the world, whatever the appearances to the contrary. At the least, it meant that what was wrong would be righted in the natural course of things and without occasion for public interference.

Beginnings of Ameliorative Legislation: Peel's "Health and Morals" Act, 1802. The delusion was a comfortable one, and England abandoned it with extreme reluctance. During a prolonged period such demands as were made for national legislation concerning the conditions of industry fell upon deaf ears. Those who complained were informed by the new school of economists that their proposals were contrary to the immutable laws of industrial progress. Slowly, however, the iniquities of existing conditions burned themselves in upon the consciences of liberal-minded men, including not a few of the capitalists themselves, and eventually public sentiment was brought to the point of supporting and demanding legislative relief. The arousing of some feeling upon the subject can be traced to a date as early as 1784, when a serious outbreak of fever in cotton mills at Radcliffe, near Manchester,

[1] Warner, *Landmarks in English Industrial History*, 310.

directed attention to the overwork of children, under highly dangerous and wretchedly unsanitary conditions, which the factory system even at that time commonly involved. During the ensuing decade the introduction of machinery in cotton and woollen manufacture was rapid, and in 1787 the new processes began to be employed in the manufacture of flax. Complaint of the abuses connected with the factories, especially the cotton factories of Lancashire, became common, and in 1795 a committee was appointed at Manchester to investigate the subject and report upon it. The report which was submitted is a memorable document, because in it was made definite suggestion of a uniform national code of factory regulations. It was recognised that in some factories, under the initiative of humane employers, there were in present operation "excellent regulations." But it was affirmed that the bad conditions commonly prevailing, in respect to hours of labour, sanitation, and deprivation of opportunities for education and for moral instruction, called urgently for remedy.

In 1802 Sir Robert Peel directed the attention of Parliament to an abuse which represented the new system at its worst, i.e., the miserable condition of apprentices in cotton mills, and did it with such force that he was able to bring about the enactment of the first statute in English history relating to factory employment.[1] In their anxiety to relieve the rate-payers the authorities of the parishes, it developed, were accustomed to dispose of pauper children as apprentices, transporting them to the mills, where, while nominally "learning a trade," they were reduced to veritable slavery. Men made a business of procuring and supplying apprentices, bringing together gangs of workhouse children from neighbouring parishes and conveying them by wagons or canal-boats to factory districts where they were likely to be in demand, and subsequently disposing of them on the best possible terms to factory

[1] This was by no means the first attempt at state regulation of labour in England. On the contrary, from the middle of the fourteenth century onwards legislation upon the subject was voluminous. The original Statute of Labourers, enacted in 1349, in the reign of Edward III, was renewed and amended again and again. But all legislation upon the subject prior to the close of the eighteenth century was enacted in the interest of the employers, not of the employees; it increased rather than reduced hours; and it was applied to the forms of labour which were prevalent before the factory system was developed. The principle of state control of industrial relations was quite familiar, but state control in the interest of employees was an innovation introduced by the Factory Acts. See Jevons, *The State in Relation to Labour*, 35.

owners in need of "hands." Apprentices were lodged and fed, under conditions that were execrable, in cheap houses adjoining the factories; they were placed in charge of overseers whose pay was dependent upon the amount of work they could compel to be accomplished; they were flogged, fettered, and tortured, and in general subjected to repression and cruelty which exceeded that occasionally practised in the same period in the slave states of America. Meager pay was sometimes provided, but as a rule the apprentice's only compensation was poor and insufficient food, the cheapest sort of clothing, and a place to sleep in a filthy shed.

Peel's "Health and Morals Act" [1] prohibited the binding out for factory labour of children under nine years of age, restricted the working hours of children to twelve a day, forbade night labour, required that the walls of factories in which children were employed should be whitewashed and that the buildings should be properly ventilated, prescribed that every apprentice should be given at least one new suit of clothes a year, and required that bound children should be made to attend religious services and to receive an elementary education. That the prohibition of the employment of apprenticed children under nine and the reduction of the working day for children to twelve hours comprised a distinct improvement upon former conditions is a sufficiently striking commentary upon the nature of those conditions. The act is a landmark in the history of labour legislation, but its scope was so restricted that it can be said to have touched hardly more than the fringe of the problem. It dealt only with mills and factories in which as many as three apprentices, and twenty persons in all, were employed, and its most important provisions were applicable only to apprentices. It did not materially affect the great number of children who, at all ages, accompanied their parents to the factory at six o'clock in the morning and worked on and on until seven, or eight, or nine o'clock at night, with insufficient sleep, no fixed meal times, no leisure, and no education. Furthermore, the measure was very inadequately enforced. It was provided, indeed, that in the counties where there were factories of the kinds included within the scope of the act the justices of the peace and "visitors" whom they should designate should keep a register of the industrial

[1] The full title of the measure was "An Act for the Preservation of the Health and Morals of Apprentices and Others Employed in Cotton and Other Mills and Cotton and Other Factories." Text printed in part in Bland, Brown, and Tawney, *English Economic History, Select Documents*, 571-572.

establishments and should inspect them, and power was lodged in these officials to impose fines of from £2 to £5 for violations of the act. With few exceptions, however, the men to whom it fell to perform the task did not take their new duties seriously, and it is the consensus of testimony that, in the main, the law failed to achieve its purpose. The lesson was yet to be learned that until adequate administrative machinery should be provided, labour legislation would remain a dead letter.

The Factories Regulation Act, 1819. In addition to the fact of its non-enforcement, the act of 1802 was deprived of practical effectiveness by a change of industrial conditions during the first two decades of the new century. The principal factor in the change was the increased use of steam-power. In earlier times factories were located largely in remoter districts where water-power was to be had, in places whither it was necessary to transport labourers under special arrangements. A very large proportion of the labourers so transported were apprenticed children. With the more general employment of steam-power, however, industrial establishments grew up not only on an unprecedented scale but more largely in the centers of population, where the majority of the children brought into the factories lived in their own homes and did not need to be apprenticed. To such children the protection of the Health and Morals Act, such as it was, was extended only incidentally—practically, not at all. At the close of the Napoleonic wars Peel called up the subject again for parliamentary consideration. Peel himself employed upwards of a thousand children in his factories, and he was keenly interested in the problem of relieving child labour of its most objectionable features. In June, 1815, he suggested in the House of Commons the enactment of a measure extending the law of 1802 specifically to non-apprenticed children, and in April, 1816, he proposed the appointment of a special parliamentary committee charged with an investigation of the entire subject. The committee—the first to be created for this purpose—was duly set up. It conducted an extensive inquiry, taking testimony from large numbers of employers and other persons, and in 1819 Peel, with the assistance of another great manufacturer, Robert Owen, brought about the adoption of a measure known as the Factories Regulation Act.[1]

[1] 59 George III, c. 66. Bland, Brown, and Tawney, *English Economic History, Select Documents*, 591-592; W. Smart, *Economic Annals of the*

By forbidding the employment of children under nine years of age, albeit only as yet in the cotton industry, this measure inaugurated one important phase of labour legislation, namely, the fixing of an absolute age limit for labourers. The act, further, forbade the employment of children between nine and sixteen for more than twelve hours a day (including an hour and a half for meals), or at any time between 8 P. M. and 5 A. M.; and it prescribed a maximum nine-hour day on Saturdays. It had been the desire of Peel, and especially of Owen, to make the act apply to woollen, flax, and all other kinds of textile establishments in which twenty persons or more were employed. But by this time the opponents of child-labour legislation were well organised and influential, and a compromise measure was the best that could be obtained. It was solemnly argued that it was cruel to forbid or restrict the labour of young children, for the reason that unless they were allowed to work they would starve. It was contended, too, that it was for the good of the children that they be trained in diligence and kept from vicious habits. "All experience proves," wrote a pamphleteer of the day, "that in the lower orders the deterioration of morals increases with the quantity of unemployed time of which they have the command. Thus the bill actually encourages vice—it establishes idleness by act of Parliament; it creates and encourages those practices which it pretends to discourage."[1] In the words of an eminent English writer, it took twenty-five years to restrict a child of nine to a sixty-nine-hour week, and that only in cotton mills.[2]

The Factory Act of 1833. In 1825 and 1831 were passed acts calculated to secure the better enforcement of the measures of 1802 and 1819. But it was in 1833—a year prolific of reform legislation—that the first really great statute was enacted upon the subject, the measure commonly referred to simply as the Factory Act.[3] The years immediately preceding the adoption of this "Great Charter" of labour were filled with agitation. The subject was debated in Parliament; it was investigated by public and

Nineteenth Century, 1801-1820 (London, 1910), 658-669; F. Podmore, *Robert Owen* (New York, 1907), I, 184-211.

[1] *An Inquiry into the Principle and Tendency of the Bill imposing Certain Restrictions on Cotton Factories* (London, 1818).

[2] Spencer Walpole, *History of Factory Legislation*, 21.

[3] 3 and 4 William IV, c. 103. Printed in part in Bland, Brown, and Tawney, *English Economic History, Select Documents*, 594-595.

private committees; it was discussed in newspapers and pamphlets, on the platform, and in the pulpit. There was in progress at the time a successful movement for the abolition of slavery in the West Indian colonies. Under the leadership of Owen, Michael Sadler, Richard Oastler, William Cobbett, John Fielder, and other reformers, however, the public was brought to see that, as the poet Southey had feelingly declared, the slave trade was "mercy compared to the factory system"; and the spirit of humanitarianism which was being invoked in the one cause was turned powerfully to the assistance of the other. In 1831 Sadler introduced a bill providing for a universal ten-hour day, and although so radical a measure very naturally failed of adoption, the discussion of it resulted in the creation, in 1832, of a special parliamentary committee of investigation, with Sadler as chairman. The committee made an exhaustive report, recommending fresh and comprehensive legislation. In the autumn of 1832 Parliament was dissolved, and at the elections which followed Sadler lost his seat, so that for the moment the movement was left without a parliamentary leader. But a group of persons interested in the continuance of the work prevailed upon Lord Ashley, later seventh earl of Shaftesbury, to assume the vacant post; and thus were enlisted the services of the man who became probably the most eloquent and influential champion of the labouring masses in England during the nineteenth century. Casting aside ease, preferment, and valued associations, Ashley threw himself without reserve into the fight for what was, among people of his station, an unpopular cause, and upon him it devolved to bear the brunt of the conflict by which the enactment of the law of 1833 was immediately preceded. He was at that time but thirty-two years of age.

Not until after a new royal commission of investigation had been created and had submitted a report strongly advocating farther legislation did it become possible to bring the wavering Parliament to the point of decision. As was inevitable under the circumstances, the Factory Act of August 29, 1833, was a compromise. It did not prescribe the ten-hour day upon which Sadler and his co-labourers had been bent, but it marked a very great advance upon the laws previously in effect. In the first place, its provisions were made applicable not only to cotton mills but also to woollen, flax, hemp, tow, and linen mills—in fact, to all textile establishments, although some exceptions were made in favour of

those utilised for the manufacture of silk. In the second place, the labour of children was subjected to much more rigorous regulations than any previously existing. The act unconditionally forbade the employment of children less than nine years of age, except in silk mills. It fixed the maximum hours of labour for children under thirteen at nine a day (including an hour and a half for meals) and forty-eight a week, and for persons under eighteen at twelve a day (with similar arrangements for meals) and sixty-nine a week. It prohibited work by persons under eighteen in any kind of factory between the hours of 8:30 P. M. and 5:30 A. M. It stipulated that child labourers should be given an average of two hours' schooling a day, and that two whole, and eight half, holidays should be allowed in the course of every year. Finally, the act made provision for the first time for a system of inspection involving the employment of men who had no connections with the communities in which the factories were situated, and who, by becoming specialists in their work, might acquire the information needed for the farther development of legislation for labour protection. Four government inspectors were provided, to be under the control of the Home Secretary, and to them were given powers which for that day were extraordinarily wide. They were authorised to enter at will any factory in operation, to make inquiries, and to summon as witnesses any persons whatsoever. They were authorised to make such rules and regulations as should prove necessary for the enforcement of the act, and in the execution of both these supplementary regulations and the provisions of the original statute they were given powers co-ordinate with those of a justice of the peace. They were required to meet twice a year to confer upon the methods of discharging their duties; also to submit to the Home Secretary twice a year full reports of their proceedings. "The act of 1833," it has been well said, "is no less epoch-making in the history of the administration of labour laws than is the act of 1802 in the history of labour legislation itself." [1]

The Broadening Problem. Some idea of the effectiveness of the Factory Act may be gathered from the fact that whereas at the time when it was passed there were more than 56,000 children employed in 3,000 mills, five years later there were only 24,000

[1] *Administration of Labour Laws and Factory Inspection in Certain European Countries.* Bulletin of U. S. Bureau of Labour Statistics, Foreign Labour Laws Series, No. 1, p. 28.

children in 4,000 establishments. After all, however, the act was but a very partial solution of the general problem. When it was passed it pleased no class of people entirely, and when it was put in operation there appeared in it defects that had not been anticipated. Grave abuse arose from the fact that the certificate of any physician or surgeon was sufficient to prove the alleged age of a person seeking employment. By ingeniously devised "relay" systems, furthermore, employers contrived to get the maximum of service from their employees under conditions of peculiar hardship, while yet keeping within the letter of the law. As a class, the employers were opposed to the act in its entirety. Many were convinced, as were the economists of the day, that all legislation of the kind was unsound; many felt it to be gross injustice that the industries in which they happened to be engaged should be singled out for the imposition of such restrictions. The common disposition was to evade the law and to work for its repeal.

The project in which the leaders of the labouring masses were interested chiefly was the statutory limitation of the labouring day for factory operatives to ten hours; and it was because they believed that this fundamental reform had been thrust into the background by the act of 1833 that the labourers regarded that measure with limited enthusiasm. During ensuing years popular agitation centered almost entirely upon the subject of a ten-hour bill. "The Bill, the whole Bill, and nothing but the Bill," became the cry. The radicalism of the public demand not only stiffened the opposition of the employers but alarmed the public authorities, and a decade elapsed before there was farther legislation of importance. This decade was, however, in the history of English labour legislation, one of very great importance, for in the course of it the recognised problem of state regulation of industrial conditions acquired a breadth and seriousness which hitherto it had lacked. The problem was now extended to embrace the question of child labour outside the factories, and also the factory labour of women.

The advocates of the earlier factory acts had been ridiculed for confining their attention entirely to the employment of children in factories, when admittedly in mines, collieries, and other kinds of industrial establishments there existed conditions quite as distressing as those which it was sought to reach in the factories. In 1840 Lord Ashley, affirming that the step had long been in contemplation, moved in the House of Commons that an inquiry be

undertaken into "the employment of the children of the poorer classes in mines and collieries, and in the various branches of trade and manufacture in which numbers of children work together," not included within the scope of the existing factory acts. With the appointment, in 1840, of the first Children's Employment Commission, Parliament, in effect, accepted the shift of ground which Ashley's resolution contemplated—that, namely, from factory regulation to industrial regulation in general. The Commission issued two elaborate reports, the first, in 1842, dealing exclusively with mines, the second, in 1843, dealing with other trades and manufactures. Each report was followed by important legislation. The first one, revealing a state of affairs in mines which was fairly sickening, led immediately to the adoption of the Coal Mines Regulation Act of 1842—the first measure of the kind in English history—in which the employment underground of women and children, and of boys under the age of ten, was altogether prohibited.[1] Action resulting from the second report was delayed by a series of parliamentary manœuvres arising from the government's unwillingness to consider a ten-hour bill, but in 1845 it bore fruit in a Print Works Act, which in succeeding years was followed by a Bleach Works Act, a Lace Works Act, and a long series of other measures relating to industries which were not strictly in the nature of textile manufacture.

The Factory Act of 1844 and the Ten-Hours Law of 1847. Meanwhile there had been placed upon the statute books a new and highly important law supplementary to the Factory Act of 1833. This was the Factory Act of 1844, applying to substantially all textile establishments.[2] At one vital point only was the measure reactionary: it prescribed eight instead of nine as the minimum age of child employees. It provided protection for three chief classes of persons. Children between eight and thirteen years of age were to be employed under virtually the conditions prescribed by earlier acts, save that three hours daily instead of two were to be allowed for school instruction, and that they should work either the same hours on alternate days for a maximum of ten

[1] 5 and 6 Victoria, c. 99. Bland, Brown, and Tawney, *English Economic History, Select Documents*, 598-599; W. Cunningham, *Growth of English Industry and Commerce in Modern Times* (5th ed., Cambridge, 1912), Pt. I, 802-806.

[2] 7 and 8 Victoria, c. 15. Bland, Brown, and Tawney, *English Economic History, Select Documents*, 612-614.

hours or half time (not to exceed six and one-half hours) every day. The maximum working time of "young persons," that is, persons of both sexes between the ages of thirteen and eighteen, remained twelve hours a day and sixty-nine hours a week; but the benefit of meal hours was more effectually assured by clauses forbidding protected persons to remain in the factory during meal time and requiring all meal hours to be taken at the same time. A highly important innovation was the extension of the law's protection to a third class of persons, namely, adult women employees whose maximum hours of labour were made uniform with those of "young persons." It was required that in addition to Sundays, a stipulated portion of Saturdays, Christmas Day, and Good Friday, eight half-holidays should be allowed every year. The means of enforcement of the law were made more adequate, and not only was it required that dangerous machinery should be fenced and that all accidents should be reported to an inspector, but for the first time it was stipulated that pecuniary compensation should be made for preventable injuries arising from unenclosed machines.

Agitation for a ten-hours law had by no means ceased. Lord Ashley's proposal that the bill of 1844 be amended so as to include a provision of this nature was rejected; indeed Peel, who was then prime minister, threatened to resign unless it should be rejected. In 1846 Ashley brought forward a fresh measure upon the subject; and, despite the failure of the author of the bill to be re-elected to Parliament in that year, the project, after being once defeated, was piloted through by Fielden. On June 8, 1847, the long-desired Ten-Hours Bill became law. On and after May 1, 1848, according to its stipulations, the maximum number of working hours for all women and "young persons" in the textile industries became fifty-eight a week which, with the part holiday of Saturday, meant a daily average of ten hours. Difficulty arose from the revival of the relay system by the employers, who kept their factories open twelve, fifteen, and even twenty hours a day, working their employees in shifts. Under the leadership of Lord Ashley (now returned to Parliament) there was passed, accordingly, in 1850 an important measure which restricted the working day for all persons covered by the act of 1847 to the hours between 6 A. M. and 6 P. M. in summer and 7 A. M. and 7 P. M. in winter, and forbade work by protected labourers after 2 P. M. on Saturdays. By an act of 1853 the same regulations were ex-

tended to children. Although these measures applied only to the textile industries, and only to persons under eighteen years of age and to women, they served practically to fix the limitations of the English working day.

Extension of Regulation: the Factory and Workshop Act, 1878. Aside from a retrogressive act of 1856 relating to the protection of employees from dangerous machinery, there was little legislation affecting textile labour during the next decade. But there were notable extensions of the existing laws to non-textile industries. A new royal commission, constituted on motion of Lord Shaftesbury in 1861, spent four years (1862-66) in exhaustive investigation of current conditions. Already, in 1860, the labour of children and of "young persons" in bleaching establishments had been subjected to regulation. In 1861 dyeing establishments were brought within the pale of the law, and in 1863 bakehouses. Following directly a report of the commission, a measure was passed in 1864 bringing under regulation potteries, lucifer-match factories, percussion-cap and cartridge factories, and the two employments of paper-staining and fustian-cutting. This measure was important for two special reasons. One is that in it appeared for the first time provisions requiring ventilation to be applied to the removal of injurious gases, dust, and other impurities generated in the processes of manufacture. The other is that by prescribing regulations to operate in connection with isolated labour, and with employments as such, the measure became more than merely a *factory* act and threw open the door for the public regulation of all labour everywhere. The year 1867, in which were submitted the last of the commission's reports, was marked by two farther measures of consequence. One, the Factory Extension Act, extended the prevailing factory laws to all blast furnaces, copper mills and foundries, brass foundries, paper factories, glass factories, tobacco works, printing and book-binding establishments, and to all other manufacturing plants in which fifty or more persons were employed. The second, the Workshop Regulation Act, applying to those smaller industrial establishments which under the technicalities of the English law were differentiated from factories, put in operation in them a body of regulations closely resembling, although not identical with, the regulations already applicable to factories. The enforcement of the Workshop Act was entrusted to the local sanitary authorities; but the arrange-

ment proved unsatisfactory, and in 1871 the work was assigned to the national factory inspectors.

By the measures of 1864 and 1867 the broad lines of Great Britain's present scheme of labour protection were practically completed. It remained to co-ordinate the body of law upon the subject, to fill up the gaps that remained in it, and by a succession of measures gradually to raise the level of the requirements which it embraced. In 1870 there were on the statute books some fifteen regulative measures, including the original act of 1802. This mass of law was filled with contradictions, exceptions, exemptions, and illogical and vague stipulations. The situation was farther complicated by the rise, in some industries, of powerful trade unions which voiced fresh demands and occasionally succeeded in forcing shorter hours and more favourable conditions than the law required. Furthermore, it was in the early seventies that attention began to be given the question whether all adult labourers, men as well as women, should not be afforded the protection of the law. A Factory Act of 1874, which reduced the working day of protected persons in textile factories by a half-hour and introduced some other minor changes, acquired considerable importance by provoking active discussion of this question, in Parliament and outside.

As a means of relief from the confusion which prevailed resort was had, in 1875, to the time-honoured device of a royal commission; and the report which this commission submitted, in 1876, became the basis of a general consolidating measure enacted in 1878 and entitled the Factory and Workshop Act, although commonly cited as the Factory Consolidation Act. The purpose of this measure was affirmed to be to "consolidate and amend" existing acts so as "to remove discrepancies prevailing amongst them and render their administration more even and secure." The act systematised the fabric of existing law and strengthened the arrangements provided for enforcement. Industrial establishments were thrown into five categories—textile factories, non-textile factories, workshops, workshops in which neither children nor "young persons" were employed, and "domestic" workshops in which only members of the family were employed—and the distinction between a factory and a workshop was hereafter to be based, not upon the number of persons employed, but upon the use or non-use of machinery driven by steam, water, or other mechanical power.

Various occupations were exempted from regulation; likewise workshops in which men only were employed.

Status of Labour Legislation in 1914. The history of labour legislation from 1878 to 1914 presents two principal aspects. The first is the continued extension of state protection to persons engaged in gainful occupations, whether working at home or in places where labour is congregated in quantity. The second is the enactment of special measures of protection for labourers engaged in the so-called dangerous trades. In 1891 a comprehensive statute was passed consolidating and extending existing legislation, and incidentally raising the minimum age at which children might be set to work from ten years (under the act of 1874) to eleven. And in 1901 there was passed a new consolidated and revised measure which, taking effect January 1, 1902, was the law still in operation in 1914. The range covered by these statutes was very great. Subjects dealt with in detail included the age and physical fitness of workers, hours, the construction of factories and workshops, sanitation, security against accidents, fire hazards, and the conditions specially attending the trades designated as dangerous. Places of manufacture were classified broadly in two groups, factories and workshops. With a few carefully stipulated exceptions, a factory was, in the eye of the law, a work-place where manual labour was exercised for gain in or incidental to the making, repairing, or finishing of any article or part of article, and in which steam, water, or other mechanical power was employed in aid of the manufacturing process. A place of manufacture where such power was not employed was a workshop. Factories were dealt with by the law under four categories: (1) textile; (2) non-textile; (3) domestic; and (4) tenement. Workshops, similarly, were classed as (1) domestic; (2) adult; (3) male adult; and (4) tenement. The factory and workshop acts did not apply to mines and quarries of a depth exceeding twenty feet, which were provided for in separate statutes enforced through the Bureau of Inspection of Mines. Nor did they apply to railroads, except lines and sidings used in connection with factories and workshops; all other lines were subject to laws administered under the direction of the Board of Trade. The acts did, however, apply to a limited extent to docks, wharves, quays, warehouses, and buildings in course of construction or repair.

For the detailed status of the law upon the many subjects cov-

ered the reader must be referred to the texts of statutes or the special treatises within the field. Only a few cardinal facts can be noted here. In the first place, the act of 1901 made the prohibition of the employment of a child under twelve years of age in any kind of factory or workshop direct and absolute. Certificates of physical fitness for employment must be obtained by the employer from the certifying surgeon for the district for all persons under sixteen years of age employed in a factory and, under certain conditions, in a workshop. The employment of children, young persons, and women was regulated minutely as regards ordinary and exceptional hours of work, ordinary and exceptional meal-times, maximum of continuous hours of work, and number and length of holidays. In textile factories the hours of labour must fall between 6 A. M. and 6 P. M. in summer, and between 7 A. M. and 7 P. M. in winter, with a minimum aggregate of two hours' interval for meals out of the twelve, a limit of four and one-half hours of work at a stretch, a Saturday half-holiday, and under no conditions work overtime. In non-textile establishments the ten-hour day prevailed, but the limitations imposed upon the employer were somewhat less rigorous. Night work was allowed in certain specified industries, under conditions, for male workers, but for no other workers under eighteen; and overtime for women might never be later than 10 P. M. or earlier than 6 A. M. In all establishments six holidays must be allowed in the year, and, except for Jews, under stipulated conditions, Sunday labour was forbidden. It will be observed that the persons to whom these regulations applied were, strictly, (1) children, i.e., between the ages of twelve and fourteen; (2) young persons, i.e., between the ages of fourteen (thirteen, if the necessary educational certificate had been obtained) and eighteen; and (3) women of all ages above eighteen. There was, however, a vast body of regulations respecting sanitation and safety in the conduct of manufacturing processes which, broadly, applied to male employees equally with the "protected" classes.

It is to be observed, also, that the development of protective legislation applying to factories and workshops was paralleled by the growth of similar legislation concerning the hours and conditions of labour in mines. As has been pointed out, the first Mines Act was passed in 1842 in consequence of startling revelations made by Lord Ashley's first Commission on the Employments of

the People, appointed in 1840.[1] This measure prohibited the employment of women and girls, and of boys less than ten years of age, underground; but it was only in 1850 that reporting and inquiry into fatal accidents, and only in 1855 that other safeguards of health, life, and limb in mines, were systematically required by law. The principal statute upon the subject in force in 1914 was the Coal Mines Act of 1872, based on the recommendations of a commission which reported in 1864, and amended at several points in 1884, 1886, 1887, 1894, 1896, 1900, 1903, and 1906. The prohibition of the employment of women and girls underground remained untouched, and the minimum age at which boys might be employed underground had been raised, successively, from ten in 1872 to twelve in 1884 and thirteen in 1900. The minimum age at which boys and girls might be employed above ground in connection with any mine, fixed at ten years in 1872, was raised in 1887 to twelve. The hours of employment of a boy underground might not exceed fifty-four in any one week; and in 1908 an act was passed which stipulated that no workman, adult or otherwise, might be required to remain below ground in a mine for the purpose of ordinary work more than eight hours in any consecutive twenty-four.[2]

Administrative Arrangements. The administration of factory and workshop regulations devolved upon the Secretary of State for Home Affairs; and administrative control included the power, which was liberally exercised, to issue orders and rules supplementary to parliamentary enactments relating to industrial processes and conditions. In the Home Office was a factory inspection department, presided over by a chief inspector and supervised, under the Home Secretary's general directions, by a permanent under-secretary. There was a degree of centralisation which insured uniformity of method as well as effective responsibility. The inspection staff fell into three divisions: (1) the supervising force, (2) the district inspector's force, and (3) the special inspecting force. The supervising force consisted of the chief in-

[1] Cf. F. Engels, *The Condition of the Working Class in England in 1844* (London, 1892), Chap. IX.

[2] Some surviving questions relative to hours, child labour, and state regulation are freshly discussed in S. J. Chapman, *Work and Wages* (London, 1914), III, 232-284. For a clean-cut presentation of arrangements to 1914 in Great Britain and elsewhere, concerning hours and conditions of safety and health, see J. R. Commons and J. B. Andrews, *Principles of Labour Legislation* (New York, 1916), 200-260, 295-353.

spector, two deputy chief-inspectors, and six division superintending inspectors, one in charge of each of the six great inspection divisions in which the United Kingdom had been laid out. The six divisions were divided into fifty-one districts, each with a district inspector and as many assistants as were required, all working under the direction of the divisional superintendent. The special inspecting force consisted of women inspectors (of whom, in 1913, there were twenty), together with two medical inspectors, one electrical inspector, one inspector for dangerous trades, and a half-dozen other inspectors who had various more or less occasional duties. At the close of 1913 the complete staff of inspectors of all grades numbered 224. Inspectors were more liberally paid than in continental countries, and in 1912 the budget for the administration of the factory acts rose to £98,926. Prior to the middle of the nineteenth century inspection officials of all ranks were appointed by the Home Secretary without examination. After 1850 civil service examinations were gradually introduced, and in later days appointments have been made regularly from lists of persons who not only have passed two searching examinations but have rendered probationary service covering two years. By general testimony, the force as it stood in 1914 showed exceptionally high order of intelligence, integrity, and executive capacity. At the close of 1911 the work of inspection was extended over 117,275 factories and 155,697 workshops, in which were employed 3,274,868 males and 1,852,241 females, or a total of 5,127,109 people.[1]

The Problem of Sweating. It has long been recognised by British statesmen and economists that a prime abuse of labour is "sweating." The term is one which does not admit of altogether specific definition. Fifty or sixty years ago it was employed to denote a system of sub-contract under which the middleman, taking advantage of the disorganisation and helplessness of the workers, kept wages at the lowest possible level; and it almost inevitably followed that the work, which was carried on largely in the workers' houses, was performed under grossly unsanitary conditions. To-day the term is employed more broadly, being used in connection with many trades in which there are no sub-contractors or middlemen. A report of a committee of the House of Lords submitted in 1890 practically fixed present usage by

[1] Annual Report of the Chief Inspector of Factories and Workshops (London, 1911), 289.

affirming the impossibility of framing a precise definition but showing that the evils of the system designated by the term "sweating" are three, i.e., a rate of wages inadequate to the necessities of the workers or disproportionate to the work done, excessive hours of labour, and the unsanitary condition of the houses in which the work is carried on.

The sweating system originated early in the nineteenth century, in the manufacture of clothing for the army and the navy. Government contractors gave out work to sub-contractors, who got it done by employing workers directly or by again sub-letting it. Later the method was adopted in the manufacture of ready-made clothing for civilian use. In 1850 a vigorous agitation was instituted against the system, inspired mainly by a series of articles in the *Morning Chronicle*, which were followed by the pamphlet *Cheap Clothes and Nasty*, written by Charles Kingsley under the pseudonym "Parson Lot," and by his novel *Alton Locke*. Kingsley and his friends, the Christian Socialists, undertook to combat the evils of sweating in a practical manner by encouraging the establishment of co-operative workshops; but several experiments in this direction proved but slightly successful. In 1876-77 the public was aroused by vivid revelations of the risk of infection from garments made up amid unsanitary surroundings; but interest quickly waned. It was only about 1885 that it began to be recognised somewhat generally that the fabric of labour legislation which had been woven since the passage of Peel's Health and Morals Act covered by no means the whole of the industrial field, and that long hours, meager wages, and degradation of workers (especially women and children) were still productive of untold misery and of real danger to society. Interest in the particular problem of sweating was stimulated afresh at this time by the increasing immigration of poor foreigners into East London, where large numbers were employed in the tailoring and boot-making trades under conditions similar to those which at earlier times had created alarm. In 1888 the House of Lords appointed the special committee above mentioned, presided over by Lord Dunraven, and a thorough investigation of the situation bore fruit in the memorable report of 1890.[1] The causes of sweating were found to be highly complex. Chief among them were (1) the inefficiency of the

[1] Known as the Fifth Report from the Select Committee of the House of Lords on the Sweating System.

workers and the excessive supply of unskilled labour, (2) early marriages, (3) the large supply of female labour made available by the fact that married women working at unskilled labour in their home, in the intervals between attending to their domestic duties, and not wholly supporting themselves, could afford to work at what, for unmarried women, would be starvation wages; and (4) the tendency of the residuum of the population in large towns to form a helpless community, readily subject to industrial exploitation. "Such being the condition of the labour market," concluded the committee, "abundant materials exist to supply the unscrupulous employer with his wretched dependent workers."

The investigations of 1888-90 led to no early legislation, but it prompted the formation of an Anti-Sweating League, pledged to secure the enactment of a law establishing a minimum wage for workers in sweated industries and trades. Several attempts prior to 1906 to induce the Unionist governments of Lord Salisbury and Mr. Balfour to sponsor a minimum wage bill failed. At the accession of the Liberals to power, in 1905, effort was redoubled. In connection with the *Daily News*, the League held a Sweating Exhibition in London, and also a Sweating Conference at the Guildhall at which two million organised workers were represented. In 1908-09 several private member's bills on the subject were introduced in the House of Commons, and on March 24, 1909, a government measure relating to it—the Trade Boards Bill—was brought forward by Mr. Winston Churchill, then President of the Board of Trade. This bill was debated at some length, although not entirely on party lines, and, after being amended slightly, was passed in the two houses. On October 20, 1909, it received the assent of the crown; and on January 1, 1910, the measure went into effect.

The Trade Boards Act, 1909. The Trade Boards Act was based upon the principle of wage-regulation through the agency of trade commissions, a principle already embodied in legislation in the Australian colony of Victoria in 1896 and in South Australia, and bearing close relation to the system of compulsory arbitration established in New Zealand in 1894 and subsequently copied by New South Wales and Western Australia.[1] The act was made immediately applicable to certain trades in which exceptionally low

[1] W. P. Reeves, *State Experiments in Australia and New Zealand*, 2 vols. (London, 1902).

wages prevailed—ready-made and wholesale tailoring, machine-lace making and chain-making, and the making of paper or chip boxes—and the Board of Trade was given power to add to or to subtract from the list by provisional order, subject to the usual parliamentary confirmation.[1] It is stipulated that in each of the trades affected by the act there shall be a trade board, of no fixed number, but composed of an equal number of representatives of employers and representatives of the workers, together with appointed members whose number must be less than half that of the representative members. The representative members are chosen by the employers and workers, respectively; the appointed members are designated by the national Board of Trade. Women are eligible on equal terms with men. At the discretion of the Board of Trade, separate boards may be constituted for distinct branches of a trade, and it is required that in so far as possible separate boards shall be maintained for Ireland. The chairman and the secretary of each board are designated by the Board of Trade. A board may, if it chooses, establish subordinate agencies in the form of district trade committees consisting partly of members of the board and partly of other persons representing the employers and workers of a definite geographical area.

The duties of the trade boards relate almost exclusively to the determination of wages. "Trade boards," says the law, "shall, . . . fix minimum rates of wages for timework for their trades, . . . and may also fix general minimum rates of wages for piece-work for their trades, . . . and those rates of wages (whether time- or piece-rates) may be fixed so as to apply universally to the trade, or so as to apply to any special process in the work of the trade or to any special class of workers in the trade, or to any special area."[2] The rates so determined become obligatory, by order of the Board of Trade, upon the expiration of six months from the date when agreed upon by the trade board, although under certain circumstances they may be made partially operative during this interval. Employers who pay lower wages than are required by the regulations are subject to heavy penalties in the form of fines. The trade board hears all complaints, conducts investigations, and takes whatever legal steps may be necessary

[1] By a provisional order of 1913 the application of the act was extended to a half-dozen additional industries employing, in the aggregate, 150,000 to 200,000 people.

[2] Hayes, *British Social Politics*, 249-250.

to enforce its orders. The law requires of the boards, further, that they shall consider and report upon, as occasion may demand, any matters referred to them by a Secretary of State, the Board of Trade, or any other government department, with reference to the industrial conditions of the trades which they represent.

During the first year of the operation of the act several trade boards were set up and their labours were successfully inaugurated. State regulation of wages is a somewhat drastic proceeding, and such action is admittedly a matter of exceptional delicacy in a country where public interference with the liberty of the individual is tolerated only when that liberty has degenerated into license. The sweated trades which have been singled out for treatment, however, have notoriously stood in need of a reformation, and in its endeavour to remove disgraceful conditions of labour and to substitute for them something more in consonance with justice and humanity the Board of Trade has had the unflagging support of public opinion. To thousands of under-paid, under-fed, and otherwise wretched toilers—"the most hopeless of God's creatures in this country," in the words of an eminent labour leader—the law has brought substantial relief.

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CHAPTER XVIII

LABOUR LEGISLATION IN CONTINENTAL COUNTRIES

Early Phases in France. In every country on the continent in which there had been any considerable development of the modern forms of industrialism there was in operation by 1914 a code of law regulating, in the interest of the worker, the conditions attending employment in factories, shops, and mines. These codes were in all instances products of the nineteenth and twentieth centuries; few of them antedated 1860. Speaking generally, systematic labour legislation was undertaken in the various countries in the order in which these countries were affected by the introduction of machinery and the rise of the factory system, and on the continent the legislation followed the industrial change with less delay than in England. The question whether the state should concern itself with the newly arisen conditions of labour to the extent of making and enforcing laws concerning them was threshed out first in Great Britain, and in a measure the results there were decisive for the world. At all events, by the time when the more baneful effects of the new industrialism began to be felt in a serious degree in France, in Germany, and in Switzerland, there had been developed in all western Europe an attitude of mind which was more hospitable toward the imposition of state regulation than that with which Peel and Owen and Lord Ashley were obliged to contend in the England of the early nineteenth century. And it need not occasion surprise to find that in relation to a number of important matters remedial legislation was carried in certain continental states to a point beyond that attained on the opposite side of the Channel.

The first country on the continent in which legislation for the protection of labour was undertaken systematically was France; and in that country the earliest important legislation of the kind dates from the reign of Louis Philippe, the first great statute upon the subject being enacted in 1841. It is but fair to observe, however, that subsequent to the suppression of the privileges of the

gilds during the Revolution there were attempts to regulate certain trades, involving the restriction of hours of labour, and that these efforts were carried farther during the régime of Napoleon. A law of April, 1803, prohibited work in manufacturing establishments before 3 A. M. and stipulated that each worker should have a *livret personnel,* or "work book." A police ordinance of September 26, 1806, prescribed the hours for the beginning and ending of the day's work, in summer and in winter, for masons, bricklayers, carpenters, plumbers, and some other groups of workmen. And at the close of the period there was enacted, on January 3, 1813, a comprehensive law regulating labour in mines; also on November 18, 1814, a statute making some provision for the cessation of work on Sundays and holidays. The first of these two measures absolutely prohibited the employment of children under ten years of age in mines. It is interesting to note that in Great Britain there was no similar legislation, nor indeed any upon the subject of labour in mines, before 1842.

It has been pointed out that, in the main, the period of the industrial revolution in France was the second quarter of the nineteenth century. It is true that the first cotton mill in the country was set up as early as 1785, and that during the era of Napoleon there was persistent effort to increase the use of spinning and weaving machinery. But prior to 1825 textile manufacturing was carried on very largely on the household plan, and as late as 1834 there were only 5,000 mechanical looms in the country. In the decade 1830-39, however, the growth of the factory system was very rapid, and in 1841 the number of mechanical looms in operation was more than six times as large as it had been only seven years earlier. Now appeared the same sorts of abuse which, under similar circumstances, had appeared in England—excessive hours, heartless exploitation of children of tender age, employment of women and children amid surroundings destructive of health and morals; and with the abuses appeared also, fortunately without much delay, public demand for corrective legislation.

The Orleanist Period: Child Labour Law of 1841. The development of the cotton industry was most rapid in the northeastern portions of the country, notably in the region of Alsace; and there, at Mülhausen, in 1827, was organised the first of several important societies whose purpose was to promote legislation for the protection of industrial workers. A report submitted to this

Société Industrielle de Mulhouse in the year mentioned demanded the restriction of child labour in factories on the lines already being followed in England, together with measures safeguarding the health of workers by the regulation of conditions of sanitation and safety in industrial establishments. The society petitioned the government for a law fixing a minimum age for workers in factories and prescribing the better protection of child labourers. No action followed immediately, but the subject appealed to Guizot, the minister of public instruction, and under his direction fruitful inquiries were instituted, especially upon the connections between the employment of children in industry and the development of public education. In 1833 the Academy of Strassburg submitted to the Mülhausen *Société Industrielle* a series of questions on child labour, and two years later the Academy of Sciences created a committee to undertake a thorough statistical investigation of the subject. In a report of this committee, published in 1839-40 under the title "Table of the Physical and Moral State of the Workers Employed in Linen and Silk Manufacture," a shocking state of affairs was revealed in respect especially to the age at which children were employed in factories, the wages paid to them, and the physical and moral condition of the young in the principal centers of industry. The report called for the immediate adoption of measures of reform.

The activity of the Academy, reinforced by petitions from other organisations, brought the government at length to the point of action. On March 22, 1841, there was passed, after much deliberation, a child labour law applying to all industrial establishments operated with motive power, machinery, or continuous fire, and employing at least twenty workers, without regard to their ages. This measure began by stipulating that the minimum age of children employed should be eight years. In Great Britain at that time the minimum age of employees was, in most branches of factory industry, nine years. The act farther prescribed that the working day of children between eight and twelve years of age should not exceed eight hours, and of children between twelve and sixteen should not exceed twelve hours, with provisions in all cases for a mid-day lunch period. There was some provision, also, for the education of children under the age of twelve. Penalties for violation of the law ranged from 16 to 100 francs, and the task of enforcement was entrusted to commissions in the *arrondisse-*

ments, consisting of public functionaries and ex-magistrates, under the general supervision of the police prefects. From a ministerial statement it appeared that in the seventy-five departments then existing there were more than 5,000 establishments to which the law was applicable, while the number of children under sixteen years of age working therein was at least 70,000.

From 1841 to 1848 there was little agitation for the extension of the law that had been enacted, but there was much discussion of the means of its enforcement. In the course of parliamentary debate upon the subject in 1843 it was shown that an inspection service was organised in 253 *arrondissements* and that the number of persons assisting from time to time in the work of inspection was 1,643. Nevertheless, it was commonly admitted that the law was not being enforced adequately, especially that portion of it which undertook to restrict the maximum hours of labour of children under twelve years of age. In a petition addressed to the Chamber of Deputies in 1843 the *Société Industrielle* urged that the work of inspection be committed to a small number of persons specially chosen, as was the practice in England, where there were but four inspectors for the entire country. And in February, 1848, a bill making the desired change was passed by the Chambers. Before the measure could be put in operation, however, it was, to all intents and purposes, cancelled by the outbreak of revolution in the capital, followed by the proclamation of the Second Republic.

Labour and the Revolution of 1848. Although unsuccessful, and in the main devoid of lasting influence, the industrial experiments of the French revolutionary government of 1848 constitute one of the interesting chapters in the history of European labour. The revolution was itself the work of two principal groups of people who were dissatisfied with the state of affairs under the Orleanist monarchy, i.e., the Republicans and the Socialists; and when, on February 24, the Republic was proclaimed, both elements were accorded substantial representation in the provisional government which for the time assumed control of the nation's affairs. The Republicans desired simply to establish permanently a republican form of government. But the Socialists, ably led by Louis Blanc, insisted upon a thoroughgoing regeneration of society in the interest of the wage-earning class; and the Republicans, being unable to control the situation alone, found themselves obliged to

accept a series of drastic measures with which they had little real sympathy.[1]

The ultimate aim of the Socialists was the substitution of public for private ownership and control of property, to be achieved gradually through the organisation of state-aided co-operative societies. A more immediate aim, however, was the provision of work and wages for all persons who stood in need of them. One of the cardinal doctrines of Blanc was that every man has an inalienable right to remunerative employment, and for a time the Socialists were sufficiently dominant to be able to compel the provisional government to attempt a practical application of this theory. Work for all was promised, and to supply it government shops were established and large public enterprises were undertaken. In the Luxembourg Palace was established a labour commission, composed of workingmen, employers, and political economists, with Blanc as chairman, and to it was committed the duty of investigating labour conditions and reporting on them to the government. Within a week this commission demanded a reduction of the working day for adults by one hour, making it ten hours in Paris and eleven in the provinces. On March 2 the change was ordered, and it was provided that the enforcement of the new regulation should be attended to in the capital by the commission and throughout the country by the authorities of the communes. In point of fact, the measure remained largely a dead letter. Months later, after the provisional government had been superseded by the National Constituent Assembly, there was substituted for it an act (September 9) which fixed the maximum day's labour in factories and workshops at twelve hours, in the capital and the provinces alike, and committed the task of enforcement to the police prefects.

Meanwhile, the national workshops had proved a failure. Their administration had been entrusted deliberately by the provisional government to a personal enemy of Blanc, and the experiment was tried under conditions which from the outset precluded the possibility of a fair test. The government found itself swamped with applications for employment, and was wholly unable to supply labour which was needful, productive, and adapted to the labourers' capacities.[2] It was unable to pay wages which would

[1] See pp. 475-476.

[2] At one time more than 100,000 men were at work.

satisfy the clamorous workers, and eventually the number of working days was reduced for each man to two a week, and his total wage for the week was fixed at eight francs. In June the enterprise was abandoned and the workers were given the alternative of joining the army or going into the country to labour on public improvements. The announcement of this change of policy on the part of the National Constituent Assembly precipitated the most serious disorders—the uprisings of the "June Days"—which Paris had witnessed since the great Revolution; but the national workshop project was never revived. The whole episode had the unfortunate result of leaving among the labouring populations an enduring legacy of hatred toward the bourgeois, employer class.

After 1848 no farther labour legislation of importance was enacted until 1874. The twelve-hour law of 1848 was amended somewhat by decrees of 1851 and 1866. But it remained practically a dead letter, and the continued activities of the *Société Industrielle* of Mülhausen, the Academy of Science, and other organisations interested in labour questions were directed mainly toward securing its enforcement. In 1867 there was founded a National Society for the Protection of Apprentices and Children in Factories, and in the same year fresh impetus was given the movement by the Universal Exposition held at Paris. As early as 1856 some of the departments began creating local inspectors of labour. But such feeble proposals as emanated from the government of Napoleon III were never followed up.

Labour Legislation under the Third Republic. The establishment of the Third Republic, in 1870, created once more a situation favourable for advanced social legislation; for although the event was synchronous with the country's great defeat at the hand of Prussia, the rebound of national spirit and energy which followed the war had as one of its most pronounced features the accentuation of the national desire for social justice. In 1872, when the recovery was but well begun, the National Assembly, acting as the governing authority pending the adoption of a permanent political system, appointed a commission charged with the task of making an investigation of the condition of the labouring classes of the country. And after prolonged inquiry the commission reported in favour of the extension of legal protection to all workers in all industrial establishments, together with the institution of a

nation-wide inspection service to enforce the laws. The statute of May 19, 1874, based upon the commission's recommendations, fell short of the desires of some reformers. But it was a notable piece of legislation. It applied to both mines and industries. It limited the age of child workers to twelve years (in exceptional cases to ten); it restricted the hours of labour of children under twelve years to six a day, and of children between twelve and sixteen years to twelve; it provided for rest intervals; it prohibited night-work for boys under sixteen years of age and for girls under twenty-one; it required school instruction for child workers under thirteen years; and it made some provision for sanitary conditions in workshops. In short, it extended the protective measures hitherto applicable to child labourers, and it instituted the first legal protection for female labour. Finally, it established for the first time in France a special inspection service for the enforcement of labour law. This service consisted of fifteen division inspectors, aided by the inspectors of the various departments and supervised by a *Commission Supérieur du Travail.*

Labour was publicly regulated in France in 1914 under a system which was merely an amplification of that established in 1874. In 1880 the provisions for Sunday rest were extended. In 1882 and succeeding years the work of children and of women in certain kinds of industrial establishments was prohibited. In 1892 there was important legislation involving the farther regulation of the labour of women and children, together with a reorganisation of the inspection service (the number of inspectors being raised to 106) on the lines adhered to at the present day. In 1906 the enforcement of labour regulations and the development of favourable conditions among the labouring masses were given fresh impetus by the establishment of a new administrative department of the national government known as the Ministry of Labour. And a few years later there was begun the preparation of a new Labour Code, comprising a consolidation and extension of pre-existing legislation upon the subject. The Code was arranged in seven books. The first, containing the law of labour contracts, was published in 1910 and the second, dealing with the regulation of labour under certain conditions and of labour inspection, in 1912. The work was yet to be completed when the Great War came on; but already it had taken its place as one more of the many systematic, clear, and comprehensive "codes" whose formulation has

from the era of Napoleon, been for French statesmen and lawyers a source of exceptional distinction.

Recent Labour Regulation and Inspection in France. The essentials of the labour law of France in 1914 can be stated briefly. The age of admission of children to factories and workshops was thirteen years; although children between the ages of twelve and thirteen might be employed provided they could present a certificate showing the completion of the primary school studies, and also a medical certificate of their physical fitness. In establishments of many stipulated kinds children under eighteen years of age, or both such children and women, might not be employed at all; in certain others they might be employed only under specially stated conditions. Children under eighteen and women were prohibited from working at night between the hours of 9 P. M. and 5 A. M. And the hours of labour in factories and workshops—for men as well as for women and children—were limited to twelve a day, and in certain trades to ten. The dangerous trades and establishments were specially regulated, and in most of them a periodical medical inspection of employees was prescribed. All industrial accidents were required to be reported, and the rates and conditions of compensation were regulated in detail. In its range, the law was very extended. It was applicable to all factories, workshops, laboratories, kitchens, warehouses, wine-cellars, stores, and offices, to loading and unloading, and to all accessories of these, public or private, lay or religious, philanthropic or professional. The only establishments which were exempt were those in which work was done under the sole authority of the father, mother, or guardian; and even in connection with these, if the work was done with the aid of machinery for motive power, or was classed as dangerous or unhealthful, the inspectors of labour were required to impose certain measures of safety and health. In 1913 the number of members of the working classes under protection was 4,460,805.

The inspection service, administered by the Bureau of Inspection of Labour, in the Ministry of Labour, was, as far as it went, well organised and fairly efficient. The Bureau of Inspection of Labour dates from the act of March 22, 1841, when, for the first time, the labour of children in factories and workshops was regulated. That measure conferred upon the authorities of departments and communes the duty of organising offices of inspec-

tion. Except in the two great industrial departments of the Seine and the Nord, these authorities, however, continued inactive, and the actual and general organisation of inspection in the country dates from the adoption of the act of May 19, 1874, whereby provision was made for two sets of inspectors, one appointed and paid by the state, the other appointed and paid by the departments. Finally, by act of November 2, 1892, the dual system was abolished and all inspection officers were made direct agents of the state. Meanwhile, by act of January 22, 1891, there had been created, in the Ministry of Labour, a Superior Council of Labour which, after reorganisation effected by a measure of March 14, 1903, consisted of thirty-one elected representatives of employers, thirty-one elected delegates of workingmen and employees, and fourteen other persons designated to represent varied elements in the nation—a total of seventy-six persons. This body investigated labour conditions, studied labour problems, and advised the authorities upon all matters pertaining to the general subject.

As organised in 1914, the inspection service falls into two parts, one having to do with industry, the other with mines and quarries. For purposes of industrial inspection the country was divided into eleven districts, each in charge of a district inspector. The district inspectors directed the work of the ordinary inspectors, of whom in 1914 there were 144, men and women. Outside of Prussia and Saxony, there was no country in the world in which labour inspectors were selected with as much care as in France. All were appointed by the Minister of Labour, from such candidates as were able to pass the exacting examinations which were set. Many of the inspectors had published, through the Ministry of Labour, meritorious scientific studies pertaining to the practical applications of chemistry and mechanics. The principal fault of the system as it operated was that the number of inspectors was disproportionate to the task to be performed. In 1894, when there were but 267,906 establishments coming within the scope of the inspection laws, the 106 inspectors were in a fashion adequate. But the number of establishments to be inspected rose by 1911 to 507,557, and the corps of inspectors was increased to only 142. The consequence was that many establishments were allowed to go long periods with no inspection at all, while inspection tended, in general, to become hasty and perfunctory. There was much

demand from authoritative sources that the number of inspectors be increased.[1]

Beginnings of Labour Regulation in Germany. In Germany, as in France, state regulation of labour for the purpose of protecting the labourer was instituted later than in England, and for the same reason, namely, the circumstance that the rise of the factory system, attended by its customary train of abuses, took place considerably later. It is true that as early as 1818 the Prussian minister of public worship and instruction gathered reports in the Rhine provinces which laid bare the horrors of child labour in the textile industries. But it was feared that regulative legislation would retard the economic expansion of the country, and action was deferred. Some years later the government was startled by a report submitted by the recruiting officers to the effect that, on account of the inferior physical condition of the young workers, it had become impossible to raise the usual contingents in the industrial portions of the kingdom; and by a rescript of May 12, 1825, the king ordered the minister of public worship and instruction and the minister of industry to recommend remedial measures. The request was complied with, but in a leisurely fashion, and it was only in 1832 that the desired report was submitted. Even then the document reposed in the archives several years; and it was only after a reform movement had been set on foot by a manufacturer of the name of Schuchard, and a provincial legislature had been induced to petition the crown upon the subject, that on April 6, 1839, a *Regulativ* on the employment of young workers, based on the report of 1832, was promulgated. This, however, was two years prior to the enactment of the first important law of France upon the subject.

The Prussian law of 1839 prohibited the employment of children under nine years of age, and the employment of children under sixteen years of age between 9 P. M. and 5 A. M. It limited the working day of children under sixteen to ten hours, and it prescribed for such children school attendance for five hours daily. In some of its provisions, notably that relating to school attendance, the law was absurd; and the authorities to whom the enforcement of it was entrusted—the local police, teachers, and clergymen—were as a rule both unwilling and unable to put it into

[1] For further consideration of this matter see Bulletin of U. S. Bureau of Labour Statistics, No. 142 (Feb., 1914), 198-203.

operation. During the ensuing decade various experiments were made with locally appointed commissions, "industrial councillors," and other agencies, but without substantial improvement; and when, in 1851, the Minister of State, Von der Heydt, requested the provincial authorities to report upon the enforcement of the law of 1839 in their divisions of the country, almost all pronounced the measure a failure and advised against its extension on the existing basis.

The outcome of this inquiry was the enactment, by the newly constituted national parliament, of the important statute of May 16, 1853. By this measure the minimum age at which children might be employed was raised from nine years to twelve, the workday of children under fourteen years of age was restricted to six hours, and child labourers were required to receive three hours of school instruction daily. It need not be emphasised that, in comparison with the contemporary regulations in England and France, all of these stipulations were radical. Unfortunately, however, they were but indifferently realised in practice. A further notable feature of the law was the introduction of a scheme of enforcement through the agency of a body of special inspectors, appointed by the government in such numbers as might be deemed desirable. For years, however, there were only three inspectors in the kingdom; and inasmuch as the manufacturers commonly refused to obey the law or to take the inspectors seriously, no great headway was made. Enforcement was very limited, even in Berlin.

In the meantime, in other German states, where conditions were quite as bad as in Prussia, there had been efforts along substantially the same lines, and with equally unsatisfactory results. In measures of 1840 and 1854 Bavaria had imposed upon the police and the school authorities the task of enforcing restrictions upon child labour, but quite in vain. In Baden, Württemberg, Hesse, and elsewhere, there was similar experience; while the elaborate Industrial Code of Saxony, promulgated in 1861, being left without means of execution, was never other than a dead letter.

German Labour Legislation, 1867-78. By 1865 the need of legislation extending beyond the protection of child labourers, and of legislation that could be enforced, was widely recognised; and with the establishment, in 1867, of the North German Confederation, there was created also a need of labour legislation

which should be uniform. After much agitation and repeated parliamentary debates, there was enacted in 1869 an elaborate Industrial Code, applying to all portions of the Confederation. The Prussian regulations of 1839 concerning child labour were strengthened somewhat and were extended to mines and quarries. And it was required that owners of industrial establishments should, at their own expense, install such safety appliances as were necessary to protect the life and health of their employees. There was in the act no increased provision for inspection and enforcement, but the technical knowledge required in the application of the portion of the law relating to safety appliances impelled the government eventually to appoint additional inspectors. As late as 1875, however, there were only eleven inspectors in all. In the regions not actually covered by the visitations of these officials the execution of the law continued to be notoriously lax.

At the close of the Franco-Prussian war, in 1871, Germany entered upon an epoch of remarkable industrial expansion. The completion of the unification of the country, the annexation of the manufacturing districts of Alsace and Lorraine, and the acquisition of the French indemnity bore fruit in the multiplication of industrial establishments, the introduction of the factory system upon a larger scale, and the rapid increase of urban, wage-earning populations. The disadvantages which ever tend to offset the advantages in such a course of development were not slow to appear. The number of women and children employed in industry was much increased, industrial accidents became proportionally more frequent, and the standard of living in many quarters was depressed. The period was, however, one of rapidly increasing activity on the part of the labouring classes, and of widespread agitation on the part of social and industrial reformers. It was the time when the Social Democracy achieved its first notable and lasting growth, and when labour organisations, economic as well as political, began to make their influence felt.[1]

The measure most urgently demanded by the workers was the creation of a system of labour inspection which should be compulsory and uniform throughout the entire country, together with the extension of labour legislation beyond the protection of children to the protection of women, the more effectual prevention of accidents, and the establishment of systematic arrangements for

[1] See pp. 431-433.

the compensation of injured employees. The attitude of the Imperial government, formulated principally by Bismarck, long remained unsympathetic. It was not that the Chancellor failed to recognise the need of remedial regulation. The question with him was one of method, and he did not believe direct, prohibitive legislation desirable or effectual. Rather, there was developing in his mind that great project of protecting the workers by means of state insurance which found expression on the statute books of the Empire in the sickness insurance law of 1883 and the accident insurance measure of the following year. The object of these laws was not only to provide the labourer with ready resource at times of illness or industrial injury, but to stimulate the employers, acting in their own interest, to provide all reasonable safeguards for their employees.[1] In 1878 there was promulgated an administrative law which made inspection of factories, mines, and quarries compulsory throughout the Empire. And while the appointment of the inspectors and the regulation of their work were vested in the governments of the federated states, the Bundesrath, in order to promote uniformity, issued a set of model regulations, which were adhered to closely by the states in the organisation of their inspection systems. On the whole, however, the inspectors in the states were neither numerous nor conspicuously active; and the demand for the institution of a new system steadily grew.

The Industrial Code of 1891 and Later States of the Law. The movement attained success in 1891. In 1890 there was assembled at Berlin an international congress, called by the German government at the instigation of Emperor William II, to consider questions relating to the extension and administration of labour laws; and after the results of this meeting had received prolonged consideration in the Reichstag and by the Imperial authorities, a new and extensive industrial code was promulgated, June 1, 1891. The provisions of this measure relating to child labour were stringent. Children under thirteen years of age might not be employed at all, and children over thirteen might work only if they had received a primary school education. Establishments in which persons under eighteen years of age were employed were subjected to special regulations to safeguard health and morals; and in certain industries in which there were unavoidable dangers to

[1] See Chap. XXIV.

health and morals, no persons under the age mentioned might be employed at all. The provisions of the law were made applicable to workshops, and even to some home industries. And the scope of the work of the inspectors was increased to include the enforcement of Sunday rest, the protection of women, and of apprentices in hotels and taverns, besides a number of other duties.

Labour legislation in Germany by 1914 comprised the Industrial Code of 1891, based upon the code of 1869 as re-issued in 1883, and amended in the past quarter-century by numerous legislative acts and by regulations promulgated by the Imperial authorities. The instrument was arranged in ten sections and 155 articles In scope it was very comprehensive, although it was to be noted that its terms were largely general, so that they had to find their detailed application under the interpretation or amplification of court orders or decisions or of regulations imposed by the Bundesrath, the Chancellor or his subordinates, or the state legislatures.[1] The Code did not apply to mines, quarries, state industries and railways, fisheries, agrarian and forest industries, building operations, and transportation. But most of these activities were provided for in other ways. Mines and quarries were under the jurisdiction of a special inspection service. The police authorities were in charge of the administration of the laws for the protection of workers in commerce and trade. And employees of the state were under the protection of the heads of the various ministerial offices. Boiler inspection was in the hands of special agencies.

Under the operation of the Code, in some or all of its provisions, fell factories and workshops, and all household work-places where any manual labour was performed except those where persons, or their children, were engaged in the production of goods only for their own consumption. The law did not define factories, workshops, or domestic work-places, but it threw industrial establishments into certain classes, on a basis of the number of employees, and gauged its requirements to some extent in accordance with this classification. The employment of children under thirteen years of age in any industrial establishment coming within

[1] Thus the article of the Code (139b) which pertained to the method of administration was supplemented by ministerial orders of April 27, 1891, and March 23, 1892, explaining specifically how the law was to be applied. A home-work law, enacted in 1911, was supplemented by an order of the ministry of commerce and industry, March 16, 1912, interpreting and applying the original measure.

the scope of the law continued to be prohibited. Young persons less than sixteen years of age and females of any age might be kept at work not more than ten hours a day, exclusive of rest periods, and might not be employed in night work. Upon the labour of males over sixteen years of age, however, there were no restrictions of the kind. Employers were required to equip their establishments with devices for the protection of life and health; to provide light, air space, ventilation, and means of removing dust and other impurities arising from the processes of industry; and to maintain conditions conducive to good conduct on the part of their employees. Industries regarded as specially dangerous, as match-making, cigar-making, and lead-working, were subject to special regulations. In comparison with the English law, the German code was in some respects more stringent and in some respects less so. It prescribed thirteen, rather than twelve, as the minimum age of employees. But in its provisions for the protection of child labourers, as well as of "young persons" and women, it was less extensive and specific than the English code. In England it was not required, as it was in Germany, that permission be obtained to open a factory, and the statutory provision for holidays did not apply to adult males. On the other hand, all candidates for employment under sixteen years of age were subjected, as in Germany they were not, to an examination to determine their fitness; the age of protection for "young persons" extended to eighteen instead of sixteen; and the legal day's work began half an hour later and ended half an hour earlier.

Arrangements for Administration. The Industrial Code was based upon Imperial legislation, and accordingly its provisions were applicable uniformly in all parts of the Empire. There was, however, no body of Imperial officials charged with the task of carrying these provisions into effect. Rather, in accordance with a principle of administrative organisation which was applied extensively in Germany, the enforcement of the labour law was left to the individual states. Imperial supervision was very slight. Inspection was organised and paid for by the state, and it was to the government of the state that the inspectors submitted their reports.[1] This meant, obviously, that the inspection services were

[1] The total inspection force in Prussia in 1912 included 328 persons; in Saxony, 66; in Bavaria, 42; in Baden, 22; and in Württemberg, 19. In some of the minor states the number was but 2 or 3.

by no means uniform throughout the country. In some instances, as in Prussia, the service was organised upon a district plan with no close co-ordination. In others, as in Baden, there was a highly centralised service, presided over by a responsible director. A general feature, however, was the participation of the police authorities in the work of law enforcement. Originally, in conformity with well-established German practice, the enforcement of the labour laws was left to the police exclusively. It became manifest, however, that the police were neither able nor inclined to discharge this function effectively, and it was on this account that special factory inspectors were first provided in the Prussian law of 1853, and that by Imperial law of 1878 the maintenance of a special staff of inspectors was made obligatory upon all the states. At all times, however (and it was still true in 1914), the police authorities were substantially the only executive agency capable of enforcing the law in cases unearthed by the inspectors, by prosecutions and court proceedings, involving the imposition of fines and other penalties. The inspector did not himself become a police officer. As an expert in industrial affairs he examined, advised, and warned; and in the event of continued infraction of the law he placed his information at the disposal of the local police. In the adoption and enforcement of local regulations designed to afford protection against accidents and industrial dangers to life and health an important supplementary rôle was played by the *Berufsgenossenschaften,* or mutual trade associations, established under the accident insurance legislation of 1884.[1] It was the testimony of observers that the labouring masses evinced surprisingly little intelligent interest in government inspection. And it may be added that the Social Democrats had in their platform no special demand upon the subject. Their feeling seemed rather to be that such devices, in their current form at all events, were futile; although privately many were not unwilling to acknowledge that the benefits of inspection, even as currently administered, are substantial.

Labour Legislation in Other Countries. It would be wearisome to recount in detail the historical development, or even merely to describe the later status, of labour legislation in the remaining European countries. With large allowance for local variations, it may be said that every nation west of Russia built up by 1914 a

[1] See p. 553.

system, more or less elaborate, of labour regulation and labour inspection, and that even Russia and the Balkan states had taken some important steps in this direction. It is interesting to observe that in a country so backward in industrial matters as Austria there were feeble attempts at labour regulation before the close of the eighteenth century, and that in the Hapsburg dominion in 1914 there were in operation labour laws which were very nearly as advanced as those which have been enacted in Great Britain, France, or Germany. Legislation for the protection of workers in factories dates from as early as 1853, and a national factory inspection service was inaugurated in 1883. The Industrial Code in operation in 1914 was issued in August, 1907. It comprised a consolidation of a long series of measures and was an elaborate instrument, arranged in 152 articles. The employment of children under twelve years of age was prohibited; young persons between the ages of twelve and fourteen might be employed, provided their health was not impaired or their education interfered with, and provided their work-day was not made to exceed eight hours; persons under sixteen years of age might not be employed in night work; an eleven-hour day was prescribed for all industrial establishments; and there were thoroughgoing provisions relating to sanitation and protection from injury. Factory inspection, based upon the law of 1883, was supervised by the administrative and police authorities of the government districts, under the ultimate control of the Ministry of Commerce, by which all inspectors (numbering 126, of all grades, in 1912) were appointed.

Legislation in Switzerland for the protection of industrial workers dates from 1815, when in both the cantons of Zürich and Thurgau measures were enacted regulating the conditions under which children might be employed in workshops and factories. Other cantons followed the example which had been set, and in 1859 Zürich again enacted a comprehensive labour law which in later times served as a model for all cantonal legislation of the kind. This law made the first provision in Switzerland for a special inspection service. In view of the glaring dissimilarities of the cantonal laws and the difficulty of their enforcement, a movement for a federal labour law was inaugurated after the middle of the century, and it was urged that such a law should be made applicable to adult, as well as to child, labourers. This movement culminated, although only after a heated contest, in the

enactment of the comprehensive statute of March 23, 1877. Amended at a number of points, and supplemented by the employer's liability laws of 1881, 1887, and 1905, by the phosphorous match law of 1898, and by the Saturday work law of 1905, this measure of 1877 continued in 1914 the basis of Swiss labour regulation. Children under fourteen years of age might not be employed in factories; and young persons between fourteen and sixteen might not spend more than eleven hours a day in factory work, including intervals of rest, and there was an extended list of trades in which, according to a measure of 1907, they might not be employed at all. The regular daily hours of labour for all workers in factories might not exceed eleven (on Saturdays and days preceding holidays, ten), and the Federal Council was authorised still further to reduce the length of the working day in dangerous or unhealthful industries. Night and Sunday work were, as a rule, prohibited, although permits for night work of males over eighteen years of age might be granted for brief periods by the local and cantonal authorities. As in Germany, the law was federal, and therefore uniform, while the enforcement of it was entrusted to the states. The inspectors in Switzerland, however, were employees of the federal government, and the amount of direct federal supervision of their work was considerable.

Belgium has had an advanced system of labour regulation, dating in some degree from as early as 1813, and capped by the Sunday rest law of 1905. Holland's scheme of labour control was instituted, in most of its essential aspects, in 1874. Norway's law of 1872, Sweden's of 1901, and Denmark's of 1901 were as liberal as any in Europe. Even in Italy and Spain, where until recently the conditions attending the employment of women and children in industrial establishments were appalling, notable progress has been realised—in Italy under the laws of 1886 and 1902, in Spain under those of 1900 and 1904.

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CHAPTER XIX

THE ORGANISATION OF LABOUR IN GREAT BRITAIN

Conditions Making for the Organisation of Labour. A fundamental consequence of the revolution in industry described in earlier chapters was the differentiation of capital and labour and the development, or accentuation, of sharp antagonisms between the two. The Middle Ages and earlier modern times were by no means devoid of labour problems, labour programs, and labour disturbances. But the labour interests which, prior to the eighteenth century, made themselves felt as distinct social and economic forces were rural rather than urban, agricultural rather than industrial. It was the working-people of the country districts whose unrest gave rise to the Jacquerie of 1358 in France, the Social Revolt of 1381 in England, and the Peasant's War of 1524 in Germany. Until handicraft manufacture was widely displaced by the factory system, employer and employee, in manufacturing industry, worked side by side, or, at all events, in a closeness of touch which promoted mutual understanding and good-will. With the coming of the factory, however, this wholesome relationship was severed. As the capitalist operator gathered under his employ larger and larger numbers of men, it became difficult, and finally quite impossible, even if he were so minded, to know his employees personally and to understand their ideas and desires. Personal ties were relaxed or entirely dissipated; bargaining concerning wages and hours became collective, impersonal, and cold-blooded. If, under the simpler conditions of the domestic system, relations were not always agreeable, they were likely to be distinctly less agreeable under the conditions which arose with the dominance of the factory. It is wholly within the bounds of the evidence to say that it is from the triumph of the factory system that one must date that intensity of economic stress and that keenness of class conflict which have been among the least agreeable features of European society in the past hundred years.

It is to be observed, furthermore, that at the same time that the

mass of the working-people were being shut off from immediate contact with their employers, they were being brought into closer relations than formerly among themselves, in the factory and in the city. This change of situation had two important effects. It stimulated, in the ranks of labour, the growth of class consciousness. And it rendered easier the organisation of labour for its own protection. Impelled by low wages, high prices, long hours, and other disadvantageous conditions, the factory operatives began, before the nineteenth century was far advanced, to seek by concerted action to induce or compel the amelioration of industrial conditions which they deemed especially unsatisfactory. From the beginning of the century the lot of the working classes was being improved in the various countries by the enactment of remedial legislation sponsored by reformers who were not themselves labourers. But progress was exceedingly slow, and labour chose not to depend upon this resource alone. Rather, it chose to organise, in order to be able to advocate more effectively the acceleration of state action, to negotiate on equal terms with organised capital, and to promote the conservation of its own energies. Of the several agencies through which it has sought to defend and propagate its interests, two are of principal importance. The older and more efficacious is the trade union. The second, closely related, is the political party. If a third were to be mentioned, it would be the co-operative society, devoted to the collaborative production and distribution of goods.

Early Legal Obstacles to Trade Unionism. The trade union is essentially a modern institution. It differs from the mediæval gild in a number of ways, principally in being an organisation exclusively of employees, formed to protect one class of persons engaged in industry against another class, whereas the gild was an organisation of craftsmen who were at the same time employers and workmen, and had as its object the protection and regulation of the craft as a whole.[1] There were in England as early as the fourteenth and fifteenth centuries combinations of journeymen, i.e., industrial labourers, who had served their apprenticeship and were working for wages without as yet being entitled to set

[1] On the transition from the gild type of industrial organisation to the trade union type see G. Unwin, *Industrial Organisation in the Sixteenth and Seventeenth Centuries* (Oxford, 1904), and L. Brentano, *On the History of Gilds and the Origin of Trade Unions* (London, 1870).

up shops of their own. And, beginning with the Devonshire woollen workers in 1700, many English artisans in the earlier decades of the eighteenth century formed themselves into protective associations. These organisations, however, were ephemeral, and it was only as the eighteenth century drew to a close that there began to spring up associations of wage-earners in particular trades which were lasting and influential. In 1787 the Sheffield metal workers organised, in 1792 the Lancashire hand-loom weavers, in 1795 the paper-makers of Kent, in 1796 the woollen workers of Yorkshire. Adam Smith half-humorously, half-seriously, recorded that in his time people of the same trade seldom met, even for diversion, but the conversation ended in "a conspiracy against the public or in some contrivance to raise prices."[1] The trade union was clearly a product of the Industrial Revolution. As one writer has remarked, "the factory made it [the union] possible and the conditions of the factory made it necessary."[2] Both the factory and the union are, in the main, contributions of England to the industrial world.

Before, however, the trade union could assume the character which it has borne in our own times it was necessary that some decisive changes be brought about in the English law. With unimportant exceptions, combinations of labour were contrary, in the first place, to the principles of the Common Law. They were regarded as conspiracies in restraint of trade, and persons concerned in them were liable to criminal prosecution. As individuals, workingmen might lawfully consent to labour or refuse to labour under any conditions they liked, but when two or more entered into combination to control wages or to restrict hours, whether by violent or pacific means, they made themselves liable to fine and imprisonment. It is true that it was equally illegal for two or more employers to combine to control the industry in which they were interested. But it was upon the employees, almost exclusively, that the law was enforced. It was not alone the Common Law, however, that made combinations of workers illegal. There were many statutes which, although general in character and directed mainly against political associations and movements, were capable of being used, and were used, against labour whenever working-people sought to improve their condition through public

[1] *Wealth of Nations*, Bk. I, Chap. X.
[2] Shadwell, *Industrial Efficiency*, II, 307.

assembly, association, or the use of the press. Finally, there were the restraints which were contained in an extended series of laws dealing specially with labour. From the reign of Edward I to that of George IV the operation of the Common Law was enforced and extended by some thirty-five acts of Parliament, all designed more or less specifically to prevent the organisation of labour.[1] Most of these measures applied to particular trades, and as the series progressed the tone which was assumed toward labour combinations grew more, rather than less, severe. Especially stringent was legislation enacted just at the close of the eighteenth century. Frightened by the multiplication of secret and semi-secret labour organisations in the past decade, especially among the textile workers of Yorkshire and Lancashire, and keenly suspicious of sedition, Parliament in 1799 passed a comprehensive measure entitled "An Act to Prevent Unlawful Combinations of Workmen."[2] A few months later it replaced the act by another more drastic.[3] And in 1801 the provisions were yet further strengthened. Persons combining with others to advance their wages or to decrease the quantity of their work, or in any way to control the conditions of industry, were made liable, on conviction before a single justice of the peace, to imprisonment at hard labour.

In summary, under the laws in operation during the first two decades of the nineteenth century it was a penal offense for labourers (1) to agree to work only for a certain wage or to work only at certain hours or times; (2) to form any combination to obtain an advance of wages, to alter the hours of work, or to decrease the quantity of work; (3) to seek to persuade any person from hiring himself to any manufacturer, tradesman, or other person, or to leave the employ of such person; and (4) to summon, be present at, or give support to any meeting for the purpose of making any contract or agreement regarding wages, hours, or other conditions of labour. The law, it is true, pronounced void all contracts between masters and others for reducing wages, adding to or altering the usual hours of labour, or increasing the quantity of work. But these provisions seem to have been

[1] These measures are enumerated in the first section of the act (5 Geo. IV, c. 95) by which, in 1824, they were repealed. The first dated from 1304, the last from 1817.

[2] 39 Geo. III, c. 86. Bland, Brown, and Tawney, *English Economic History, Select Documents*, 626-627.

[3] 39 and 40 Geo. III, c. 106. *Ibid.*, 627-631.

devised mainly to give an appearance of fairness. No instances of their enforcement are on record.

Besides the prohibitions which have been mentioned, aimed at labour association or combination, there were restraints which rested upon the labourer in his individual capacity. These were imposed by a series of some twenty measures, beginning with the Statute of Labourers of 1349 and including the notable Statute of Apprentices of 1562. Various measures applied to different groups of craftsmen—tailors, shoemakers, leather workers, textile operatives, iron workers—with the result that virtually all artificers, labourers, apprentices, servants, and other workpeople were made subject to statutory regulation. Not only were they restrained from forming combinations; they were forbidden to accept higher wages than those fixed by the local justices of the peace and were made subject to many other irksome restraints. Furthermore, the persons upon whom it devolved to execute the law were these same justices of the peace, most of whom were employers of labour, or at all events individuals who had an interest in keeping a tight hand upon the workers as a class.

Labour Combinations Legalised, 1824-25. All of the statutes of the last-mentioned group continued in operation until 1831; a majority of them were still in effect in 1867, when, however, certain liberalising changes were made; and it was only in 1875 that they were finally swept away by repeal. The laws in restraint of labour combinations, however, were modified rather sharply in 1824. As has been pointed out, the decade succeeding the close of the Napoleonic wars was a period of grave industrial unrest. Strikes and outrages involving the destruction of property and other acts of violence were frequent. Agitation for and against the repeal of the Statute of Apprentices and other labour laws rent the country. Secret organisations of labourers sprang up on every hand. At last, in 1824, a special committee of Parliament was appointed for the purpose of making an inquiry into, and reporting upon, the status of the entire body of law relating to artisans and other workmen. The committee gathered evidence promptly and before the close of the year submitted a temperate report in which it was stated (1) that combinations of workmen to raise wages, to regulate hours, and to impose restrictions on employers respecting apprentices were numerous in England, Scotland, and Ireland, and that the laws not only had not proved effectual to

prevent such combinations but had had "a tendency to produce mutual irritation and distrust and to give a violent character to the combinations, and to render them highly dangerous to the peace of the community"; (2) that strikes and breaches of the peace had been frequent and costly to employers and workmen alike; (3) that employers had been guilty of forming illegal combinations to reduce wages and to resist the demands of workmen; and (4) that, while labourers had been convicted and imprisoned, there was no recorded instance of an employer being brought to account for violation of the law. The committee recommended (1) that the statutes which interfered with the freedom of employers and workmen to fix between themselves both wages and hours of labour be repealed and that "the common law under which a peaceable meeting of masters or workmen might be prosecuted should be altered"; (2) that the settlement of industrial disputes by arbitration be encouraged in all trades; and (3) that there be enacted a law "to punish either workmen or masters who by threat, intimidation, or acts of violence, shall interfere with the perfect freedom which ought to be allowed to each party of employing his labour or capital in the manner he may deem most advantageous."

In pursuance of this report, a measure passed in the same session, on June 21, 1824, repealed, wholly or in part, all specific enactments against combinations of workmen, together with some other statutes bearing thereon.[1] The total number of enactments enumerated for repeal was thirty-four, covering a period of more than five hundred years. It was prescribed that persons, whether acting singly or in combination, who should employ violence, threats, or intimidation to prevent men from working or engaging to work, or to comply with resolutions made to obtain an advance of wages or shorter hours, should be liable to imprisonment at hard labour. But it was made lawful for the first time for "journeymen, workmen, or other persons" to enter peacefully and voluntarily into any combination "to obtain an advance or to fix the rate of wages, or to lessen or alter the hours or duration of the time of working, or to decrease the quantity of work, or to induce another to depart from his service before the end of the time for which he

[1] 5 Geo. IV, c. 95. Bland, Brown, and Tawney, *English Economic History, Select Documents*, 633-635. For an account of the repeal of the Combination Acts see Wallas, *Life of Francis Place* (London, 1898), Chap. VIII.

was hired, or to quit or return his work before the same be finished, or, not being hired, to refuse to enter into work or employment, or to regulate the mode of carrying on any manufacture, trade, or business, or the management thereof."

These sweeping provisions alarmed the employers of labour, who forthwith set up demand for the measure's repeal; and Parliament seems to have drawn back from the consequences of its own act. In April, 1825, a committee was appointed in the House of Commons to inquire into the effects of the new law and to review the evidence submitted to the earlier committee. From the report which was brought in it appeared that there had been no considerable increase of the number of labour combinations since the law of 1824 had taken effect, and that there had been no increase of the use of violence. But it was shown that the activities of the unions were more open and public and that there were more strikes, and the report closed by recommending the repeal of the act of 1824 and the substitution of a new and less radical measure.

The upshot was the passage of an act[1] whose preamble pronounced the earlier act ineffectual and declared that combinations such as had been legalised by it were "injurious to trade and commerce, dangerous to the tranquillity of the country, and especially prejudicial to the interests of all who were concerned in them." The act of 1824 was repealed; but it is to be observed that the portion of that measure repealing all earlier statutes in restraint of labour combinations was re-enacted, so that the act of 1825 thereafter comprised within itself the whole of the statute law relating to the subject. The common law of conspiracy was left in full force against all combinations in restraint of trade, except such as were now specially exempted from its operation. Hereafter, under terms of the act, it was lawful for persons to meet for the sole purpose of consulting upon and determining the rate of wages which they would require for their labour, or the hours which they would work; although acts of violence or intimidation calculated to interfere with the freedom of contact which the act guaranteed were made punishable by three months' imprisonment at hard labour.

Fluctuations of Trade Unionism, 1825-45. With the enactment of the measures of 1824-25 the first and formative period in the

[1] 6 Geo. IV, c. 109. Bland, Brown, and Tawney, *English Economic History. Select Documents*, 636-638.

history of trade unionism in England—the period of struggle for recognition by the law—was brought to a close. Most of the provisions of the act of 1825 remained in operation until 1871, many of them until 1875. Throughout this period unions continued, broadly, to be unlawful, although not necessarily criminal, associations. The right of labourers to meet and agree upon the conditions of hours and wages under which they would work was guaranteed, but this was not construed to involve a general right of permanent association for any and all purposes; and when their agreements were held to be in restraint of trade, as in the prohibition of piece-work or the limitation of the number of apprentices, the unions were still regarded at common law as conspiracies. Prosecutions were frequent, and the workmen were usually made to bear the brunt of the varying interpretations of which the clumsily phrased act of 1825 was susceptible.

The legislation of 1824-25 gave the labour movement an impetus which during the ensuing decade produced some interesting results. In the first place, the number of unions was considerably increased. In the second place, the new freedom of organisation led to an outburst of strikes, most of which, however, ended disadvantageously for the strikers. And in the third place, there began now to be set on foot projects having as their aim a consummation no less ambitious than the drawing together of all manual workers in one grand nation-wide society. Hitherto there had been trade unions, i.e., associations of workers engaged in the same craft. There had even begun to appear alliances ("federations," they would be called to-day) of unions of the same craft. Hereafter, however, there were to be trades unions, i.e., combinations of the organised workers of different trades; eventually, as the enthusiasts dreamed, there should be a single trades union inclusive of all.[1] In 1829 a National Union of Cotton Spinners was organised. In the same year a national organisation of building operatives made its appearance. In 1830 a National Association for the Protection of Labour, comprising an alliance of about one hundred and fifty unions of various kinds, was established. And finally, in 1834, there was brought into existence a General Trades Union, subsequently christened the Grand Consolidated National Trades Union. This organisation had a mushroom career. There were no entrance fees, and within six months

[1] Webb, *History of Trade Unionism* (rev. ed., 1920), 114-116.

it was joined by local unions and clubs having an aggregate membership of more than a half-million. Its avowed object was nothing less than the inauguration of a general strike of all wage-earners throughout the country for an eight-hour day. As was to be expected, however, internal dissension sprang up; such strikes as were instituted or aided proved generally unsuccessful; and within a few months the organisation collapsed, its end being hastened by the conviction of six Dorchester labourers, in March, 1834, for the offence of administering an oath held to be unlawful and their sentence to banishment for a period of seven years.[1] The failure of this scheme of labour consolidation reacted unfavourably upon the progress of unionism in the several trades. Strikes were repressed mercilessly, and the public authorities were known to be considering the revival of the combination laws in all of their earlier vigour. Under these circumstances it was but natural that the interest of the mass of workingmen should be diverted, as it was during the decade 1835-45, from trade combinations to more general political and social movements of the period, notably Chartism, the anti-corn law agitation, and eventually Robert Owen's experiments with co-operation. The membership of the unions was by no means solidly Chartist, but in some trades, as the shoemakers, Chartism had a very large following.[2]

Extension of Trade Union Organisation, 1845-75. The next important period in the history of trade unionism in England extends, broadly, from 1845 to 1880. It was given distinction by a widespread growth of unions in number and membership, the increasing federation of unions in particular trades in organisations of national extent, the inauguration of trade union congresses, a general abstention from the use of political methods, and the substitution, under all ordinary circumstances, of the practices of industrial diplomacy for those of class war. The extravagant hopes of the years 1830-35 had ended in disillusionment. After 1845 the projects of social revolution were laid aside and the working classes addressed themselves in a new and practical manner to the task of obtaining relief from the more serious ills of the

[1] Bland, Brown, and Tawney, *English Economic History, Select Documents*, 638-641. For an account of the case see Howell, *Labour Legislation*, 61-76.

[2] The relations of the Chartist and labour movements are described briefly in Slater, *Making of Modern England*, 153-159.

industrial world of which they formed a part. The Chartist movement, discredited by its visionary and self-seeking adherents, broke up; while trade unionism, standing once again upon its own feet and sobered by adversity, entered upon a period of unparalleled development. The consequences were two-fold. In the first place, scores of great protective organisations were built up which became, and remain, integral features of the new industrial state. In the second place, the unions were enabled to bring about the repeal of practically all laws which operated as restrictions upon the freedom of industrial association.

On the side of organisation, the outstanding fact is the formation of county, sectional, and national affiliations of unions. To recount in detail the history of this development would be wearisome. It may be stated simply that among the greater and more lasting federations whose beginnings fall within the period, or substantially so, are the Miners' Association of Great Britain and Ireland (1841), the National Typographical Society (1844), the United Flint Glass Makers' Society (1844), the Amalgamated Society of Engineers (1850),[1] the Amalgamated Association of Operative Cotton Spinners (1853), the Yorkshire Miners' Association (1858), the Amalgamated Society of Tailors (1866), the Durham Miners' Association (1869), and the National Union of Boot and Shoe Operatives (1874). In 1845 there was formed at London a National Association of United Trades for the Protection of Labour which, without attempting to supersede existing organisations of particular trades, had for its purpose the protection of the interests and the furtherance of the well-being of the associated trades by mediation, arbitration, and legal proceedings, and by promoting "all measures, political and social and educational, which are intended to improve the condition of the labouring classes." The Association was managed prudently, and it had a useful existence covering a period of fifteen years, although the greater national unions held aloof from it.

Another important aspect of trade union organisation during the period was the formation of permanent trades councils in the leading industrial centers. A trades council was a joint committee representing the local branches of the various unions existing in the city. From about 1825 local committees of the kind ap-

[1] In its "New Model" the Society of Engineers introduced a type of internal organisation commonly imitated by later federations.

peared at times of threatened reactionary legislation or of unusual legal proceedings in which labour was interested. But these committees were formed only for particular emergencies and had no continuous existence. The earliest committee of the kind which was permanent was one established at Liverpool in 1848. By 1860 permanent councils existed in Glasgow, Sheffield, Edinburgh, and a number of other places. In 1861 such a council was established in London. And by 1867 there was one in almost every industrial center of importance. In promoting local workingmen's interests, as well as in fostering remedial and liberalising legislation in Parliament, these trades councils played a prominent rôle. Perhaps the most important thing which they did was to inaugurate the practice of holding national trades union congresses. The first such congress convened by a trades union organisation to consider trades union questions in the presence of workingmen alone was that called by the trades council of Glasgow and held at London in 1864. At this congress there were in attendance not more than twenty delegates; but they included the highest officials of all of the principal national unions. And after 1868 and 1869, when the trades councils of Manchester and Birmingham called national congresses to meet in those cities, respectively, the meeting of this British "parliament of labour" became an annual event.

Liberalising Legislation of 1871-76. The second important phase of trade union history in the period under review is the abolition of surviving legal restraints upon labour combination. This came about in consequence of prolonged agitation and re-adjustment in the decade 1866-76. In the years 1865-66 a series of labour disturbances occurred in Sheffield and Manchester, involving strikes, lockouts, and the destruction of machinery and other property; and it was suspected that various officials of the local unions were implicated in the proceedings. On all sides demand arose for an investigation, a demand in which many members of the unions joined. In 1867 a parliamentary commission armed with sweeping powers was constituted for the purpose, and trade unionism found itself at the judgment bar of the government at a time when public opinion throughout the country was decidedly hostile. The two years covered by the investigation comprise a critical period in the history of labour organisation. But, on the whole, the unions came off well. The majority report of the commission, submitted in 1869, was a colourless and some-

what inconsistent document. It contended that trade combination could be of no real economic advantage to the workingman; but at the same time it recommended that thereafter not only combinations in respect of wages or hours of labour should be legal (as, under the law of 1825, they now were), but all labour combinations except those formed "to do acts which involved breach of contract." It was even recommended that the unions, except under certain circumstances, should be granted the privilege of registration, carrying with it the power to obtain legal protection against theft and fraud for the society's funds. This privilege the unions, especially the larger ones, whose funds were reaching considerable proportions, had long desired. A minority report went further, recommending adoption of the two principles (1) that no act should be illegal when performed by a member of a union unless it were equally illegal when performed by any other person, and (2) that no act committed by a combination of men should be regarded as criminal unless it would have been criminal if committed by a single person.

The awakening of parliamentary and public interest in the subject bore fruit in the enactment of legislation by which, as it fell out, the legal position of trade unions in Great Britain was governed until the passage of the Trade Disputes Act of 1906. Three measures chiefly, in this connection, are of importance. The first is the Trade Union Act of 1871; the second is the Conspiracy and Protection of Property Act of 1875; the third is the Trade Union Act Amendment Act of 1876.[1] The larger significance of this legislation can be explained without recounting the provisions of the acts individually.[2] In the first place, the term "trade union" was defined as follows: "Any combination, whether temporary or permanent, for regulating the relations between workmen and masters, or between workmen and workmen, or between masters and masters, or for imposing restrictive conditions on the conduct of any trade or business, whether such combination would or would not, if the principal Act (i.e., the Act of 1871) had not been passed, have been deemed to have been an unlawful combina-

[1] 34 and 35 Vict., c. 31; 38 and 39 Vict., c. 86; 39 and 40 Vict., c. 22. After 1876 the first and third were construed as one measure, cited as the "Trade Union Acts, 1871 and 1876." It may be noted that by a measure passed in 1869 Parliament made temporary provision for the protection of trade union funds.

[2] For the text of the three measures see Howell, *Handy-Book of the Labour Laws*, 47-58, 95-112; for extracts, Hayes, *British Social Problems*, 87-101.

tion by reason of some one or more of its purposes being in restraint of trade." Provision was made whereby any seven or more members of the trade union might, by signing their names to the rules of the union and complying with other reasonable requirements, register such trade union and thereby procure for it the privileges and immunities in general guaranteed by the laws to friendly, provident, and industrial societies. Then it was stipulated that the purposes of any trade union should not, by reason merely of their being in restraint of trade, be deemed unlawful "so as to render any member of such trade union liable to criminal prosecution for conspiracy or otherwise"; also that no person should be prosecuted for conspiracy to commit an act which would not be illegal if committed by him singly. The unions were given full protection in their right to hold property and to accumulate funds. And although no court might entertain legal proceedings instituted to enforce directly, or to recover damages for the breach of, agreements between members of trade unions as such concerning the conditions of their employment or business, or concerning the payment of subscriptions or penalties to a union, or concerning the use of a union's funds, or any agreement made between one union and another, it was expressly stipulated that such agreements should not be construed as prohibited; all that was meant being that there was no legally enforceable contract between a union and its members, or between different unions. Finally, there was prescribed a maximum penalty of a fine of £20 or three months' imprisonment at hard labour for maliciously breaking a labour contract when (among other circumstances) there should be reasonable cause to surmise that the act, whether performed singly or in combination, would endanger human life or cause serious bodily injury or expose valuable property to destruction or injury.

Trade Unions after 1871: the Taff Vale Case. The years immediately succeeding the enactment of the law of 1871 witnessed a remarkable growth of trade unions, both in number and in membership. One reason was the relaxation of legal restrictions. A more important one, however, was the prosperity of the country and the inflation of trade. The trade union congress held at Sheffield preceding the parliamentary elections of 1874 asserted that its members represented more than 1,100,000 organised workingmen, including a quarter of a million coal-miners, as many

factory operatives, and a hundred thousand agricultural labourers; for a notable feature of the industrial history of the period was the extension of unionism among rural and general labourers. During the years 1875-80, however, there was industrial depression, marked by repeated and unsuccessful strikes precipitated by reductions of wages, and in this period the trade union movement underwent sharp decline. A decade later there was another era of prosperity, and unionism revived, exhibiting now a strong tinge of socialism. During the decade 1890-99 the fortunes of the unions continued to rise and fall in close relation to the alternations of business depression and activity, the years 1892-95 being a clearly defined period of stagnation and the years 1896-99 a period of prosperity.

During the opening decade of the present century the progress of British unionism, while not unattended by setbacks, was substantial. Just before the opening of the century, in 1899, a general Federation of Trade Unions was created, designed to supplement the activities of the annual trades union congress and of its parliamentary committee, and especially to put organised labour in a position of larger advantage for the waging of industrial war, if need be, with employers and employers' societies. The new organisation promptly became affiliated with similar federations in the continental countries. Between 1898 and 1909 the number of trade unions in the United Kingdom was reduced, through process of consolidation, from 1,287 to 1,153, although within the same period the aggregate trade union membership was increased from 1,688,-531 to 2,347,461. Twice within the decade the unions were made to feel the weight of adverse judicial decisions in matters of serious import, and it was only the fact that upon both occasions the embarrassment which arose was alleviated by subsequent legislation that prevented the advantages which the unions had acquired from being largely lost.

The first blow which fell was the judgment of the House of Lords in the Taff Vale Case, rendered in 1901. This case arose from a strike of employees of the Taff Vale Railway Company, in Wales, in 1900. In a high court of justice the Company was awarded £23,000 damages against the Amalgamated Society of Railway Servants for persuading and compelling employees to break their contracts and for aiding and abetting, by picketing and in other ways, acts of violence whereby property of the Com-

pany was destroyed. The defence set up by the Society was that under the Trade Union Acts of 1871 and 1876 a trade union was not a corporation, an individual, or a limited liability company, and that while the trustees of the union were empowered to bring or defend any action touching the property of the union, and in all cases concerning the real or personal property of the union might sue or be sued, the union, as a union, was not collectively liable for the acts of its members or responsible for those acts either civilly or criminally. But the decision of the court was that the union, as a union, could be held responsible in law for the acts committed by its members. The issue was one of grave consequence, not only to the trade unions, but to all employers of labour, and to the general public as well. Verdicts and damages awarded employers against individual employees usually constituted a barren victory, for the employees, not being men of means, had no property that could be attached. But the Society of Railway Servants had a well-filled treasury, as was true of the trade federations generally. If the federation could be held responsible for the acts of its members, a judgment would become really enforceable. In a higher court the decision that had been rendered was reversed; whereupon the Company lodged an appeal in the House of Lords. Here, in the judgment announced November 21, 1901, the ruling of the first court was confirmed. The Lords held unanimously that from the provisions of the act of 1871 concerning registered trade unions was to be inferred the intention of Parliament that a trade union might be sued in tort in its registered name, with the consequence that trade union funds would be liable for any damages that might be awarded. And on other grounds it was held that unregistered unions might similarly be made parties to suit.

The Trade Unions and Trade Disputes Act, 1906. To the unions, which had been accustomed to regard themselves as immune from litigation, the Taff Vale verdict came as a rude awakening. The decision was denounced bitterly by labour, which professed to regard it as an extreme illustration of judge-made law, and there was set on foot without delay a movement looking toward the restoration to the labour organisations by Parliament of what they regarded as their status prior to this act of nullification on the part of the highest court of appeal. At each succeeding session Labour members introduced bills for the restoration of

the unions' immunity. In June, 1903, in response to a demand which could not be silenced, a royal commission was appointed to inquire into the status of the law respecting trade disputes and trade unions; and in 1905 the Conservative government of Mr. Balfour endeavoured, although in vain, to carry a Trade Unions and Trade Disputes Bill which legalised peaceful picketing during strikes and protected the funds of the unions against the dangers involved in the Taff Vale decision. The commission reported in January, 1906, the majority declaring in favour of an alteration of the law relating to picketing and conspiracy, but against any modification of the rules laid down in the Taff Vale decision.[1]

In the meantime, in December, 1905, the Balfour government had been succeeded by a Liberal government presided over by Mr. Campbell-Bannerman. After the elections of January, 1906, the Liberals were sufficiently entrenched to be able to govern independently. None the less, they were under obligation to their political allies, the labour groups; and in March, 1906, the obligation was specifically acknowledged by the bringing in of a bill to amend the Conspiracy and Protection of Property Act of 1875 in such a manner as very effectually to contravene the principles of the Taff Vale decision. The original thought of the government was to restrict the liability of trade unions for damages to cases in which the act complained of was that of the executive committee of a union or of its authorised agent acting in accordance with instructions, or at all events not contrary to instructions. But the Labour members succeeded in obtaining a measure which was considerably stronger. After being amended several times, and after narrowly escaping defeat in the House of Lords, the government's bill received the royal assent December 21, 1906, as the Trade Unions and Trade Disputes Act.[2] In this important measure it was stipulated that "an act done in pursuance of an agreement or combination by two or more persons shall, if done in contemplation or furtherance of a trade dispute, not be objectionable unless the act, if done without any such agreement or combination, would be objectionable." Peaceful picketing, i.e., attending

[1] Report of the Royal Commission on Trade Disputes and Trade Combinations, Cd. 2825, 1906.

[2] The text of the measure is printed in Bulletin of U. S. Bureau of Labour No. 74 (1908), 168-169. For a thorough analysis of the law see W. M. Geldart, *The Present Law of Trade Disputes and Trade Unions*, in *Political Quarterly*, May, 1914.

"at or near a house or place where a person resides or works or carries on business or happens to be," if done for the purpose of peacefully obtaining or communicating knowledge or persuading a person to work or to abstain from working, was declared legal. And it was forbidden that any court should entertain an action against a trade union, or against any members or officials thereof, in respect of any tortious act alleged to have been committed by or in behalf of the trade union. In short, trade unions, as such, were exempted almost entirely from legal process.[1]

The Osborne Judgment and the Trade Union Act of 1913. A second judicial decision of the House of Lords fraught with large consequence for labour was the Osborne Judgment of December 21, 1909. The case of Osborne vs. the Amalgamated Society of Railway Servants arose out of the common practice of labour organisations to employ some portion of their funds for the support of labour members of the House of Commons. Until 1911, no regular, public compensation was attached to service in Parliament; and in default of such compensation the labour elements early fell into the habit of making special arrangements to enable their representatives, rarely men of means, to maintain themselves at the capital. Mr. Walter V. Osborne, foreman porter at Clapton Station on the Great Western Railway and secretary of the Walthamstow branch of the Amalgamated Society of Railway Servants, objected to a rule of his union requiring contributions from all members towards the payment of salaries or maintenance allowance to representatives in Parliament pledged to support the program of the Labour Party. There were many trade unionists who shared his views, and with the purpose of testing the validity of the union's requirements a suit was brought wherein it was attempted to show that the rule in question was *ultra vires* and hence void.[2] The verdict of the King's Bench was against the plaintiff, but the judgment was reversed unanimously by the Court of Appeal, whose decision was sustained in the House of Lords. The purport of the judgment was that no trade union or other labour organisation could legally require its members to contribute to funds to be used in the remuneration of members of Parlia-

[1] With some exaggeration, yet not altogether inaptly, opponents of the measure asserted that its terms were tantamount to a declaration that "the King can do no wrong; neither can trade unions."

[2] The amount at stake in the case of each member of the union was insignificant, being but 1s. 1d. per annum.

ment, nor indeed might it employ any of its funds in this way. The blow thus administered to the unions was a serious one, and for a time it seemed that the political activities of labour would have to be sharply curtailed. The judgment was attacked, and in 1910 a movement was set on foot to bring about its reversal by parliamentary act. The situation was eased in the following year by the adoption of a measure extending to all non-official members of the House of Commons a salary from the state amounting to £400 a year. But the agitation was kept up, and in 1913 it culminated in the passage of a new trade union act wherein the object was, at least in part, attained.

The Trade Union Act of 1913 is important chiefly for two things: (1) its fresh definition of the term "trade union," and (2) the new regulations laid down concerning the use of union funds. The definition of "trade union" contained in the Trade Union Act Amendment Act of 1876 has been stated.[1] Before the Osborne case no difficulty in the application of this definition seems to have arisen, and the courts were accustomed to interpret it somewhat broadly. The matter of definition was involved in the Osborne case only incidentally, and it was with little real reason, and with dubious effect, that the framers of the act of 1913 incorporated in the measure a definition of their own making. For the purpose of the Trade Union Acts, it is stipulated, "trade union" means "any combination, whether temporary or permanent, the principal objects of which are, under its constitution, statutory objects"; and "statutory objects" are defined as (1) trade regulation and (2) the provision of benefit for members. The phraseology of the law is ambiguous, and difficulties of interpretation have arisen. Apparently the act means that in order to qualify as a trade union a combination must include among its principal objects both trade regulation and the provision of benefits; otherwise, every benefit society would be a trade union. "The common-sense view would be to hold that trade regulation is essential, but that benefits may be included among the principal objects without destroying trade union character."[2] But it is difficult to get this out of the words of the Act. It is provided, further, that the certificate of the Chief Registrar of Friendly Societies[3] to the effect that a body registered

[1] See p. 411.

[2] Geldart, in *Political Quarterly*, May, 1914, 48-49.

[3] As regards English unions; the Assistant Registrar of Friendly Societies for Scotland and Ireland as regards Scottish and Irish unions.

as a trade union, and a certificate given by him to the effect that an unregistered body is a trade union, shall be conclusive that the body in question is a trade union.

The portion of the Act relating to the employment of funds by trade unions is less exceptionable. The effect of the Osborne judgment was to debar unions from devoting their funds not only to political purposes but to various other objects in which the unions and their members are interested. A Scottish court went so far as to hold that a union had no power to pay the expenses of delegates to the annual trade union congress. Upon this general subject the Act contains two principal provisions. One is that a trade union shall have power to apply its funds, without restriction, for any lawful objects or purposes (other than political objects) for the time being authorised under its constitution. The other is that a trade union, whether registered or unregistered, may employ its funds for political purposes, but under two absolute conditions, namely, that a resolution in favour of the political objects contemplated shall have been passed by the members of the union by secret ballot, and that no compulsion shall be placed upon members to make contributions for such purposes. If only these conditions are observed, every trade union is now at liberty to form a political fund and to employ such fund for political ends. The adoption of this portion of the Act was facilitated considerably by action of the Labour Party, early in 1911, in modifying the iron-clad pledge formerly required of its parliamentary representatives so as to make their obligations not substantially different from the ordinarily accepted obligations of party loyalty.[1] In a word, therefore, the portion of the Osborne verdict which would forbid unions to employ any of their funds for political purposes has been overruled. But the portion restraining them from compelling their members to contribute to political funds has been confirmed and seems to be irrevocably established. The liberty of the individual member with regard to the pursuit of political objects is safeguarded, while the unions are placed upon approximately the same footing as other voluntary societies and are able both to prosecute the enterprises upon which they have entered and to extend their activities in new directions.

[1] It may be observed that, both in the Court of Appeal and in the House of Lords, the judges in the Osborne case were influenced by the consideration that the pledge rule of the Labour party left the parliamentary representative no discretion and was contrary to sound principles of public policy.

Trade Union Membership and Funds. The organisation of labour is a phase of development in which Great Britain has most clearly led the world. The British trade unions are the oldest and the strongest in Europe, and they have served as models which in many countries, including the United States, have been followed closely or reproduced outright. Statistics for later years are very complete, but for earlier times fragmentary and unsatisfactory, so that no exact statements of growth covering a prolonged period are possible. Official statisticians estimated the membership of all unions in the United Kingdom in 1894 at about one million, although excellent authorities maintain that this number is not sufficiently large by a third, and the Board of Trade has given its approval of an estimate for 1892 of 1,502,358.[1] It is clear that membership has fluctuated widely with the oscillations of business. For three years after 1892 there was a falling off, but for six years after 1895 the number rose steadily, until in 1901 a total of 1,966,761 was reached. Then came another slump, but in 1905 another rise set in, bringing the total in 1907 to 2,423,206. Following a slight decline in 1908-10, the number rose in 1911 to 3,010,954, and in 1914 it was reported to be 3,959,863.[2] Throughout the period under review the aggregate number of unions did not vary greatly, fluctuating between 1,050 and 1,250. There was, however, a tendency toward amalgamation in large societies, and at the close of 1914 the number was 1,123.

The distribution of members among the various trades underwent comparatively slight change in the quarter-century preceding the World War, except that, speaking generally, the increase was largest in those trades which from earlier times were most effectively organised. The strength of unionism in 1914 lay in five great groups of trades: (1) mining and quarrying, (2) metal engineering and shipbuilding, (3) textile manufacturing, (4) building, and (5) railway, dock, and other transport trades. These five included more than three-fourths of the total trade union membership. From 1895 the coal-miners, the cotton operatives, the shipbuilding employees, the engineers, and the railway workers added materially to their membership. In the building trades, too,

[1] Webb, *History of Trade Unionism* (new ed., 1902), viii.

[2] These figures include the membership of both registered and unregistered unions. The membership of the former represents about eighty per cent. of the total.

there was some increase. But among agricultural labourers,[1] seamen and fishermen, workers in the clothing trades, and employees in unskilled and unspecialised labour there was decline. It is to be observed, of course, that, on an average, not more than one-fourth of the adult men who belonged to the industrial classes from which trade union members are drawn were actually affiliated with the unions. In only a few industries, for example coal-mining and the manufacture of cottons, did trade unionists comprise a high percentage of the whole body of employees. On the other hand, there was some advance of trade unionism among female labourers; and while most women members belonged to unions which were open to both sexes, there were some unions consisting of women exclusively. The number of female trade unionists was, in 1892, about 100,000 and in 1907 about 200,000. In 1914 it was 352,944. A very large proportion of the women who belonged to unions were employed in the textile trades (249,022 in 1914), especially in cotton manufacturing, in which the men who were unionists were outnumbered. But among women employed in factories and workshops of all kinds not more than one in twelve was identified with any union.[2]

All unions maintained funds, which were raised principally from dues assessed upon the members. The amount of yearly dues per member varied from seven shillings to as much as £4, higher figures prevailing in the metal industries and engineering groups, lower in the unions of miners and dock labourers. Statistics upon this subject were made up by the Board of Trade for only one hundred of the principal unions, including, however, almost two-thirds of the total union membership. From the data thus supplied it appears that in the year 1906 the income of unions averaged 36s. 9½d. per member, and the funds in hand 1s. 7¼d. The total income of all trade unions in the year 1907 is estimated by Webb at £2,493,282, the total expenditure at £2,054,157, and the aggregate funds in hand at the close of the year at £5,637,661, which last-mentioned amount is rightly affirmed to be "a sum quite without

[1] On agricultural unions see W. Hasbach, *History of the English Agricultural Labourer* (London, 1908), 274-302.

[2] K. C. Busbey, *The Women's Trade Union Movement in Great Britain*, Bulletin of Bureau of Labour, No. 83 (Washington, 1907); D. J. Shackleton et al., *Women in Industry* (London, 1908); B. M. Herroe, *Labour Organisation Among Women*, in *Univ. of Illinois Studies*, 1905; *Annual Reports of the Women's Trade Union League.*

precedent in the history of labour in this or in any other country." The principal items of union expenditure were dispute benefits, unemployment benefits, various friendly benefits, and official and clerical outlays.[1] The proportion of expenditure upon these several objects varied in different trades and under different industrial conditions; but an estimate made up on the basis of reports for the decade 1897-1906 gives the average annual expenditure of the one hundred principal unions as follows: on dispute benefits, 13.4 per cent.; on unemployment benefits, 22.1 per cent.; on friendly benefits, 42.5 per cent. (sickness and accident 19.1 per cent., superannuation 12.4 per cent., and funeral and other benefits 11 per cent.); and on operating expenses, 22 per cent.

Trade Union Organisation in 1914. In their internal organisation the unions differed widely. Many were hardly more than local trade clubs, whose policies were determined by the members gathered in informal consultation, and with, at the most, only a few unimportant officers designated in rotation or even by lot. In times of industrial stress a strike committee was likely to be constituted, which temporarily might acquire large power. On the other hand, there were unions which had an elaborate constitution, with many and influential officials and multifold activities. It is of interest to observe that for a generation the cotton operatives had been accustomed to select their officials by competitive examination. But the arrangements for the choice of officials in other trades, as well as the efficiency of the men chosen, left as a rule a good deal to be desired. There were still many unions which existed as local organisations, with no branches and with no connections with other unions. But the mass of trade union members belonged to unions which had entered into association with other unions in the same trade or group of trades. In some instances large societies had been constituted, not by the federation of pre-existing local unions, but by the establishment of nation-wide organisations divided, for purposes of administrative convenience, into district branches. Of such origin was the Amalgamated Society of Railway Servants, founded in 1872.[2] Finally, there had

[1] W. E. Weyl, *Benefit Features of Trade Unions*, Bulletin of Bureau of Labour, No. 64 (Washington, 1906).

[2] The Amalgamated Society of Engineers, established in 1851, and having at the close of 1909 a membership of 107,140, presents a fair example of the constitution of the national societies. A local branch must consist of not fewer than seven nor more than three hundred members. It elected its

been a strong tendency on the part of the greater national societies to enter into federation for the attainment of purposes of common interest. In the year 1899, as has been noted, there was formed a General Federation of Trade Unions, whose object was, by means of small contributions from a large membership, to obtain the means with which to come to the aid of any of its constituent societies which might find itself engaged in a trade dispute. At the close of 1907 this organisation had been joined by 116 societies, having an aggregate membership of 601,195. Attempts in the past to build up a general federation of labour associations had not been successful; and while the federation of 1899 continued to grow slowly, it covered, after fifteen years, by no means the whole of the field.

Political Activity of Labour: the Independent Labour Party. Throughout its earlier history trade unionism rarely or never resorted to the use of political methods. Near the close of the third quarter of the nineteenth century, however, there came a change of policy in this particular, and by 1914 trade unionists were very commonly affiliated in organisations of a strictly political, partisan character. One reason for the adoption of political methods was the enfranchisement of the working classes in the towns in 1867. Without the right to vote, the industrial wage-earners hitherto had been powerless to exert influence directly upon legislation and national policy. Now they were given large opportunity. A second reason was the spread of socialism in England, especially after 1880. In 1884, too, the workingmen in the rural portions of the country were given the ballot; although they had been less prone to take up socialism and political labourism than the workingmen in the cities. In the year of the second great parliamen-

own officers, collected and expended its own funds, and controlled freely its branch affairs. Fortnightly meetings were held for the transaction of business, including the election of new members. The weekly contribution of members was commonly 1s. 3d. The secretary, elected annually, had charge of the accounts of his branch and conducted its correspondence. Other officials were the sickness stewards, whose duty was to visit sick members twice a week, to report their visits to the meetings of the branch, and to take to invalids their sick benefit. Medical attendance by a physician appointed by the branch was provided. The officers of the branch were paid for their services on a scale which was substantially uniform throughout the union. The central union office was at London, where a secretary was in daily attendance. With the assistance of his clerical staff, this official prepared monthly reports dealing with the condition of labour in each town, together with other matters of interest. Quarterly reports were also prepared, and there was an annual report which made up a bulky volume.

tary reform act (1867) two candidates sought seats in the House of Commons as representatives of labour. Neither was elected; but many candidates of the Liberal party were constrained to announce programs calculated to enlist the support of the newly enfranchised workingmen. The trade union congress of 1869 declared formally in behalf of the representation of labour in Parliament, and to promote that end created a Labour Representation League. At by-elections of 1869, 1870, and 1873, independent labour candidates developed considerable strength, and at the general elections of 1874 there were no fewer than thirteen candidates, two of whom were successful.[1] It was at this time that the trade unions first gave the candidacy of labour representatives official support, it being announced that the miners, iron-workers, and some other societies had voted money in behalf of certain parliamentary aspirants. The political strength displayed by unionism had not a little to do with the passage of the Conspiracy and Protection of Property Act of 1875 and the Trade Union Act Amendment Act of 1876.

At the elections of 1880 three labour candidates were successful, and at those of 1885 the group of labour members was brought up to ten [2] by the election of four additional miners' members, a representative of the agricultural labourers of Norfolk, and three unionists who were returned by working-class constituencies in London. All were either present or past trade union officials. The failure of Gladstone's first Home Rule Bill led to an early dissolution of the Parliament elected in 1885, and at the elections of 1886 three of the ten labour members lost their seats. In the Parliament of 1886-92, however, the labour group was, in effect, increased to twelve by the adhesion of five members who, although elected as Radicals and not connected with trade unions, were men whose working-class sympathies led them to co-operate closely with the seven unionist representatives. The period was one of critical importance in the history of political unionism. In the first place, there was arising now the "new unionism," which differed from the "old unionism" principally in concerning itself with the

[1] In most cases both Liberal and Conservative candidates were run against the labour men, with the result that the Conservatives won. But the Liberals were obliged to accept the candidacy of Alexander Macdonald and Thomas Burt, in the mining constituencies of Stafford and Morpeth, and accordingly these two men became the first "Labour members" of the House of Commons.

[2] One seat, that of Stafford, had been lost in the meantime.

organisation of unskilled as well as skilled labourers and in assuming an attitude of great aggressiveness against capital. In the second place, it was a time in which socialism was making rapid growth, so that the new unionism showed a pronounced socialistic tinge. And, finally, it was an era of grave industrial disorders—notably the strike of the gas workers in London in 1888 and the still more serious strike of the London dock labourers in 1889. The general elections of 1892, together with a by-election which followed shortly, brought up the labour quota in the Commons to sixteen.

Until after the elections of 1892 there was no such thing as a labour "party." Labour members were elected locally by the unions of a single constituency, without much regard for policies pursued in other constituencies. There had come into existence, however, certain important socialist organisations, notably the Social Democratic Federation, founded in 1880, and the Fabian Society, established two years later.[1] The first serious effort to unite the forces of socialism and labour was made at a conference held at Bradford in January, 1893, the outcome of which was the founding of the Independent Labour Party, which, as will be seen, maintains a degree of autonomy within the British Labour Party at the present day. The object of the new organisation was stated to be the promotion of "the collective ownership and control of the means of production, distribution, and exchange"; and its method of operation was to be "representation of the people in the House of Commons by men in favour of the object of the party and rigidly pledged to its policy." Machinery of an ample nature was provided—an annual conference consisting of delegates sent by the local branches, and a national administrative council, elected by the annual conference and charged with the execution of the conference's decisions. A parliamentary candidate might receive no financial aid from the party unless he bound himself in writing to support the object and policies of the party and to sit in opposition in the House of Commons. The working program of the party as originally announced included (1) a universal eight-hour day, (2) the abolition of overtime, piecework, and the employment of children under fourteen; (3) state provision for the ill, the invalid, and the aged, (4) free, nonsectarian education of all grades, (5) the taxation of unearned

[1] See p. 526.

incomes to the point of extinction, and (6) disarmament. To these demands were later added a number of others, notably the enfranchisement of women, a second ballot in parliamentary elections, the restriction of the life of a parliament to three years, and municipal control of various industries.

The membership of the Independent Labour Party has never been large. It grew rapidly at first, being in 1896 more than 20,000. Later, however, it declined. In 1901 the organisation paid affiliation fees to the Labour Representation Committee on a membership of only 13,000, and in 1906 on only 16,000.[1] But it is to be observed that the mere statistics of membership comprise no gauge of the party's real strength and influence. The organisation sought, and obtained at times, the support of large numbers of men whose names never appeared upon its rolls. In local elections the party early attained considerable success, and in 1905 it had some four hundred members of local councils of all kinds. Its fortunes in parliamentary elections, however, were long disappointing. At the elections of 1895 it named twenty-eight candidates, but no one of them was successful, and Keir Hardie, its president, lost the seat which he had occupied since 1892. In 1900 it attained, in the re-election of Hardie, its first parliamentary victory; and in 1906, when the tide of radicalism was running high, seven of its candidates and sixteen of its members were elected to the House of Commons.

Growth of Political Organisation: the Labour Party. Throughout its history the Independent Labour Party has been essentially socialistic, although its socialism has not been sufficiently thoroughgoing to save it from strife with organisations of the character of the Social Democratic Federation, which is socialistic to the core. But at all events its program was too radical to attract the mass of trade union members, and independently of it there grew up a larger organisation known simply as the Labour Party. The trade-union congress of 1899 caused to be brought into existence a body of representatives of all co-operative, trade-union, socialist, and working-class organisations which were willing to share in an effort to increase the representation of labour in Parliament. This body held its first meeting at London in February, 1900. The Social Democratic Federation withdrew from the enterprise, but an organisation was formed in which the

[1] Lowell, *Government of England*, II, 31.

ruling forces were the politically inclined, but non-socialistic, trade unions. The object of the affiliation was declared to be "to establish a distinct labour group in Parliament, who shall have their own whips and agree upon their own policy, which must embrace a readiness to co-operate with any party which for the time being may be engaged in promoting legislation in the direct interest of labour." The growth of the new organisation was rapid. At the elections of 1906 fifty-one candidates were put in the field, and of the number twenty-nine were elected—comprising by far the largest labour group that as yet had appeared on the floor of the Commons. Besides these twenty-nine, there were eleven members connected with the miners' organisations and fourteen others who were Independent Labourites or Liberal Labourites ("Lib-Labs"), making up a total labour contingent of fifty-four. The Liberals, with whom, from the beginning of labour representation, the labour members had been accustomed to act, now had a majority sufficiently large to make them entirely independent. Yet they were under obligation to the labour elements for past support and by past pledges, and, furthermore, many among them were not opposed to certain of the less radical labour demands. Consequently, the political "revolution" of 1906 became the starting point in a new era of labour legislation and labour relief whose earliest important development was, as has been pointed out, the adoption of the Trade Unions and Trade Disputes Act of 1906.[1]

After its great victory the Labour Representation Committee, having attained its immediate object of creating a distinct representation of labour in Parliament, dropped its unassuming name and took that of "Labour Party." The constitution of the organisation was overhauled and every possible guarantee was laid down that candidates elected to Parliament should agree to be guided absolutely by the decisions of the party, arrived at in its annual congresses, at least in matters which were related to the objects for which the party existed. Through its elected central committee the party approved the candidates put forward by the local unions and assisted in bringing about their election. Within Parliament the party was compactly organised. Outside, it was simply a loose affiliation of trade unions and other societies, having, in 1912, an aggregate membership of 1,500,000. It was, however, largely on account of the flexibility of its organisation throughout

[1] See p. 414.

the country that it prospered beyond all other political organisations of labour.

The Labour Party has served as has no other agency to link up socialism and trade unionism. Until 1907 it refused to commit itself to socialistic principles, and, as has been pointed out, the earlier strength of the party arose in no small degree from the fact of its aloofness from socialism. In 1907, however, the party adopted a resolution declaring for "the socialisation of the means of production, distribution, and exchange, to be controlled in a democratic state in the interests of the entire community, and the complete emancipation of labour from the domination of capitalism and landlordism, with the establishment of social and economic equality between the sexes." [1] This was, of course, a socialistic declaration, yet not of the most radical sort, and its general effect was to enhance rather than to diminish the party's strength. In point of fact, such leading members of the party as J. Ramsay MacDonald and Philip Snowden, and more than half of the parliamentary group, were avowed socialists.

After 1908 a gradual consolidation of the labour forces represented at Westminster was in progress. At the elections of January and December, 1910, some seats were lost; but the number of labour representatives in the House of Commons between 1910 and 1914 fluctuated between forty-two and forty-five. Of the number, about one-half were identified with the Labour Party proper, the remainder being members of the Independent Labour group, or of the Liberal Labour group, which pursued its own policy in industrial matters but in other respects was only a segment of the Liberal Party. After the elections of January, 1910, the labour group as a whole occupied a position of power altogether disproportionate to its numerical strength. The Liberal government, having entirely lost the huge parliamentary majority which it obtained in 1906, became continuously dependent for the retention of office upon the support of its allies, the Irish Nationalist and the Labour members. Naturally, the balance of power thus enjoyed was utilised effectively in the promotion of desired legislation.[2] At the same time, it was recognised that the situation was exceptional, and that in the long run Labour could expect to be politically powerful only in one of two ways—by using its votes

[1] Proceedings of the Labour Party, Annual Congress, 1907.
[2] See Chap. XVII.

under some consistent plan within the ranks of the older parties or by building up a third party of sufficient strength to combat its rivals on approximately even terms. The second of these alternatives, although not entirely hopeless, presented very great difficulties. The elements from which a great co-ordinate Labour Party would have to be constructed were, and seemed likely to remain, fundamentally inharmonious, the principal source of friction being socialism. And, even if the dangers of internal discord could be obviated, there would remain the fact that among the British people the bi-party system was as yet solidly entrenched and that no third party had ever been able to prevent the dissipation of its strength through the continuous re-absorption of its membership into the ranks of the Government and the Opposition.

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CHAPTER XX

THE ORGANISATION OF LABOUR IN CONTINENTAL COUNTRIES

Trade-Union Beginnings in Germany. The classic land of labour combination is Great Britain. It is there that trade unions first appeared, and it is there that they have gained largest numbers, membership, and influence. It is there, too, that the co-operative movement had its origin. In almost all of the countries of continental Europe, nevertheless, the principle of combination has taken hold, and in some of them—notably Germany, France, Italy, and Switzerland—labor was, in general, well organised by 1914. Broadly, it may be said that the trade unionism of the continent is modelled upon that of Great Britain. Its connections with socialism, however, are older; and, until within the past two decades its methods and tendencies have been rather more political. The importance attached by British unionists to party organisation and activity has become such that the last-mentioned element of differentiation has largely disappeared.

The beginnings of trade unionism in Germany date from the years immediately preceding the Franco-Prussian war. In Prussia, the decade 1860-69 was a period not only of large public enterprise but also of rapidly developing party organisation and rivalry. The two great political groups which confronted each other when Bismarck's ministry was set up (1862), the Conservatives and Progressives, broke each into two divisions, a moderate and a radical, after 1866; while more purely popular organisations were making their appearance in the form of Lassalle's Universal German Workingman's Association, founded in 1863, and the Social Democratic party, established under the leadership of Liebknecht and Bebel in 1869.[1] The earliest trade unions in the country appear to have been certain ones established in 1868 by two disciples of Lassalle, following the holding of a socialist congress at Berlin. They were distinctly socialistic in character. In

[1] See pp. 494-497.

the same year, however, other unions arose from an independent source. These were the societies founded by Dr. Hirsch and Herr Franz Duncker, whose principal object was to organise and hold the labour vote of Prussia for the Radical branch of the Progressive party. Dr. Hirsch made a study of unionism as it operated in England and sought to transplant it, after imparting to it a political bias, to Germany; and thus the political element, ever characteristic of German labour organisation, was introduced practically at the beginning.

During a prolonged period after 1868 progress was slow. The German proletariat showed less readiness to organise than did the English. Emphasis was political rather than economic. And when, in 1878, the Imperial government entered upon its memorable crusade against the socialists, the trade unions, being largely socialistic, fell under the ban. The anti-socialist law of 1878, thrice renewed, was kept on the statute book until 1890, and it is reckoned that during these twelve years 332 societies were dissolved, of which 95 were trade unions. The majority of the unions, however, were reconstituted as *Fachvereine*, and by abstaining from open participation in politics they continued to fulfill, to a considerable degree, the purposes of the original organisations. The abandonment of the government's repressive policy in 1890 enabled the unions once more to stand forth in their true character, and during the next fifteen years Imperial law gradually gave them an assured status. Agricultural labourers, seamen, and domestic servants were still forbidden, in 1914, to form associations. But the right of combination in all other crafts "for the purpose of obtaining more favourable wage-and-work conditions" was fully recognised. The charter of trade organisation was Section CLII of the Industrial Code, containing the foregoing stipulation and expressly legalising strikes and lockouts. It is to be observed, however, that under the interpretation of the Reichsgericht, or High Court of the Empire, the section contemplated only the concerted action of labour for the improvement of economic conditions. It did not legalise any proceedings otherwise forbidden. The union and those who represented it were responsible for the acts committed in its behalf; the employment of physical compulsion or intimidation to compel persons to join, or to prevent them from leaving, labour organisations was prohibited; and if the unions transcended the economic interests of their

members as individuals and undertook to exercise an influence on public affairs or on the discussion of political subjects, they came under the more stringent law relating to clubs and other societies of a political nature.

The German Social Democratic Unions. The trade unions of Germany by 1914 fell into three principal classes: (1) the *Gewerkschaften,* or Social Democratic unions, frequently designated the "free unions"; (2) the *Gewerkvereine,* or "Hirsch-Duncker unions"; and (3) the *Christliche Gewerkvereine,* or Christian trade unions. Much the most important was the first group. The membership of the *Gewerkschaften* increased from 277,659 in 1890 to 419,162 in 1897, 743,296 in 1902, and 1,886,147 in 1907. In 1914 the number was well beyond two millions, which meant almost eighty per cent. of the organised workers of the Empire. The unions of this class were grouped in federations, of which there were 64 in 1906. In the large towns these federations had central offices, with labour registries, inquiry agencies, lodging house facilities, and reading rooms and libraries. After 1900 there were many accessions among women workers. In 1906 no fewer than 118,908 women were organised in 37 unions, almost one-third being employees in textile establishments. The trades in which, in 1906, the "free" unions were strongest were (in the order named): building, metal and mineral industries, wood industry, commerce and transportation, textile manufacture, mining, clothing industry, and food and drink industries. In 1906 the total revenue of the free unions was 41,600,000 marks, their total expenditure 36,960,000 marks, and their accumulated funds 25,320,000 marks. The annual revenue per member was about 24 marks. More than three-fourths of the federations paid travelling, unemployment, and sick benefit and funeral expenses.

The Social Democratic unions exacted no profession of political or religious faith, and, in theory at least, their members were free to affiliate with any political party and to vote as they individually desired. A substantial majority were socialistic, but the personnel of the Social Democratic labour organisation was by no means identical with that of the Social Democratic party. The total number of votes cast for Social Democratic candidates at the Imperial elections of 1912 was almost four and a quarter millions; the number of enrolled members of the Social Democratic party was rather less than one million, and this number

included many men who were not manual labourers. The total membership of the Social Democratic trade unions was at least twice as large as that of the Social Democratic party. A considerable proportion of the unionists, therefore, did not identify themselves with the party organisation, and not all accepted socialist principles, although it is to be presumed that, upon one ground or another, even the non-socialists commonly gave their support to Social Democratic candidates. At one time the party sought to assume full direction of the unions' policies. After a short, sharp conflict, however, it was compelled to abandon the effort, and the unions maintained their right to autonomy. But, this question once settled, relations with the party became, and continued to be, almost uniformly amicable. The local committees of the two frequently met for conference; the party press consistently upheld the unions' cause; the party headquarters in a town were frequently in the club-house of the local "free" union.[1] "We can say with truth," affirmed a speaker at the Social Democratic congress at Hamburg in 1908, "that to-day there are no differences of a fundamental nature between the two great branches of the labour movement."

Other Groups of German Unions. The Hirsch-Duncker unions were founded originally upon an essentially political basis. As has been explained, they were intended to bind together those workingmen who were supporters of the program of the Radical parliamentary party. With the lapse of time, however, their economic interests gradually outbalanced their political interests, and by 1914 they were classified as non-political unions. They sought to promote the economic well-being of their members. At the same time, they never took their stand upon the doctrine of class antagonism. On the contrary, they asserted the unity of interest between the employer and the employee, and recognised the equal rights and duties of capital and labour. They were, therefore, non-socialistic; in point of fact, socialists were debarred from membership in them after 1876. "We are a neutral organisation for economic ends," proclaimed one of their congresses, "and that we will remain." Their socialistic rivals derided them as simple benefit societies. They were, however, more than that, and upon occasion they became responsible for strikes of considerable proportions. Perhaps principally because in the past

[1] Orth, *Socialism and Democracy in Europe*, 174.

quarter-century the working-class drift in Germany had been so pronouncedly in the direction of socialism and socialistic organisations, the *Gewerkvereine* achieved little growth. In 1907 their aggregate membership was 108,889—only about one-tenth of the membership of the Social Democratic unions. In the same year their income was 1,541,360 marks and their expenditure (principally for benefits) 1,434,340 marks. Their strength lay mainly in the metal and engineering trades, and their members were, on the average, more highly skilled than those of any other group of unions in the Empire. Geographically, they were confined largely to Silesia and eastern Prussia.

The third class of unions comprised the *Christliche Gewerkvereine,* or Christian unions. Their origin is to be traced to the efforts of Bishop Ketteler, a convert of Lassalle, to provide a channel specially for the organisation of Roman Catholic workpeople, whose absorption by non-religious societies of the character of the *Gewerkschaften* would in this way, it was hoped, be prevented. They became most numerous in the strongly Catholic industrial and mining districts of Westphalia and the Rhine valley. These unions have been described as a compromise between ecclesiastical and economic organisations.[1] Their founders and patrons were as a rule priests, and they were never aggressive or exclusively devoted to labour propagandism. They accepted the existing social and economic order as "necessary and expedient," although they demanded for the working classes a larger share in the control of social, and especially of industrial, conditions. Like the Hirsch-Duncker unions, they repudiated the notion of an inevitable class war, and with it the entire platform and program of socialism. Politically, they acted rather regularly with the Center or Catholic, party. While, none the less, their ecclesiastical interests and connections had been preserved intact, their basis had been broadened by 1914 and they were conducted more fully upon a pure trade union basis than at any earlier time. Indeed, there had appeared in recent years among the more aggressive portion of the membership a certain restiveness which found expression in a demand that the control of the Church be relaxed and freer scope be allowed the unions in their economic activities. In 1907 the membership of the Christian unions was 354,760. Their income was 4,516,420 marks and their expenditure 3,357,340

[1] Dawson, *Evolution of Modern Germany,* 112.

marks. They were well equipped, not alone with funds, but with advice bureaus, labour registries, and trade papers.

Besides the three principal classes of unions that have been mentioned there were several minor groups. There was a class of "independent" unions which in 1907 had a membership of 96,684. There were the newer "free labour" unions—the so-called "yellow unions"—promoted and subsidised by employers, especially in the engineering trade, under compact with the labourers which required that under no circumstances should they resort to strikes. There were also Polish unions, which had a purely racial basis and were found chiefly in the colliery and iron districts of Rhenish Westphalia. Their membership aggregated approximately one hundred thousand. The relations subsisting among the greater groups of unions were, on the whole, not cordial. At times of crisis, as when a great strike was impending, there was likely to be a certain amount of co-operation. But normally there were bickerings and rivalries. Not only were all seeking the support of German labour for their own organisations and programs; in ideas and policies they were separated by divergences and antitheses which were real and deep. The fundamental dividing issue was socialism. But cleavage arose also from political affiliations, from ecclesiastical connections, and from occupational, geographical, and racial interests.

General Situation of Trade Unionism in Germany in 1914. That the rise of wages and the improvement of the general conditions of labour in the past thirty years were attributable in a considerable measure to the influence wielded by trade unions, admitted of no doubt. Nor did it appear that the growth of unionism was sporadic and destined to come to an early end. On the contrary, the evidence was that the unions were only beginning to feel their power, and that even in those branches of industry, as the chemical manufacture, in which labour was least organised, there would soon be substantial expansion. So long as the existing economic order endured, with its conflicting interests of capital and labour, so long might unionism, in Germany as elsewhere, be expected to persist and flourish. Despite violent fluctuations in particular unions, the growth of unionism had been large and continuous, and there was every indication that it would continue to be so. Recognising these facts, capital already had accepted the challenge of labour and had begun to meet organisa-

tion with organisation. The resistance of German employers to trade unionism was never so strong as in the decade 1905-14, and the employing interests were fast closing their ranks in local trade societies and in federations of these societies covering entire industries within broad areas. The most powerful of these employers' organisations in recent times had been the Central Union of German Industrialists, made up principally of the great colliery proprietors and the ironmasters of Rhenish Westphalia. The resistance of the employers to unionism differed in degree in various parts of the country, and in various trades. But nowhere was it so strong as in the coal, iron, and steel industries of West Prussia. Here there was a remarkable concentration of wealth and industrial power in the hands of a small number of great employers, and here, it was reasonable to assume, would lie one of the principal battlegrounds in the future conflicts of labour and capital. The great employers of the region were to a man utterly hostile to the unionist principle. They paid fair wages and they provided accommodations and safety appliances for their employees in excess of the requirements of the law. But they believed labour organisations pernicious and would not recognise them, negotiate with them, or even tolerate their existence. Many regarded the socialist organisations as less objectionable than the non-socialist ones, for the reason that the former were more frank in avowing the ends which they sought.[1] In their combat with unionism the employers could no longer count upon the assistance of the state. Unions had been legalised, and the tendency had been to extend, rather than to contract, the privileges that had been given them. The employers' principal weapon was the boycott, i.e., refusal to give employment to trade unionists or to socialists, or both. Many of the large establishments of the north and west systematically excluded from the ranks of their workers all unionists and socialists; and so effectively and so secretly was the exchange of "black lists" carried on that a capable man, whose reputation as an ardent trade unionist, or, worse still, as a socialist, had preceded him, might go the round of the workshops of an entire district and be refused at every door, though there was work to do and a need for hands.[2]

[1] See an expression of opinion by Herr Kirdorf at the Mannheim Conference of 1905, quoted in Dawson, *Evolution of Modern Germany*, 123.
[2] *Ibid.*, 126.

The trade-union situation in Germany on the eve of the War may, then, be summarized thus: Trade unions were numerous and were steadily growing in number and in membership. They were recognised by the law, and as time passed, received more rather than less legal protection. Their organisation in separate groups is to be explained partly by regional origins, although mainly by religious and political differences. All were composed predominantly of permament members, usually paying dues and assessments which in proportion to their wages were high, disciplined to strike, and whenever entitled receiving the cash benefits usual among English and American labour organisations. In the raising of wages and in both the procuring and the enforcing of factory and mine legislation they wielded large, although naturally not fully measurable, influence. In considerable portions of the country, notably Bavaria, Württemberg, and other southern states, the employers were not averse to recognising, and even encouraging, unionism. But in the west and north a state of extreme tension, and, in some industries, of extreme bitterness, existed, and—at all events until the outbreak of the European war in 1914—the industrial problem of the future seemed clearly to be the problem of the labour union.

Restraints on Labour Organisation in France, 1789-1830. In France the organisation of labour, on both economic and political lines, proceeded somewhat more irregularly than in Great Britain and Germany, and the number of workingmen who became members of trade unions was always proportionally smaller. But in the three decades following the legalising of workingmen's associations by the Waldeck-Rousseau law of 1884, the trend in the direction of closer and more effective organisation became fairly consistent. And for the origins of the movement one must look back to the earlier nineteenth century, especially to the period 1825-50 in which the introduction of machinery and the rise of the factory system first brought large changes in the conditions of French industry.

At an early stage of the Revolution all forms of labour organisation were forbidden. The philosophy which underlay the economic legislation of the period was pronouncedly individualistic. The supreme object was to remove obstacles to personal initiative and accomplishment. Accordingly, the gilds were deprived of their privileges; and when, in 1791, the workingmen

of various trades, especially the carpenters, began to form associations among themselves for the purpose of raising wages, the National Assembly, on being appealed to by the employers, passed a comprehensive measure prohibiting workingmen's combinations. This "Loi Le Chapelier" (so-called from the name of its author) remained in force, in substance, almost one hundred years. Its purport will appear from two brief passages. "The citizens of the same estate or trade," says Clause 2, "entrepreneurs, those who manage a shop, and workingmen in any trade whatsoever, shall not, when assembled together, nominate presidents, or secretaries, or syndics, shall not keep any records, and shall not deliberate or pass resolutions or form any regulations with reference to their pretended common interests." Heavy penalties for violation were prescribed. And Clause 8 prohibited "all gatherings composed of artisans, workingmen, journeymen, or labourers, instigated by them and directed against the free exercise of industry and work to which all sorts of persons have a right under all sorts of conditions agreed upon by private contract." Such gatherings were declared riotous, were to be dispersed by force, and were to be punished with "all the severity which the law permits."[1] Chambers of commerce were specifically exempted from the operation of the measure, making it clear that the law was directed against the meetings, associations, and coalitions of workingmen alone.

The legislation of Napoleon was of similar tenor. A law of 1803 forbade labour combinations and imposed a requirement, for the purposes of police surveillance, that every workingman should equip himself with a special *livret*, or certificate—a requirement which was not finally rescinded until 1890. The subject was dealt with at length in Clauses 414-416 of the great Penal Code, promulgated in 1810. Combinations among employers tending to force down wages "unjustly and abusively" were forbidden. But so also were combinations of labourers designed to regulate hours or otherwise to "suspend, hinder, or make dear labour." No kind of association of more than twenty persons could legally be formed.

The restoration of the Bourbon monarchy brought no relaxation, and the workingmen, finding themselves at grave disadvantage in negotiating with their employers, began to demand that the

[1] *Les Associations Professionelles Ouvrières*, Office du Travail (Paris, 1899), I, 13-14.

law be modified, and, in the meantime, to devise ways of evading it. There arose three classes of organisations, which, in one way or another, contrived to maintain themselves despite the intermittent efforts of the state to suppress them. These were (1) the *compagnonnages,* (2) the *mutualités,* or friendly societies, and (3) the *sociétés de résistance,* or societies of resistance. The *compagnonnage* originated under the gild system, as early as the fifteenth century, and was, in its earlier form, an organisation of unmarried journeymen in certain trades, existing primarily to extend hospitality to wandering journeymen and to promote helpful companionship among the members. In its eighteenth-century form it administered sickness and unemployment benefits, conducted employment bureaus, organised strikes and boycotts, and in some degree regulated the scale of wages. At the time of the Revolution there were *compagnonnages* in twenty-seven trades. In the first quarter of the nineteenth century they were yet more numerous, being, indeed, the only really effective workingmen's organisations of the time. They persisted in some measure throughout the nineteenth century, and occasional survivals of them are still encountered. They belonged essentially, however, to the old régime of industry, in which they formed a sort of aristocracy of skill, and no attempts to adapt them to the industrial conditions of the factory age were ever very successful.

The *mutualités,* or friendly societies, were associations for mutual aid, especially in cases of sickness, accident, or death. They existed to some extent prior to the Revolution, and in the first quarter of the nineteenth century they became somewhat numerous. There were, in 1823, in Paris alone 132 of them, with 11,000 members.[1] Practically all consisted exclusively of members of some one trade. The *sociétés de résistance* were natural products of the new industrial conditions. They were devoid of the religious and ceremonial features of the *compagnonnages,* and while they provided benefit arrangements, this aspect of their activities was altogether subordinate. They existed for the immediate purpose of carrying on collective bargaining with employers, agreeing upon scales of wages, managing strikes, and compelling improvements in the general conditions of labour. Although maintained semi-secretly and contrary to law, their activities were not only aggressive but as a rule perfectly well known to employers

[1] Levine, *Labour Movement in France,* 28.

and to the authorities. Among notable *sociétés de résistance* which sprang up and flourished during the great era of industrial change were those of the weavers of Lyons (1823), the copper-smelters of Paris (1833), and the printers of Paris (1839).

Mid-Century Development in France. After 1830 the attention of the working classes of France was drawn in increasing measure to the socialistic programs of Saint-Simon and Fourier, and in the period of the revolution of 1848 large interest was manifested in the possibilities of co-operation. During the years covered by the Second Republic three hundred co-operative societies were established in Paris and large numbers sprang up in the provinces. All, however, which did not almost instantly perish were broken up by a decree of Napoleon III following the *coup d'état* of December 2, 1851. But a lasting outcome of the experiences of the mid-century revolutionary period was an increased readiness of labour to combine in purely trade organisations, notably *sociétés de résistance;* and, despite the hostility of the government of the Second Empire toward workingmen's associations of whatsoever kind, after 1860 the labour movement acquired a momentum which it had never before possessed. The supreme object was the repeal of the laws which withheld from workingmen the right to organise. In 1864 a partial victory was won. Impelled by growing popular pressure, and somewhat terrified by the course of a printers' strike in the capital, the government assented to an enactment legalising strikes and the combination of workingmen for strike purposes. Full right of assemblage and of organisation, however, was withheld; and inasmuch as, on the whole, French labourers were not strongly inclined to the employment of the strike as an industrial weapon, agitation continued. The real demand was for the right to form "syndical chambers," i.e., trade unions, for general purposes. One of the principal purposes indeed, which such organisations would serve, it was urged, was the promotion of agreements with employers by which the danger, and the need, of strikes might be averted.

In 1868 the desired end was measurably attained. The minister of commerce and public works announced that, while the law of associations would be continued as it was, the government would thereafter "tolerate" workingmen's combinations precisely as it had been tolerating organisations of employers. And throughout a period of sixteen years, or until the enactment of the Waldeck-

Rousseau law of 1884, this was the practice pursued. Legally, unions did not exist; actually, they were "tolerated." After 1868 the formation of "syndicats," already begun by the organisation of the shoemakers in the preceding year, progressed rapidly. With the principle of unionism was closely combined, again for a time, that of co-operation; but this aspect of the movement soon disappeared. Various socialistic and communistic enterprises, for example the organisation of the International Association of Workingmen in 1864, exerted some influence, although only temporarily and within restricted areas. At the suggestion of the International, the seventy or more syndicats of Paris established a local federation, but the step was of slight importance except as a precedent.

Labour and Politics after 1871. In the development of French labour organisation the war with Prussia, the collapse of the Empire, and the fresh upheaval incident to the Commune precipitated a considerable break. After the establishment of the Third Republic, none the less, the right to strike continued to be recognised. Likewise, the practice of tolerating workingmen's associations survived. The *compagnonnages* and the *sociétés de résistance* disappeared or became simple friendly societies; syndicats which had been swept away were reconstructed and new ones were organised; and in general the movement continued along lines already clearly marked out prior to 1870. By 1875 there were not fewer than 135 unions in the capital. In 1876 the first French labour congress was held at Paris, composed of delegates from syndicats in all parts of the country. The proceedings were orderly and the decisions arrived at were wholly pacific. A second congress was held at Lyons later in the year, and in 1879 a third one was convened at Marseilles. This last-mentioned meeting was of prime importance because, whereas the gathering at Paris in 1876 had repudiated socialism, the Marseilles congress declared for socialism and assumed the name of Socialist Labour Congress. Hitherto the organised workers, fearful of jeopardising the perpetuity of the Republic, had chosen to be moderate. Now that the Republic seemed to be well on its feet, they no longer felt this restraint.

Among other things, labour was now proposing also to enter politics as an independent element. In 1876 the Paris congress had discussed the question of the desirability of the representation

of the proletariat in Parliament, and in 1878 a Parisian workingman announced his candidacy for a seat in the municipal council and placed at the head of his manifesto the words *Parti Ouvrier*, Labour Party. After 1879 leadership in the syndicalist movement passed to the socialists. At the congress of Havre, in 1880, the moderates withdrew; but they were not sufficiently numerous to count for much. The socialist unionists themselves forthwith fell into division, and throughout the decade 1880-89 the progress of simple unionism was retarded and obscured by the perennial strife engendered by socialist factionism. After the Havre congress the predominating socialist element, led by Jules Guesde, organised as the *Parti Ouvrier Français* (the French Labour Party), and adopted a Marxist program. But two years later, at the congress of St. Étienne, this group split, an offshoot, led by Brousse, becoming the *Fédération des Travailleurs Socialistes de France* (the Federation of Socialist Workingmen of France), which cared little for Marxism and was willing to pursue a policy which may fairly be described as opportunist. In 1887-90 the "Broussists" themselves broke into two distinct parties. Already there had been founded by Malon in 1885 a *Société d'Économie Sociale* (Society for Social Economics), which, gaining adherents among Republicans and Radicals, developed in time into the important Independent Socialist Party.[1]

Rival Labour Organisations, 1884-1902. Meanwhile, despite the fact that the syndicats were suffering seriously from the contest of the various socialist factions for their control, and from the opposition of both the government and the employers, the cause of unionism was making substantial progress. The growth of industrialism and of capitalism and the tightening organisation of the employers put fresh pressure upon the workingmen to combine. And in 1884 a new law on syndicats was enacted, associated commonly with the name of Waldeck-Rousseau (then minister of the interior in the cabinet of Jules Ferry), which, although momentarily objectionable to labour in certain of its features,[2] conferred upon syndicats for the first time the character of full legality and authorised them to combine in federations. In 1886 a National

[1] See pp. 514-515.

[2] Especially the requirement that in order to enjoy the protection of the law a syndicat must make public the names of its officials. The fear was that this requirement was designed to facilitate obstructive action by the police and the employers.

Federation of Syndicats was formed at Lyons; and when, as soon happened, this organisation became a mere tool in the hands of the *Parti Ouvrier*, the opponents of this party instituted the founding of *bourses du travail*, or labour exchanges, and eventually brought about the establishment of a *Fédération des Bourses du Travail*, which was opposed to the National Federation of Syndicats. The first *bourse du travail* was opened in Paris in 1887. Gradually others were organised, and the Federation was created in 1892. The *bourse du travail* is distinctively a French institution. The local bourse was intended to serve as headquarters for all syndicats of the neighbourhood; while the program originally announced for the Federation included the unification and propagation of the demands of the syndicats and the finding of employment for members. After 1885 the general strike, in the form of a peaceful and extended cessation of work, gained steadily in favour as a weapon in the hands of organised labour. In 1888 the Bordeaux congress of the National Federation of Syndicats gave it formal approval. Of the several socialist and labour groups, only the Guesdists pronounced it (at their congress at Lille in 1890) objectionable. They continued to maintain that the general strike could only react disadvantageously for labour and that the proper methods to be employed in the workingman's behalf were not so much economic as political. For several years, controversy upon the point was incessant. In 1894 an attempt was made to hold at Nantes a general congress of labour including representatives of both the *Fédération des Bourses du Travail* and the National Federation of Syndicats. Of the 2,178 syndicats at the time existing, 1,662 were represented in the meeting. But when the congress adopted a motion in favour of the general strike the Guesdist delegates withdrew and the projected amalgamation failed.

The outcome was, none the less, of considerable importance. For the majority of the delegates voted to establish a National Council as a central agency of all the syndicats of the country, and when, after a year this agency proved valueless, more heroic steps were taken in the organisation, at Limoges in 1895, of a federation which from that day to the present has been one of the largest and most important labour associations in the world. This is the *Confédération Générale du Travail* (the General Confederation of Labour), popularly known in France as the C. G. T., representing at the outset some 700 syndicats. The fundamental

principle of the *Confédération Générale* was the exclusion of party politics. Its founders felt, not unnaturally, that politics had been thus far one of the main obstacles to the progress of the labour movement, and accordingly the first article of the regulations adopted at Limoges declared that the Confederation would remain "independent of all political schools." The sole object of the organisation was declared to be the unification of the workingmen, "in the economic domain and by bonds of close solidarity, in the struggle for their integral emancipation." [1]

The Confederation's program was economic, not political, and the most important feature of it was the general strike. In it were embodied the essentials of the revolutionary syndicalist program of more recent times. For a time, the Guesdists, who had split off at the Nantes congress of 1894, maintained an independent organisation as the National Federation of Syndicats; but their importance declined, and eventually they were absorbed by the *Parti Ouvrier*. By the close of the century the central organisations of labour had been reduced to two—the *Fédération des Bourses du Travail* and the General Confederation of Labour. In 1897 the two were united, but friction developed and in the following year they became separate again. After 1900, however, there was co-operation between them and the advisability of complete amalgamation became steadily more apparent. In 1902, at the congress of Montpellier, the desired end was attained, the Federation of Bourses being merged permanently with the General Confederation.[2]

Development of the General Confederation of Labour. The history of the General Confederation down to the World War falls into two periods, separated by the year of unification just mentioned, 1902. The first was a formative stage, during which organisation was perfected and principles were developed and given authoritative expression. The second was an epoch of systematic and widespread propagation of the doctrines of revolutionary syndicalism. The congress of Toulouse, in 1897, reaffirmed the policy of the general strike, but took a significant farther step in unani-

[1] Seilhac, *Les congrès ouvriers*, 286.

[2] For the history of the Federation of Bourses du Travail, see Levine, *Labour Movement*, Chap. 111; F. Pelloutier, *Histoire des Bourses du Travail* (1902); C. Franck, *Les Bourses du Travail et la Confédération Générale du Travail* (1910); P. Delesalle, *Les Bourses du Travail et la C. G. T.* (Paris, 1910).

mously adopting a motion, based on a report prepared by two anarchist members, counselling workingmen to make use of the boycott and of *sabotage* when strikes should fail to attain their purposes.[1] The congress of Rennes, in 1898, reaffirmed the wish that the boycott and *sabotage* "should enter into the arsenal of weapons which the workingmen use in their struggle against capitalists on the same plane as the strike." In 1900 the publication of a weekly journal was begun, *La Voix du Peuple*, which continued to be the Confederation's official organ. At the congress of Lyons, in 1901, the Confederation may be said to have committed itself irrevocably to revolutionism. The current efforts of the government of Waldeck-Rousseau (in which the socialist Millerand was minister of commerce and industry) to bring together capital and labour upon the basis of a better common understanding was rebuffed, and the congress repudiated the notion that the needs of labour could be met by any quantity of "so-called labour laws," warned the working-classes against putting their trust in "parliamentarism," and insisted that the syndicats should continue to carry on their struggle directly, by strikes, boycotts, and *sabotage*, not only against the employers but also against the state itself.

Prior to its fusion with the Federation of Bourses, in 1902, the General Confederation grew slowly. Thereafter, however, its development was rapid. Of the 3,680 syndicats in France in the year mentioned, 1,043 were identified with the General Confederation. Of the 5,260 in 1910, 3,012 were adherents. The number of individuals belonging to syndicats in the Confederation was increased from 150,000 in 1904 to 357,814 in 1910. The constitution of the Confederation as adopted at the congress of Montpellier in 1902 underwent little change. The organisation consisted of national federations of industries and trade (although no new ones were admitted after 1906), national syndicats, single local syndicats, and *bourses du travail*, and there was a somewhat complicated set of central governing agencies consisting of two "sections" and three commissions, capped by an executive confederal committee of thirteen members.[2] The principal question which arose con-

[1] By *sabotage* is meant, in general, obstruction of the processes, or tampering with the quality of the products, of industry. See E. Pouget, *Le sabotage* (Paris, 1910).

[2] See Levine, *Labour Movement*, 156-158.

cerning the administration of the Confederation was that of the reapportionment of representation of the various component federations and syndicats upon the sections and committees. The Confederation's activities in the decade following the fusion of 1902 were varied and occasionally startling. At the congress of Bourges in 1904 it was decided to concentrate efforts for a time upon the establishment of an eight-hour working day, and for two years (notably about May Day, 1906) the country was stirred by threats, plots, and acts of violence, having this as their objective. In the single year 1906 there were 1,309 strikes, involving 438,466 workmen. Beyond arousing the labouring classes of the country, which the syndicalists maintained was all that they expected to accomplish at the moment, there were no tangible results.

The General Confederation in 1914. After the amalgamation of the two rival socialist parties to form the *Parti Socialiste Unifié*, in 1905, the question arose whether the General Confederation should longer seek to hold aloof from socialist political organisations. At the congress of Amiens, in 1906, it was voted by an overwhelming majority to continue the policy of "direct action" and to abstain from all political connection. During the years 1907-08 the activities of the officers and other agents of the Confederation, culminating in serious strikes and disorders, produced much friction with the government, and in many quarters demand arose that the organisation be suppressed. The arrest of the leading members of the confederal committee, while violently denounced, served to turn the Confederation's policy into new channels. In 1909 the more moderate "reformist" element gained control; and although in the following year the "revolutionaries" again took the helm, their acts thenceforth showed a reasonable measure of caution. In 1910 the Confederation strongly opposed the enactment of the Old-Age Pension Law,[1] principally because of the provisions of the measure requiring workingmen to contribute to the funds by a deduction from their wages. In later years active campaigns were carried on against militarism, and also against the protective system, which was held responsible for the increased cost of living.

The most conspicuous and interesting aspect of the organisation of labour in France in the generation preceding the War was the development of the General Confederation. Through this powerful

[1] See p. 597.

agency the spirit of revolutionary syndicalism was injected in the body of trade unionism as nowhere else in Europe. The starting point, as with the Marxian socialists, was the assumption of bitter and uncompromising class war. The method was that of the general strike (including the boycott and *sabotage*), peaceful if possible, but not stopping at violence of the most desperate sort. Parties and parliaments were scorned. "Direct action" was the principle. Syndicalism, as one writer has aptly observed, is difficult to classify, because "it refuses to be called anarchism, repudiates the leadership of socialism, and scorns to be merely trade-unionism."[1] The classification of it does not much matter. It chooses to be a law unto itself; in any case its existence is one of the hard facts of the social and industrial situation with which both pre-war and post-war generations in France have had to reckon. Whether it will continue its conquest of labour until finally it gains entire control, or whether eventually it will be repudiated, is a question which no man to-day can answer. It is to be observed, however, that to 1914 the Confederation included not more than half of the million organised workingmen of the country; and, furthermore, that only one-tenth of the workingmen of the country were as yet organised at all.[2] This proportion of organised workingmen was somewhat smaller than that in Germany and Belgium, and much smaller than that in Great Britain and the United States.

Labour Organisation in Agriculture and the Public Service. The organisation of pre-war labour in two special fields merits a word of comment. One of these is agriculture; the other is the public service. The establishment of unions among agricultural labourers was first legalised by the Waldeck-Rousseau act of 1884, and by 1906 the number of agricultural syndicats mounted to approximately 4,000, covering all parts of the country. As early as 1886 a central union of agricultural syndicats was organised, to which by 1914 more than 1,300 syndicats adhered. There were, besides, regional unions embracing the syndicats of groups of departments, the most important being the Union of the Southeast, founded in 1888 and centering at Lyons. The agricultural syndicats held a national congress every two years and regional con-

[1] Orth, *Socialism and Democracy in Europe*, 107.

[2] That is to say, in trade unions. If the number affiliated with the Socialist party were to be added, the figure would be distinctly larger.

gresses at briefer intervals. At these meetings were considered not only questions relating to the political and contractual interests of the workingmen, but (since the members of the agricultural unions were chiefly small proprietors) matters pertaining to the technique of agriculture, horticulture, and viticulture. Many of the syndicats maintained arrangements for co-operative buying and selling of commodities. Under a law of 1894 they also served as agencies for the organisation of agricultural credit and for various forms of mutual insurance.[1]

The law of 1884 conferred upon state employers the right to form associations, but not to federate or to organise syndicats; and in the postal and telegraph services, as in the national match, tobacco, and porcelain works, many "friendly" and mutual benefit societies early made their appearance. From the syndicalists arose insistent demand that these associations be permitted to affiliate themselves with the General Confederation of Labour. But, on the ground principally that it could not afford in this manner to concede to public employees the right to strike, the government steadily withheld its assent. In 1909 there were two serious strikes of postal employees. The Clemençeau ministry held its ground, and the efforts of the discontented employees were brought to naught. In 1910 there was a strike on the Northern Railway, which spread to other lines, including those operated by the state. Again the government stood firm. On the ground that the strike was political in motive and revolutionary in character, the Briand ministry caused the arrest of the leaders and of large numbers of other persons, called out the reserves (to which most of the strikers themselves belonged), and eventually refused to reinstate more than two thousand of the employees affected. The syndicalist leaders who planned the strike expected lenient, if not entirely tolerant, treatment from a ministry whose membership included three socialists.[2] Official responsibility, however, produced an attitude of quite the contrary sort. And the public, unsympathetic from the first, was moved to indignation by the acts of *sabotage* which were committed. The debates in the Chamber of Deputies upon the government's policy were attended by some of the storm-

[1] See pp. 188-192.

[2] Premier Briand, M. Viviani, and M. Millerand. M. Barthou, a Radical, was on record, also, as a defender of the right of government employees to strike.

iest scenes in the history of French parliamentary proceedings. Legislation to strengthen the government's hand failed of adoption, but none of any other kind was enacted, and the legal status of the organisation of labour among public employees remained as it was. Associations for friendly or educational purposes were permitted, but not syndicats or societies affiliated in any way with the General Confederation.

Labour Organisation in Other Countries. It is not feasible to speak in detail of the pre-war organisation of labour in other continental countries. In no one of them, perhaps, was the development of trade unions, of co-operative societies, and mutual aid organisations carried farther than in Italy. Here, to a greater degree even than in France, trade-unionism was connected with socialism; and since socialism, which has been the most powerful influence toward labour organisation, did not acquire a considerable footing prior to the last decade of the nineteenth century, the strength of unionism in 1914 represented the product of a growth which was very recent. The trade unions of Italy then fell into three groups: (1) the "neutral," or socialist, unions, (2) the Catholic unions, and (3) the syndicalist unions. In 1910 the membership of the three groups was, respectively, 640,000, 108,000, and 112,000—a total of 860,000. The syndicalist unions resembled the syndicalist associations of France. They placed stress upon the warfare of classes, opposed parliamentary action and any form of co-operation with employers as a class, and employed as their weapons the general strike, the boycott, and *sabotage*. Many railway and other government employees, and many agricultural labourers, belonged to these revolutionary associations, and they had a central organisation known as the *Unione sindicale italiana*. The Catholic organisations existed chiefly as isolated societies. But the neutral, or socialist, associations were federated in provincial organisations, which in turn, in 1906, were brought together in a *Federazione generale italiana*, or General Italian Federation of Labour. Men and women were admitted to these unions on equal terms. Effort was made to improve the conditions of living, of labour, and of education among the members, and in later years many unions introduced systems of invalidity and unemployment insurance. Wherever possible, collective bargaining with employers was promoted. The strongest trade unions were those of the masons and the iron-workers, of whom sixteen and twenty-one

per cent., respectively, were organised. In the cities the extension of unionism was retarded by the prevalence of petty strife and by lack of funds; in the country districts, it was held back not only by these conditions but by the ignorance of the mass of the labourers and by the opposition of the priests. There was, however, steady growth, even in the rural areas.

The Austrian Industrial Code of 1859 sought to compel the organisation of employers and employees in common gilds, but the attempt was no more successful than was a similar effort of Napoleon a half-century earlier in France. In 1869 an uprising of workingmen in Vienna won from the government a limited right of independent industrial combination, and thereafter socialistic trade-unionism gradually acquired a permanent footing. The unions formed during the quarter-century before the War bore close resemblance to the *Gewerkschaften* of Germany. The principal centers of Austrian trade-unionism were the industrial and populous provinces of Moravia, Bohemia, and Lower Austria. The highest degree of organisation was attained in the printing trade and in the textile and metal industries. In 1907 there were 49 central unions, 77 district unions, 5,030 local unions, and 501,094 members. Trade-unionism grew also in Hungary, though in 1907 the membership of unions affiliated in the central federation was only 130,192.

In Switzerland social and industrial conditions are such that there has been less incentive to the close organisation of labour than in most other countries. Factory workers commonly own or occupy plots of ground and combine with industry a certain amount of agriculture. The contrasts of wealth and poverty are less apparent than elsewhere, and the tension between capital and labour is distinctly less pronounced. The federation, the cantons, and the municipalities have developed systems of public ownership and operation so extensive that a very considerable proportion of workers occupy the position of joint-manager as well as that of employee. The oldest and most important of Swiss labour organisations is the *Grütliverein*, organised in 1838 at Geneva. By 1914 it maintained numerous branches throughout the country; but its efforts were directed more largely toward political and socialistic than toward purely industrial ends. The Swiss Social Democratic party was founded in 1888, and with it the *Grütliverein* was subsequently merged. In 1907 the Swiss unions claimed a membership

of 50,000 members, besides some 30,000 not affiliated in the central organisation.

In the Scandinavian countries trade unions became numerous and compactly organised. All, however, were primarily socialist societies. In Holland a National Labour Secretariat was formed in 1893, and the growth of unionism was for a time rapid. After a general strike of 1903 many unions collapsed, and the vitality of those that survived sank to a low ebb, though after 1908 the task of organisation was vigorously resumed. Under law of 1898 trade unions could be incorporated in Belgium only on condition that their objects were non-political, and they were restricted to the furtherance of the interests of particular trades. In point of fact, however, the numerous unions that existed in 1914 were closely associated, almost without exception, with the Socialist-Labour, Catholic, or Liberal party, principally with the first-mentioned.

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PART IV

SOCIALISM AND SOCIAL INSURANCE TO 1914

CHAPTER XXI

THE RISE OF SOCIALISM IN FRANCE AND ENGLAND

Unsettling Social Effects of the Eighteenth-Century Revolutions. No one who contemplates thoughtfully the changes by which the society of western Europe was transformed between 1789 and 1850 can fail to be impressed by two things. The first is the pronouncedly individualistic tone of discussion, of legislation, and of reform propaganda throughout the period. The second is the disproportionate advantage which was derived from the new social and economic order by the middle-class, bourgeois elements of the population as distinguished from the great mass of landless, moneyless wage-earners. With respect to the first of these facts it will be recalled that one of the fundamental consequences of the overturn was, in France, and ultimately in other countries, the breaking down of status and the establishment of what Napoleon fondly termed the *carrière ouverte aux talents.* Amidst revolution, conquest, and political and economic reconstruction, an old society, close-knit and corporate, was dissolved into its constituent elements; and in the process multifold ties—feudal, manorial, commercial, industrial, fiscal, ecclesiastical, political—by which men had been bound together were relaxed or completely severed. The new régime was founded on the rights of man, i.e., the separate, inherent, inalienable rights of every individual man, not the mere rights of man in the abstract or of men collectively. It was inevitable that in reaction against a social system under which but a very small minority of men were free from obnoxious bonds and restraints the creators of the new order should incline rather strongly toward the opposite extreme. Ties which were helpful, and even indispensable, were severed along with those which had proved to be fetters. The ideal society became one in which all the members should, indeed, be common citizens of the state, contributing of their means to its support and rendering it due obedience, but in which at the same time as between man and man there should be entire freedom, while with the conditions and

affairs of everyday life the public authorities should concern themselves slightly or not at all. The individual was to be emancipated from both private and public control and made to stand upon his own feet. The classical economists had assumed and taught that the enlightened self-interest of each man must be in general harmony with that of every other man, and that, therefore, the consequence of universal individualism and universal selfishness would be universal prosperity and contentment. Upon this comfortable assumption was built up and put into practice the policy of inaction which, under the designation *laissez-faire*, dominated for fifty or sixty years the politics, and notably the economic life, of western Europe.

To some men the new freedom meant new opportunity, business prosperity, wealth. But to others, less shrewd or less fortunate, it meant disappointment, defeat, and new forms of dependency. In France, where the transformation had been swiftest and in some respects most complete, these contrasted effects were especially conspicuous. During the half-century following the close of the Napoleonic wars there was in that country, as elsewhere, remarkable advance in agriculture, industry, and trade, accompanied by a notable growth of wealth. Two facts, however, grew steadily more patent as time went on: first, that the reforms of the revolutionary era had brought little benefit to the wage-earning portion of the population, and, second, that the whole tendency of subsequent economic development was to accentuate class distinctions and to impose upon the fast-increasing proletariat a condition of livelihood different from, but hardly preferable to, that experienced by the poorest of the peasantry in the eighteenth century.

Resulting Status of the Wage-Earner: the Capitalists and the Proletariat. First, the wage-earner of 1789 had not profited by the overturn. He owned no land; hence he had never been called upon to pay a land tax, and the game laws framed in the interest of the noble huntsman had possessed no terrors for him. He raised no grain or grapes; hence he had never been compelled to submit to legalised robbery at a lord's mill or wine-press. He was not engaged in trade; hence the tolls and tariffs exacted at every boundary crossing did not concern him, save perhaps as they might have affected the prices which he was called upon to pay for his commodities. He had no lord; hence he had not been

annoyed by being summoned to labour on a lord's demesne. All these and other exactions which in the old days had borne heavily upon great numbers of men were swept away without appreciably modifying the situation in which the wage-earner found himself. The mob which stormed the Bastile in 1789 was composed largely, it is true, of landless, hand-to-mouth people, but, as has been pointed out elsewhere, before the Revolution had progressed far, the fortunes of the movement fell completely under the guidance of men who were economically and socially of higher rank—the small traders and manufacturers, the shopkeepers, and especially the small landowners and other men who, if not owners, had at least some interest in land. The consequence was that the wage-earner had been dropped largely out of account; and although, on the whole, he was without doubt better off after the Revolution than before, his lot was by no means as much improved as was that of the man whose bit of land or opening in trade afforded him an opportunity for independent prosperity and happiness.

At the time of the Revolution the wage-earning portion of the population was small and comparatively unimportant. But in the nineteenth century it did not remain so. On the contrary, as a consequence of the industrial transformation it grew wonderfully, in numbers and in latent strength. In England it was already a great class at the opening of the nineteenth century; in France it became such in the second, and in Germany in the third, quarter of the century. Not merely, however, did the industrial revolution create in all industrial countries a vast landless, propertyless, wage-earning population. It called into being at the same time a new class of men of wealth and influence. Over against the proletariat was set a powerful and growing body of capitalists—mill-owners, transportation magnates, and financiers—who found in the new order abundant opportunity for enriching enterprises; while society and government itself took on a capitalistic, essentially aristocratic, tone. These developments laid the basis not only for the sharp class distinctions of the nineteenth century, but also for the development of bitter class antagonisms. However much the upper and middle elements of the populations had been benefited by the overthrow of the old régime, there had arisen a fourth estate to which the new régime was in many ways quite as objectionable as the old could ever have been. To the men of this estate it appeared, not unnaturally, that this new régime had been

projected by, and was being maintained in the interest of, classes of people who were not labourers but rather the exploiters of labour.

Grievances were of a very practical character. On all sides it was apparent that wealth, not alone of the industrial magnates but also of the bourgeoisie, was fast being increased. Yet wages rose but little or not at all. Prices continued high, and as between prices and wages the balance tended steadily to become more unfavourable. Superabundance of the labour supply rendered the workingman liable at all times to unemployment. The newer forms of labour, commonly involving the endless repetition of some simple operation in a factory, left no room for the exercise of ingenuity, and tended to reduce the labourer to an unthinking mechanism. There were no well-defined lines of promotion for labourers who acquired special skill, and for a man to rise by merit from one variety of employment to another commanding better pay was the exception rather than the rule. The old opportunity of the journeyman to become a master and to rise to new levels of prosperity was gone; in the nature of things, under the new system the great majority of the workmen must remain common labourers. The labourer, furthermore, had ceased to have personal relations with his employer. He had become simply a cog in a great machine. In his eagerness for profits, the employer was prone to become utterly neglectful of his employees' welfare. No thought was given to matters of sanitation. No protection against dangerous machinery was provided. Hours were long and irregular. Women and children were employed in preference to men because their work was cheaper and they could be kept in better control. "They (the factory workers) were hired for the cheapest price, worked to the utmost limit of endurance, and, when used-up, thrown aside like any other old and worthless machine."[1] Finally, in France and elsewhere, working-people were forbidden by law to enter into any kind of organisation intended to effect a change in their economic or social position.

The Problem of Social Amelioration. Notwithstanding the restrictions which operated to prevent the full and free expression of working-class discontent, there were frequent, and occasionally serious, manifestations of proletarian feeling. Being gathered largely in great industrial centers, the labourers were enabled to

[1] Ely, *French and German Socialism*, 8.

acquire mutual acquaintance as never before, to discuss together the conditions under which they were compelled to live and labour, and in time to institute movements, whether within the pale of the law or without it, for the promotion of their common interests. More thoughtful men among the higher classes were not unappreciative of the situation, and were deeply disappointed to discover that the new doctrines of political and economic liberalism had not, after all, ushered in an era of universal prosperity or contentment. Gradually the conclusion was forced that a society in which every man is free to do as he likes, barring a few generally recognised offences against life and property, may be very far from ideal; that it may, indeed, become the theater of fearful oppression of the weak by the strong and of pitiless exploitation of the ignorant by the intelligent. From such conviction sprang the earliest movements, in England, France, and other countries, for the amelioration of the lot of the working-classes by national legislation. But the doctrine of *laissez-faire* was deeply embedded in the political and economic thought of the times, and the progress of the reformers was slow. Such relief as was given was given grudgingly and in most inadequate fashion. The earliest parliamentary legislation in England for the protection of working-people as such was Peel's Health and Morals Act of 1802; the first in France does not antedate the Revolution; and it was only about the middle of the nineteenth century that either country boasted a labour code which was in any sense comprehensive or adequate.

It need hardly be observed that no mere labour code, nor any conceivable body of advanced legislation, can be expected to solve in all of their aspects the problems inherent in the modern economic order. Capital, labour, wages, prices, profits, resources, social strata, irreconcilable class interests, individual and collective ambitions—these are but some of the powerful factors in the society of our age with which no parliament can ever hope to deal with entire conclusiveness. These facts were understood less clearly seventy-five years ago than they are to-day; yet from an early time thinking men of radical inclinations began to look for ultimate social and economic amelioration beyond the probable range of ordinary legislation. They believed that the parliaments as then constituted would, at best, proceed with working-class legislation with extreme slowness; and they were convinced that,

even if the parliaments should come to be differently constituted, no amount of simple reforming measures based on the existing social order would be capable of assuring the labouring man the position in society to which he is entitled. Men of this mind began, therefore, to cast about for some solution of the social problem which should be more speedy and thorough; and the solution which they, or at least some of them, hit upon was socialism.

The Nature and Ends of Socialism. The term "socialism" was coined in England in 1835, in connection with discussion incident to the formation of a workingmen's association under the auspices of Robert Owen.[1] It may be said to have been introduced into the accepted vocabulary of economics in a book published in France in 1840.[2] The word is hardly susceptible of accurate definition, because it has always meant different things to different men. And it may be added that few words in any language have been more grossly overworked and abused. "We call socialism," says a French writer, "every doctrine which teaches that the state has a right to correct the inequality of wealth which exists among men and legally to establish the balance by taking from those who have too much in order to give to those who have not enough, and that in a permanent manner."[3] "What is characteristic of socialism," says John Stuart Mill, "is the joint ownership by all the members of the community of the instruments and means of production, which carries with it the consequence that the division of all the produce among the body of owners must be a public act performed according to the rules laid down by the community."[4] "The results of the analysis of socialism," says Professor Ely, "may be brought together in a definition which would read somewhat as follows: Socialism is that contemplated system of industrial society which proposes the abolition of private property in the great material instruments of production, and the substitution therefor of collective property; and advocates the collective management of production, together with the distribution of social income by society, and private property in the larger proportion of this income."[5] Definitions might be multiplied

[1] Holyoake, *History of Co-operation*, I, 210.

[2] L. Reybaud, *Études sur les réformateurs ou socialistes modernes* (Paris, 1840). The book discusses the theories of Saint-Simon, Fourier, and Owen.

[3] Janet, *Les origines du socialisme contemporain*, 67.

[4] *Fortnightly Review*, April, 1879, 514.

[5] *Socialism and Social Reform*, 19.

indefinitely, but all are more or less vague, arbitrary, and otherwise open to objection. Socialism, as an English writer has well said, is "one of the most elastic and protean phenomena of history, varying according to the time and circumstances in which it appears, and with the character and opinions and institutions of the people who adopt it." [1]

The essential objectives of socialistic teaching are, none the less, fairly clear. The first is the abolition of private property as a basis of capitalistic production. The result of centuries of social evolution, accentuated by the rise of nineteenth-century industrialism, has been to cut off great masses of men from the possession of land and capital, and thus to render them dependent absolutely for a living upon the wages they receive in the employ of other men. It is to this lack of first-hand access to the sources of wealth that the socialist ascribes a very large share of the economic ills of mankind, and it is with a view to the overcoming of this essentially unnatural situation that he advocates the abolition of private property. Not that private property is to be totally done away. One may have one's own clothing, household possessions, books, money, and perhaps even a house and a bit of ground.[2] But land in general, it is proposed, together with all factories, workshops, railways, and, in short, all of the instrumentalities of production and distribution upon a capitalistic basis, and all forms of private wealth that may give rise to an "unearned increment," shall be withdrawn from private hands.

The second aim of socialism is to vest the ownership and control of these instrumentalities of production, distribution, and gain in the state. All of the advantages which arise from the exploitation of land, the management of industrial enterprises, and the distribution of commodities are to accrue to the community as a whole. They are not, as now, to fall mainly to private owners. A third aim is to readjust the burden of social maintenance by requiring that all persons living under the state shall contribute to the community's productiveness, under conditions largely or wholly determined by the state. Contributions will vary as capacity varies. Some will take the form of intellectual and artistic activi-

[1] Kirkup, *History of Socialism*, 7-8.

[2] This differentiates socialism and communism, two things which in popular thought are often confused. The communist would have all property owned in common. He may or may not favour the socialistic type of state. He may, indeed, be an anarchist, an opponent of all government.

ties. The most common form will be manual labour. But at all events the leisure class will disappear. There would be no such things as rent and interest, and wages paid by the state to its employees would be the only form of income. Whether wages should be paid upon the basis of supposed need, in which case all would share alike, or in accordance with the irksomeness of the labour performed, or in accordance with the efficiency of the workman and the value of his contribution, is one of the scores of inescapable questions upon which socialists in all times and countries have been unable to agree. There may perhaps be said to be a preponderance of sentiment in favour of the second of these plans.

Extraneous or Incidental Features of Socialism. It is to be observed that the transformation which socialism proposes is to be essentially economic, involving a fundamental change in the relation of labour to land and capital. It is, of course, true that not infrequently socialists have advocated changes in the existing order with respect to the family, political organisation, religion, and other fundamental matters. But there has never been any measurable degree of concurrence of opinion upon these subjects, and the socialist ideal does not lead clearly to any particular position regarding any one of them. While in the matter of government, for example, socialists have usually regarded democracy as a necessary concomitant of their system, the keen-minded Rodbertus advocated the permanent retention of monarchy, and the philosopher Comte, who outlined a social organisation which was essentially socialistic, believed that the social body must have an autocratic head.[1] Similarly, with regard to the method of the establishment of the socialistic state, some protagonists of the doctrine, notably Karl Marx, have been revolutionists, but the majority have not been such; and of those who have contemplated change by peaceful means, some have expected it to take place rapidly, others have looked forward to a slow transformation by gradual, orderly steps.

Finally, it is to be noted that neither public ownership nor so-called "socialistic" legislation is socialism. Public ownership, which in respect to railways, telegraphs, telephones, and other utilities has become common in European countries, is not socialism, for the reason that under its operation there is no pro-

[1] Taussig, *Principles of Economics*, II. 445.

vision for the socialistic method of distribution, which is a fundamental thing. The state operates its railways, for example, very much as would a private corporation, paying salaries and wages determined mainly by the practice of the competitive business world. Furthermore, public ownership does not do away with the leisure class and unearned incomes. For, as matters stand, the state will ordinarily buy out the interests of private capitalists, who are then free to place their money in other dividend-paying enterprises; or, in order to build new railways, for example, it will borrow from these capitalists funds upon which it will pay them interest. In any case the leisure class still gets its income. "No doubt it is true that public ownership means an endeavour to mitigate inequalities in distribution. Monopoly returns are to be done away with, or (what comes to the same thing) are to be appropriated by the community. But this is by no means inconsistent with the conduct of the great mass of industrial operations by private hands, with all the resulting phenomena of private property—inequalities in earnings, savings and accumulation, investment, a leisure class, a stratified society. There is a vast difference between the mitigation of present inequalities and the complete removal of the causes which lead to the inequality characteristic of the existing régime." [1] Similarly, social reform is not socialism. Poor laws, workmen's compensation acts, sickness insurance measures, old-age pension provisions, factory inspection regulations, even the fixing of minimum wages—these are commonly termed, especially by their opponents, "socialistic." But they partake of the character of socialism only to the extent that, like public ownership, they contemplate the mitigation, in some degree, of the inequalities of men in opportunity and in well-being under the present competitive régime. They leave private property, capitalistic production, the competitive wage system, the leisure class, rent, interest, as elements of the economic order, essentially untouched. At the most, they somewhat restrict the field of competition and fix the plane upon which competition shall operate; the thing itself remains.

The Antecedents of Socialism: France. Socialism is essentially a product of the nineteenth century. Elements which enter into it are, however, as old as organised society itself. There have always been misery, inequality, and discontent; the state has

[1] Taussig, *Principles of Economics*, II, 455.

always reserved to itself the right to interpose in the arrangements of property; and not only in such writings as Plato's *Republic* and *Laws* but also in the actual legislation of the Roman Empire, there appears much that is, so far as it goes, socialistic. Socialism, in the full and only proper sense of the term, is, however, the child of the two great revolutions with which the eighteenth century was brought to a close—the revolution in industry, which was predominantly English, and the revolution in thought, which was predominantly French. It first manifested itself in an important way in France; and its rise in that country may be first considered here.

Throughout the eighteenth century there was much discussion, in England, Germany, Italy, and France, but especially in France, of fundamental questions relating to the origins of society, the nature of the state, the rights of man, and the foundations of social control. Into this discussion entered inevitably the problem of the origin, and the ethical and legal bases, of private property. Reconstructions of society and of government as proposed by sundry radicals were planned to involve redistributions, or even the total abolishment, of private property. While in neighbouring lands Locke, Grotius, Pufendorf, and other writers were dealing with the question conservatively, in France Morelly, Mably, Jean Meslier, and finally Rousseau were arriving at conclusions in which the right of private property found little or no recognition. Some saw in such property only evil and demanded its immediate abandonment; others viewed it likewise as evil, but as, none the less, a social necessity, a necessary evil. Property, declared Meslier, means inequality, and inequality means injustice and oppression. Property, he continues, is a cause of idleness, of cupidity, of jealousies which destroy social solidarity. It is the great source of fraud and crime. The remedy which Meslier and his radical contemporaries proposed approaches more nearly the character of communism than that of socialism.

Socialism and the French Revolution: Baboeuf. That neither communistic nor socialistic ideas, however, were widely diffused in France in the later eighteenth century is demonstrated by the fact that the Revolution called out only sporadic manifestations of this variety of thought. At almost every stage of the reconstruction which the Revolution precipitated property and property rights, it is true, were involved. Property, as such, however was

rarely attacked. It was the abuses of property—in the matter of ecclesiastical control, exemptions from taxation, and other forms of privilege—that were subjected to criticism, and eventually to reformation.[1] "The final effect of the agitation on the stability of property," it has been affirmed with entire correctness, "was greatly to strengthen its foundations by more thoroughly distributing it, by revising the laws of inheritance, and by shifting the right of ownership from the old basis of feudal to the new basis of positive law; and that passed, presumably at least, by the will of a democratic society. At this time the law [on Property and Inheritance, enacted in 1793] was passed which is still valid in France, compelling equal division of property among all heirs. There was a two-fold movement: a confiscation of land on the part of the state, in the form of those estates which rested upon feudal rights, and then the decentralising of these holdings through the breaking up of those estates and their division among a broad constituency. By thus creating a large middle class of small property-holders a greater stability was given to all social institutions. The principle of private property was then given a large and an interested constituency of property-holders." [2]

There can be no question that with respect to private property in land, the agencies of production and distribution, and some other matters of cardinal importance in socialistic teaching, the outcome of the Revolution bore a decidedly reactionary aspect. Socialistic ideas, however, even though not at the time widely held or influential, were clearly current in some quarters, and it is in this epoch that one discovers the first Frenchmen who can with propriety be called socialists. The name may perhaps be applied to an obscure Jacobin, François Boissel, whose *Catechisme du Genre Humain,* published in 1792, has hardly been surpassed as an invective against private property.[3] With no question at all it can be applied to François Noël Baboeuf, dreamer, political agitator, and journalist, who in 1797 was executed in consequence of his participation in a conspiracy to overthrow the Directory and to set up a communistic republic. It was Baboeuf who founded the first socialist newspaper ever published, the *Tribun du Peuple,*

[1] Jaurès, *Études socialistes* (Paris, 1902), 91.

[2] Guthrie, *Socialism Before the French Revolution,* 278-279. See also Lichtenberger, *Le socialisme et la Révolution française,* 61.

[3] For a brief account of Boissel's work see Guthrie, *Socialism Before the French Revolution,* 282-289.

established at Paris in 1799; and his importance arises not only from the fact that he was the first of Frenchmen to propound socialism as a practical policy, but also by reason of the considerable extent to which his teaching underlay radical propaganda in his country through the earlier nineteenth century.

The essence of Baboeuf's doctrine is summed up in the declaration, first, that "the aim of society is the happiness of all, and happiness consists in equality," and, second, that "nature has given to every man an equal right to the enjoyment of all goods." The equality which Baboeuf advocated was to be actual and absolute, such as he conceived to have existed in primitive society; and to bring it about he urged that the state should form a great common property by taking over the possessions of corporations and public institutions and by absorbing subsequently the property of private individuals by assuming ownership upon the death of present possessors. Within a half-century the state would own everything, the individual nothing. Officers elected by the people would conduct all the business of production and distribution, and the era of plenty for all and superabundance for none would be at hand. So far was the principle of equality to be carried that all citizens of the new commonwealth were to be required to dress alike, with distinctions only for sex and age, to eat the same varieties of food, and to receive precisely the same education; and the children were to be separated from their parents and brought up under conditions which would make socialists of them and prevent the natural development of differences of taste and capacity. No more purely idealistic program was ever enunciated, and it has but to be stated to render its impracticability apparent; but it is interesting as the first, and one of the most radical, of French socialistic projects.[1]

Saint-Simon. If, however, Baboeuf was the earliest of French socialists, the founder of French socialism in its historic form was more properly another man, Count Henri de Saint-Simon (1760-1825). Saint-Simon's name is, indeed, the most eminent in the history of socialist speculation in the first half of the nineteenth century. As a youth of nineteen he migrated to America, where he saw service in Washington's army. Returning to France, he abandoned a promising military career and devoted himself to the study of politics and social questions. He had no part of

[1] Baboeuf, *La doctrine des égaux*, ed. by Thomas (Paris, 1906).

importance in the Revolution, and, indeed, it was only after the close of the Napoleonic period that he came into wide public notice. Unremitting application to his studies, combined with unfortunate economic experiments and an unlucky marriage, dissipated the modest fortune which he had amassed, and his later life was spent in abject poverty. His health, too, was not good. But throughout more than a quarter-century he kept up his labours, his supreme hope being that he might be able to evolve a plan for a social order so attractive that it would win the approval of thinking men and somewhere, if not in his own country, be put into operation. It was not until 1817 that he began, in a treatise entitled *L'Industrie,* to propound the socialistic views which were gradually taking form in his mind. As these views were matured they were given fuller exposition in *L'Organisateur* (1819), *Du Système Industriel* (1821), *Catéchisme des Industriels* (1823), and lastly, and most important of all, *Nouveau Christianisme* (1825).

The hypothesis upon which Saint-Simon built was that the greatest happiness of mankind was yet to be realised. "The imagination of poets," he declared, "has placed the golden age at the cradle of the human race, amid the ignorance and grossness of the earliest time. It had been better to relegate the iron age to that period. The golden age of humanity is not behind us; it is to come, and will be found in the perfection of the social order. Our fathers have not seen it; our children will one day behold it. It is our duty to prepare the way for them." The French Revolution, it was urged, had cleared the ground for the new organisation of society; and in the volumes which have been mentioned were expounded the principles which it was believed should underlie this new organisation. These principles were socialistic, but much more moderate and sensible than were the levelling doctrines of Baboeuf. The state, it was maintained, should assume control of the production and distribution of goods; but there should be kept a strict account of every man's industry and skill, to the end that returns might be made in precise proportion. Equality of distribution was affirmed to be no less unjust than the inequalities at present prevailing, and the supreme object of Saint-Simon was to evolve a plan under which the inducements to individual enterprise and thrift would be as compelling as under the competitive system, while none the less assuring men

the fruits of their effort as against other men who might be more shrewd and more powerful. By reason of his scholarliness, his moderation, and his loftiness of character, Saint-Simon deservedly takes high rank among modern reformers. He was, however, a thinker rather than a man of affairs—indeed, he was rather a humanitarian than a systematic thinker—and there never came to him an opportunity to put his ideas to the test. During his lifetime his views had little influence. He left, however, a few devoted disciples, who continued to propagate the ideas of the master whom they regarded as a prophet, and by 1830 the Saint-Simonian school had acquired a place among exponents of radicalism which was somewhat commanding.[1]

Fourier and Fourierism. From socialistic speculation it was but a step to socialistic experiment. The earliest of the experimenters in France was François Marie Charles Fourier (1772-1837). Fourier was the son of a Besançon cloth-merchant, and throughout most of his life he was himself engaged in mercantile pursuits. At an early age he began the study of social questions, being impelled thereto in the first instance by glaring defects of the extant commercial system which fell under his notice. He had received an excellent education, and to the analysis of society he brought not only a fund of practical experience but an intellect hardly inferior to that of Saint-Simon. During his years of maturity his business activities were subordinated entirely to his studies. The scheme of reorganisation which he worked out was first presented in a book[2] published anonymously in 1808. It took fuller form in his *Traité de l'Association Agricole Domestique*, published in 1822, and found its most finished exposition in *Le Nouveau Monde Industriel*, which appeared in 1829-30. The cardinal feature of society as Fourier proposed to reorganise it was to be a division into units, known as phalanges, each consisting of about 400 families or 1,800 persons. Each phalange should inhabit a *phalanstère*, or common building, surrounded by a stretch of land for cultivation. Without entirely eliminating private property or altogether obliterating the differences between rich and poor, Fourier prescribed in much detail the manner of organisation and life of the social group comprising the phalange. Each group was to be as nearly self-sufficient as possible, and

[1] Gide and Rist, *History of Economic Doctrines*, 198-231.
[2] *Théorie des quatre mouvements*, 2 vols. (Lyons, 1808).

while each member was to be free to do the kind of work he preferred, it was assumed that there would be a reasonable variety of occupation and of production. Each phalange was to be a democratic, self-governing unit. With respect to the distribution of the proceeds of the community's labours, it was proposed first to fix a liberal minimum to be bestowed upon each member of the group from the age of five upwards and then to divide all remaining products among labour, capital, and talent in such proportions that the first should receive five-twelfths, the second four-twelfths, and the third three-twelfths. The man who worked at what was *useful* was to be allowed more than he who worked only at what was *agreeable*, and he who devoted his energies to labour that was *necessary* was to receive more than either of the others.[1]

The one attempt which was made within Fourier's lifetime to reduce his ingenious but utterly fantastic scheme to practise failed completely. In 1832 M. Baudet Dulary, a member of the Chamber of Deputies, purchased an estate in the vicinity of Versailles and undertook to establish on it a phalange according to Fourier's ideas. Capital was insufficient and the enterprise was abandoned. Of subsequent attempts in France all failed save one, i.e., a social community founded at Guise under the direction of a wealthy manufacturer, Jean Godin, which survives to-day.[2] After 1840 Fourierism was brought to America, and since that time there have been no fewer than thirty-four attempts, all unsuccessful, to build up communities founded upon it. The most notable of these was Brook Farm, whose leading spirits were George Ripley, Charles A. Dana, and Margaret Fuller, and with which Horace Greeley, George Willian Curtis, and Nathaniel Hawthorne had some connection.[3] A contemporary of Fourier, whose social experiments likewise possess special interest for Americans, was Étienne Cabet, author of a volume, *Voyage en Icarie* (published in 1842), in which is sketched the organisation of an ideal commonwealth, and founder of a communistic settle-

[1] Gide and Rist, *History of Economic Doctrines*, 245-255; C. Gide, *Selections from Fourier* (London, 1901).

[2] For a description of these enterprises see E. Howland, *The Social Palace at Guise*, in *Harper's Monthly*, Apr., 1872.

[3] O. B. Frothingham, *George Ripley* (Boston, 1883); J. H. Noyes, *History of American Socialisms* (Philadelphia, 1870), Chap. II; J. T. Codman, *Brook Farm; Historic and Personal Memoirs* (Boston, 1894).

ment at Nauvoo, Illinois, subsequently removed to the vicinity of Corning, Iowa.[1]

Mid-Century French Socialists: Proudhon. The first generation of French socialists was essentially imaginative and utopian. Saint-Simon and Fourier had no thought of making use of political machinery to promote the attainment of their ends; rather they appealed to religious fervour, brotherly love, self-interest, and other fundamentally personal considerations. Their influence was confined to narrow circles. The second generation, however, was more practical, political, and even revolutionary. The difference arose in part from the differing temperaments of the individual leaders; but it arose in greater measure from the altered social situation which, as has been indicated earlier in this chapter, came into existence in consequence of the industrial revolution. As the century advanced, and particularly after 1830, the gulf between the bourgeoisie and the working-people grew steadily wider. The bourgeoisie conducted the nation's business, filled its offices, dominated its society, and in general lorded it over the proletariat. Government was notoriously corrupt. The Orleanist period was barely inaugurated when, in 1831, there occurred at Lyons a menacing insurrection of silk-weavers, who, denied even the pitiful wage of eighteen *sous* for a working-day of eighteen hours, rose with the cry "We will live by working or die fighting." Throughout the period discontent increased and outbreaks were frequent. Everywhere the conditions of industry, the relations of capital and labour, and the laws governing, or which ought to govern, the social order were being discussed by men who felt themselves to be victims of class rule and of capitalistic exploitation of the most relentless kind. It need hardly be said that such ferment was favourable for the growth of socialistic and other radical ideas. The views of Saint-Simon and Fourier steadily gathered fresh adherents, and new leaders drew to themselves such numbers of followers .that for the first time since the Revolution the advocates of political and economic doctrines fairly to be characterized as radical seemed to menace the foundations of the state.

Of these newer leaders two are of principal importance. One was Pierre Joseph Proudhon; the other, Louis Blanc. Proudhon (1809-65) was sprung from the proletariat, a fact which in his

[1] Shaw, *Icaria; a Chapter in the History of Communism* (New York, 1884).

contemplation of social problems he never permitted himself to forget. He was a man of puritanic moral principle and of considerable intellectual power. But he was an intense hater of the social order of his time and, carrying the doctrine of revolt to its greatest extreme, he became the father of modern anarchism. In his notable work *Qu'est-ce que la Propriété,* published in 1840, he developed the fundamental thesis of his teaching, namely, that "property is theft, because it enables him who has not produced to consume the fruits of other people's toil." Communism he opposed no less bitterly than private ownership, and consequently the economic system which he advocated was one of very vague character based upon the possession rather than the ownership of property and upon the purchase of the necessities of life by the use of slips of paper representing labour values. His intense individualism led him to the repudiation of all government. "Society," so his conclusion runs, "finds its highest perfection in the union of order and anarchy." The doctrines of Proudhon were influential among radicals in his own day, and in later times his writings have been the principal storehouse from which syndicalists and other extremists of France, Italy, and Spain have drawn their pronouncements.[1]

Blanc and the Building of a Socialist Party. Louis Blanc (1813-82) was a leader of far more practical temper. He was, indeed, the first of the French socialists to propose to democratise the existing governmental system and to make of it the medium for the erection of a socialistic state, and he was the first who was able to recruit a considerable party and lead it to temporary triumph. By profession Blanc was a journalist, and from the beginning of the period of the Orleanist monarchy he wrote trenchantly in republican and other radical periodicals in criticism of the prevailing bourgeois government as being a government essentially by a class and for a class and urged the establishment of a state which should be thoroughly democratic in respect both to government and to industry. In 1839 he founded the *Revue du Progrès,* which became the organ of the most advanced democrats, and it was in the columns of this paper that his greatest socialistic work—the *Organisation du Travail*—appeared in 1840.[2]

[1] Gide and Rist, *History of Economic Doctrines,* 290-322.

[2] The text of this treatise is printed conveniently in J. A. R. Marriott, *The French Revolution of 1848 in its Economic Aspect* (Oxford, 1913), I.

This treatise, which was forthwith published in book form, won for its author enormous popularity with the working-classes. It was clear, concise, moderate, and sensible, and, in general, of such quality as to commend itself to sober-minded men who had been unable to understand the semi-psychological, semi-economic preachments of Fourier or to sympathise with the anarchistic ravings of Proudhon. Beginning in 1841, Blanc published also an elaborate *Histoire de Dix Ans*—"History of the Ten Years," i.e., 1830-40—which not only contributed much to the eventual overthrow of the Orleanist régime but contained the fullest and most authoritative account of the origins of French socialism to this day available.[1]

The first proposal in Blanc's social program was that the state should be reconstituted on a broadly democratic basis. That done, the government should direct its energies to the emancipation of the proletariat. That which the proletariat stood most in need of was the instruments of labour. Accordingly, it was the duty of the state to supply those instruments. Every man, Blanc thought, has a natural right to labour for his own support, and if employment cannot be had on equitable terms at the hands of private individuals, it is the function of the state to make up the deficiency. To be more specific, the state, organised as a democratic republic, should set up national, or social, workshops (*ateliers sociaux*) which should be controlled, and whose proceeds should be shared, by the workers. Gradually, and without shock, these national workshops should displace privately-owned industrial establishments, and private competition should be made to give way universally to co-operative production. Every man should be expected to produce according to his ability and to consume according to his need. Production would no longer be carried on by capitalists employing labourers for wages and retaining profits for themselves; it would be managed by the workers in their own interest. The state must furnish the capital and start the machinery going; after a year the working-people could be trusted to operate the system independently. But the state as an institution would continue to be needed to preserve order, to defend the people, and to manage the railways and other

[1] This work was completed, in sixteen volumes, in 1844. Blanc later wrote also a *Histoire de la Révolution française* (1847-62), but its value is less than that of the earlier writings mentioned.

property belonging to the nation as a whole. This program possessed the merits of moderation and definiteness, and it was advocated forcefully and vividly. The consequence was that it made a wide appeal, and before the middle of the century there had arisen in France a socialist party of substantial coherence and strength.

Socialism and the Revolution of 1848. The revolutionary movement of 1848, which, indeed, was in no small measure a product of the growth of socialistic doctrine, afforded Blanc and his followers an opportunity to put at least some of their ideas into practical operation. On February 24, 1848, Louis Philippe was obliged to abdicate, whereupon a provisional government was set up, pending the definite establishment of a republic. One member of this provisional government was Blanc, and from the first the socialistic element in it was influential. The essential object of this element was the reconstruction of society in the interest of the wage-earning classes. The step which seemed for the moment most practicable was the enforcement of Blanc's fundamental doctrine of the *droit au travail,* the "right to labour," and with such vigour was this demand pushed that the provisional government was brought both to an official recognition of the principle in the abstract and to the inauguration of measures designed to give the principle practical effect. A public labour commission, presided over by Blanc and comprising representatives of various crafts was established in the Luxembourg Palace, and on the recommendation of this commission the government reduced the working day in Paris from eleven hours to ten, abolished "sweating," and set up a system of national workshops in which labour at a uniform wage of two francs a day was presumably to be furnished to all applicants. The number of applicants proved so vast, however, that the government was immediately at a loss to provide adequate employment. The number of working days in the week was reduced to two, and the total weekly wage was fixed at eight francs. But this did not greatly help matters. The government continued to be overwhelmed with applicants; large numbers of men were kept idle most or all of the time; and, although the aggregate drain upon the Treasury was enormous, the wage received by the individual workingman was pitifully meager.

The experiment failed, as the majority of the members of the

provisional government had expected and intended.[1] Many features of the arrangement were not at all those which Blanc had advocated. But the scheme was represented as his, and it was the purpose of his opponents to bring discredit upon both him and it. In large measure this object was attained. In the convention elected on April 23, 1848, to frame a new constitution for the country, the socialists had little strength, and a new provisional government set up by this body proceeded to abolish the workshops. The socialistic populace of the capital rose in rebellion, and there ensued (June 23-26) some days of the most fearful street fighting Paris has ever witnessed. But the government was triumphant, and the ground which the socialists had gained was completely lost. Moved by the fear that should the socialists acquire the upper hand they would abolish property in land, the great mass of rural proprietors throughout the country refused, as their descendants largely refuse still, to lend their support to the socialist propaganda, and throughout the ensuing decades socialism in France continued both to be confined almost wholly to the industrial and floating population of the towns, principally Paris, and to be incapable of materially influencing either the political or the industrial development of the country. The most enterprising of the leaders of the working-classes were in exile or otherwise inactive;[2] the spirit of the remaining ones was broken; while the false prosperity of the Second Empire served to relieve some of the most urgent of the workingmen's grievances.[3]

Socialist Beginnings in England: Robert Owen. The history of socialism in France in the first half of the nineteenth century is replete with thinkers, experimenters, movements, schools, and programs. That of English socialism in the same period is the story, rather, of the career of one man, the manufacturer-philanthropist, Robert Owen (1771-1858). It is much less eventful, although to those who look beneath the surface of social phenomena not less interesting. There were in England virtually no manifestations of socialistic thought prior to the close

[1] The most noteworthy account of it is given in E. Thomas, *Histoire des ateliers nationaux* (Paris, 1848), reprinted in J. A. R. Marriott, *The French Revolution of 1848 in its Economic Aspect* (Oxford, 1913), II. Thomas was the director of the workshops.

[2] Louis Blanc fled in 1848 to Belgium, thence to England, where he lived until the overthrow of Napoleon III in 1870. From 1870 until his death, in 1882, he again lived in France.

[3] The history of socialism in France is resumed in Chap. XXIII.

of the Napoleonic wars. Mention has been made of a school of English radicals which flourished in the last quarter of the eighteenth century. But the radicalism of this earlier time was concerned principally with the question of parliamentary reform and not at all with questions relating to the redistribution of property or the absorption of social functions by the state. And, as has been pointed out, during the Revolutionary and Napoleonic epoch even this milder form of radicalism largely died out or was driven under cover. The conditions making for social unrest and for the revival of radicalism after 1815 have been described elsewhere.[1] In England, as was coming to be true in France, the gap between the proletariat and the middle class was widening. The worker had no voice in government, national or local. He had no fixed interest in the soil. He had little education, or none. His hours of work were long, his wages were miserably low, his everyday conditions of life were wretched. He was likely to be treated with disdain, suspicion, and even brutality by his employer, and until 1824 he was forbidden to combine with his fellows for purposes of mutual advantage. Labour was blind, unorganised, unable to find expression except through riots and the furtive demolition of the hated new machinery. It was the helpless victim of the new industrial plutocracy; while pauperism was fast becoming a national institution.

There were, of course, capitalists who were sufficiently keen to perceive the social and national dangers of the situation and sufficiently humane to undertake in some limited way the mitigation of the evils which lay behind these dangers. One such was Owen, who in his effort to work out the principles of social amelioration became clearly the founder of English socialism. Owen was a Welshman who at the early age of nineteen was made manager of a cotton mill at Manchester, the first English factory in which American cotton was used. Under his supervision the establishment, employing some five hundred persons, became one of the best conducted in the country. In 1800 he settled at New Lanark, on the Clyde, in Scotland, as manager and part owner of cotton mills employing more than two thousand men, women, and children. Here he put his ideas into practice upon a grander scale and in a few years transformed a degenerate and wretched population into a community of healthy, industrious, and contented men

[1] See p. 246.

and women reputed throughout Europe and visited by reformers from many distant countries. This he did by improving the conditions of sanitation in his mills, reconstructing his workmen's houses, raising wages, reducing the hours of labour, and founding primary schools.[1]

Owenism and Chartism. In 1813 Owen published the first of four essays entitled *A New View of Society,* in which were set forth the principles upon which his philanthropies were based.[2] The fundamental consideration was that human character is the product mainly of environment and that the supreme object of philanthropy and of government should be the placing of men under the proper kind of influences, physical, moral, and social, especially in the years of childhood and youth. On the more purely economic side he maintained that the development of machine production (which, of itself, he enthusiastically approved), when organised entirely for private profit, must mean invariably the poverty and degradation of the working-class, and that, accordingly, some corrective upon this tendency must be applied. Being invited, in 1817, by a committee of the House of Commons which was investigating the operation of the poor law to communicate his views concerning the causes and remedies of social misery, he seized the opportunity to propound the mode of relief which he had thought out, namely, co-operation. Like Fourier at a later time, he advocated the organisation of men in groups which should own and use in common all the instrumentalities of production necessary for the welfare of the members of the group. The ideal group, or community, should consist of from five hundred to three thousand people, settled on a tract of land containing a thousand or fifteen hundred acres. All of the members of the community should live in one large quadrangular building, with public kitchen and mess-room, and with separate apartments for each family. The community should be mainly agricultural, but should carry on a variety of occupations so as to be as nearly as possible self-sufficing. It should avail itself of the latest and best inventions, but without yielding to the factory *system,* and it should unite the advantages of country and town life. Such communities, or "townships," might be established by private individuals, by parishes, by counties, or by the state; and as they should be in-

[1] Gide and Rist, *History of Economic Doctrines,* 235-245.
[2] Podmore, *Robert Owen,* I, 102-125.

creased unions of them should be formed, in circles of tens, hundreds, and thousands, until the whole kingdom, and for that matter the whole world, should be embraced in the system.

From 1817 onwards Owen advocated his co-operative scheme in numerous pamphlets and tracts and appealed repeatedly to monarchs to inaugurate in their dominions experiments based upon the co-operative principle. In England his ideas were received with a good deal of favour, even among men of wealth and influence, and had he not injudiciously gone out of his way in a public address in London to declare his hostility to the accepted forms of religion, thereby affronting the sober sentiment of the country, he might well have found himself in a position to put his ideas in operation upon a considerable scale. As it was, the first attempt of this sort which was made, at Orbiston, near Glasgow, failed completely, as did also the experiment which Owen at the same time conducted in person at New Harmony, Indiana.[1] Later attempts, both in Great Britain and in America, were similarly unsuccessful. In the propaganda which, after his return from America, he carried on from London [2] secularism and socialism were combined, greatly to the disadvantage of the latter. In 1835 he projected an Association of All Classes of All Nations, in whose discussions, as has been mentioned, the term "socialism" makes its first appearance. The one important aspect of Owen's teaching which proved enduring was his idea of co-operation, and it is from Owen's writings upon this subject that numerous co-operative enterprises throughout the English-speaking world to-day largely draw their inspiration. But it is not to be overlooked that he was the founder of infant schools in England, that he was the first to introduce reasonably short hours in factory labour, and that he zealously promoted factory legislation and poor-law reform when to do so meant to run sharply counter to the spirit of the time. It is unjust to measure the work of a pioneer by its immediate and tangible results.

The England of the early Victorian era continued to be a theater of active social agitation. The country at the time, as a recent writer has remarked, was like a discontented giant, conscious generally of vast injustice, but utterly unable to decide on a

[1] Podmore, *Robert Owen*, I, 285-346; G. B. Lockwood, *The New Harmony Movement* (New York, 1905).

[2] He had severed connection with New Lanark in 1828.

remedy.[1] There was a vast fund of humanitarian energy, combined with a singular lack of common purposes, among the humanitarians themselves. By admitting the middle class more generally to the parliamentary franchise the Reform Act of 1832 had accentuated the differences between this class and the proletariat, and during a period of some twenty years the most persistent reform movement was that to which is applied the name Chartism, centering about the issue of farther parliamentary democratisation. As has been explained elsewhere, however, the Chartist movement was haphazard and the Chartist program was chaotic. Outside of the "six points" of the Charter, the adherents of the movement were hopelessly disagreed, and should all of the demands of the Charter have been attained few, if any, of the Chartists would have been satisfied.

The Christian Socialists. Chartism was not socialism; although individual Chartists anticipated Marx by denouncing an economic system under which the surplus product of industry goes to the capitalist, and although, furthermore, it was the failure of the Chartist demonstration of April, 1848, that served to bring to the surface the movement to which is applied the term Christian Socialism. The founder of Christian Socialism was Frederick Denison Maurice, with whom were prominently associated Charles Kingsley, Thomas Hughes, and the economist John M. Ludlow. These and other men revolted against the easy-going *laissez-faire* principles of the majority of the economists and urged that it was the logical and necessary duty of the state to protect its citizens against industrial exploitation quite as assiduously as it protected them against attack from foreign foes. The economic doctrines of Cobden and Bright were pronounced by Kingsley "the worst of all narrow, hypocritical, anarchic, and atheistic social philosophies." The application of Scriptural teaching to social problems, it was maintained, would lead to conclusions very similar to those which had been derived by Owen from practical experience as a business man, and every effort was made to demonstrate that Owen's secularism had no necessary connection with socialist theory or practice. A newspaper, *The Christian Socialist*, was established in London, and in the pulpit, on the platform, through the press, and in books (including Kingsley's novels, *Yeast* and *Alton Locke*), the various representatives

[1] Villiers, *The Socialist Movement in England*, 49.

of the movement attacked the competitive system and argued that socialism, rightly understood, was only Christianity applied to the practical problems of social reform.

The Christian Socialists displayed small constructive and organising ability, and the only immediate result of their agitation was the reinforcement of the co-operative movement which the Rochdale pioneers, under the influence of Owenism, had inaugurated in the north of England in 1844. Of the two score co-operative societies which owed their origin to this dual source, not one was permanently successful None the less, later organisations having for their purpose the promotion of the distribution of goods through co-operative stores have been maintained in considerable numbers to the present day. The principal contribution of the Christian Socialist group lay, however, not on the side of organisation, but rather in the matter of influence upon the mental attitude of Englishmen toward socialism. It was they who overcame for all time in England that hostility between radicalism in politics and the established tenets of religion which, to the great disadvantage of both, has been almost universal on the continent.

The third quarter of the nineteenth century was a period in which socialism as such was not much in evidence in England. Indeed, radicalism in general was at a low ebb. Owenism was practically extinct. The Chartist movement had died out. The free-trade agitators had accomplished their purpose, and likewise the slave emancipationists and, in large measure at least, the prison reformers. Christian Socialism had become attenuated almost to the point of disappearance. Utopianism was in disfavour; idealism had given way to opportunism; even the trade unions prided themselves upon their economic orthodoxy. The working-classes generally accepted the existing order of things and were content to improve in various ways their immediate circumstances. Labour was steadily becoming more compactly organised, but the new organisations took as their principal aim the maintenance of standard rates of wages under existing capitalistic conditions, not the inauguration of a new labour régime based upon socialist or other radical doctrine. This extension of labour organisation, however, was destined to be of very great consequence. Through the trade unions, old and new, the labouring masses were acquiring larger means of co-operative effort. And if the temper of the various organisations was not yet con-

spicuously radical, there was a fair chance of its becoming so. In any event, the mere fact of organisation tended strongly to promote the spread of radical doctrine. "Hitherto," as one writer has observed, "the people had ideals without organisation; now they were creating organisations whose chief defect was a lack of ideals." But the day was approaching when organisation and ideals would be brought into conjunction; and that day was destined to mark the opening of a new and more pretentious chapter in the history of English socialism.

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CHAPTER XXII

SOCIALISM IN POLITICS—GERMANY

Early German Socialism: Rodbertus. The socialism of the first half of the nineteenth century was almost exclusively French or English. After the revolutions of 1848, however, the theater of socialist speculation shifted to Germany, and during the prolonged lull of socialist agitation coincident in France with the Second Empire and in England with the formative epoch of trade-unionism, socialist discussion took on, eastward of the Rhine, the remarkable vigour and effectiveness which it has displayed to our own day. There were, of course, scattered manifestations of socialistic thought in Germany before 1850. In his *Der geschlossene Handelsstaat* ("The Closed, or Isolated, Trading State"), published in 1800, the philosopher Fichte advocated state regulation of the production and distribution of goods, although there is no evidence that the proposal was received with interest. In 1842 there appeared also in Germany a socialistic book which to this day occupies an honoured place in the literature of the subject. This is Wilhelm Weitling's *Garantien der Harmonie und Freiheit* ("Guaranties of Harmony and Liberty").[1] Weitling (1808-71) was a representative of the proletariat, a tailor of Magdeburg, who eventually migrated to America and devoted himself to socialistic writing and agitation. The burden of his *Garantien* is that property is the root of all evil and that work-people have a right "to be free as the birds of the air."

By curious coincidence, another important socialistic work was published in the year in which Weitling's book appeared. This is *Zur Erkenntniss unserer Staatswirthschaftlichen Zustände* ("Recognition of Our Economic Condition"), by Karl Johann Rodbertus. Rodbertus was a Prussian landowner who devoted his life chiefly to economic and other studies. He has been termed an enigma, because while his inheritance and environment were essentially aristocratic, and while he disliked revolution and even

[1] A jubilee edition of this book was published at Berlin in 1908.

agitation, he was nevertheless a socialist, and, indeed, is by some regarded as the founder of scientific socialism. He wrote several books in addition to the one mentioned, but without shifting the ground which he originally had taken. The socialism which he advocated was to be established on national lines, and while he conceded its feasibility under a republican form of government, he was in sympathy with the monarchic constitution of his own country and desired its perpetuation. Socialism, in the thought of Rodbertus, was, likewise, to be attained gradually, and not only by peaceful, but by legal, means. Landholders and capitalists should be left in full possession of their present share of the national income; but, to secure to the workers the benefit of the increase of production, the state should fix the length of the working day, the amount of work to be accomplished in a day, and a legal wage, which should be raised from time to time to keep pace with the increase of production. By thus continuously correcting the evils of competition the state, it was maintained, would bring about, as rapidly as was consistent with the interests of all concerned, the transition to the socialist régime. State management of production and distribution was to be expanded until at last complete and universal socialism should be attained.[1]

Marx and Engels. For the real founders of the systematic, practical, militant German socialism of the later decades one must look, rather, to Karl Marx (1818-83), Friedrich Engels (1820-95), and Ferdinand Lassalle (1825-64). Marx, whose name is the most eminent in the history of the entire socialist movement, was a gifted and highly educated politician and journalist of Jewish extraction. Becoming editor of the *Rheinische Zeitung* in 1842, he busied himself with uncompromising attacks upon the reactionary government of Frederick William IV, until, in 1843, the sheet was suppressed. Going to Paris, he continued his study of economic subjects, mingling the while with the French socialists, including Proudhon, and with radical exiles from his own country. It was in Paris, too, that he met Engels and entered into a friendship and intellectual partnership with him which lasted almost forty years. Engels was the son of a manufacturer of Barmen. After sojourning at Manchester and Paris, he had become an

[1] Gide and Rist, *History of Economic Doctrines*, 415-432; E. C. K. Gonner, *The Social Philosophy of Rodbertus* (London, 1899); H. von Dietzel, *Karl Rodbertus: Darstellung seines Lebens und seiner Lehre* (Jena, 1886-88).

ardent champion of socialist doctrine. In 1845, the year in which Engels published his startling book upon the condition of the working class in England,[1] Marx was expelled from France. He went to Brussels, and there in 1847 he and Engels joined in the promulgation of a Manifesto of the Communist party, a document which, translated into most of the tongues of the civilised world, remains to-day the classic statement of modern revolutionary socialism. The Manifesto was prepared in connection with a meeting of the Communist League, an international communistic society which had established itself in London and had sought the co-operation of Marx and Engels. Although put forth as a *communist* instrument, the Manifesto was strictly socialistic. It demanded, among other things, the abolition of property in land and the application of all rents of land to public purposes, centralisation of the means of communication and transport in the hands of the state, the extension of factories and other instruments of production owned by the state, and free education for all children in public schools. "The communists scorn," declared the authors in closing their spirited pronouncement, "to conceal their views and purposes. They declare openly that their aims can be attained only by a violent overthrow of the existing social order. Let the ruling classes tremble before a social revolution. The proletarians have nothing to lose except their chains. They have a world to gain. Workingmen of all lands, unite!" [2]

The revolutionary year 1848 saw Marx again in Germany, where, with Engels and other friends, he founded the *Neue Rheinische Zeitung* and began to advocate warmly in its columns the cause of the workingman. The failure of the revolution and the setting in of reaction enabled the government, in 1849, to suppress the new journal as it had suppressed the old one. Marx was banished from the country, and thenceforth he lived in London, elaborating his economic views and putting them before the world in final form. In 1850 he published his *Zur Kritik der politischen Oekonomie* ("Critique of Political Economy"), and in 1867 the first volume of his monumental work *Das Kapital*,[3] a book which

[1] *Die Lage der arbeitenden Klassen in England*, trans. by F. Wischnewetsky as *The Condition of the Working Class in England in 1844* (London, 1892).

[2] C. J. Bullock, *Selected Readings in Economics* (Boston, 1907), 668-681; J. Spargo, *Socialism* (New York, 1906), 46-63; C. Andler, *Le manifeste communiste, introduction et commentaire* (Paris, 1901).

[3] This volume dealt with "the process of capital production." The second

deservedly has been termed the Bible of the German social democracy.

The Marxist Doctrine. Marx was primarily an economist—one of the most widely influential economists, indeed, of any age or country. It has been remarked with truth that "as Maurice, by identifying socialism with the ethics of Christianity, compelled the Church to consider the subject seriously, so Rodbertus and Marx compelled the attention of economists."[1] The fundamental economic teaching of Marx and the Marxian school is that labour is the source of all value; and the principal defect found in the existing order is the circumstance that, as is alleged, after the labourer has been paid a wage barely adequate for the subsistence of himself and his family, the surplus produce of his labour is inevitably appropriated by his exploiter, the capitalist employer. These ideas were in no sense original with Marx, but it was he who worked them out and expounded them most logically and completely. The necessary effect of capitalism, Marx insisted, is to divide men into two great classes—the capitalist class, monopolising the control of industry and enriching itself therefrom, and the wage-earning class, or proletariat, nominally free, but divorced from land and capital, dependent upon wages, and subject to the arbitrary exploitation of the capitalists. The situation which results is intolerable, and it will not forever endure. Capitalism, indeed, far from being the final principle of economic organisation, is only one stage in human development, to be outgrown, and to be replaced by socialism. The mode of transition is to be economic revolution, brought about, however, in accordance with the natural laws of social evolution.

The principal feature of this economic revolution is to be the socialisation of the means of production, which is to be accomplished by the seizure of political power by the proletariat and the transformation of the instrumentalities of production into social property. When this shall have been achieved the state, hitherto an instrument for holding the producing class in subjugation, will become superfluous and will disappear. Government thereafter will consist simply in the control of industrial processes. Such was, in Marx's judgment, the certain course of social de-

and third volumes, completing the work, were left unfinished at Marx's death. They were edited and published by Engels.

[1] Villiers, *Socialist Movement in England*, 85.

velopment. Circumstances might slow up the process but could not permanently divert or wholly stop it. The advent of socialism was but a matter of time, and the obligation of governments and of men everywhere was to promote and not impede its coming. Without further delay a beginning should be made, in a state situated as was Prussia, by the establishment of republican government, the payment of members of the national parliament, the conversion of "princely and other feudal holdings" into state property, the monopolisation of transportation by the state, provision for universal and free education, and state guaranty to all working-people of employment and of care for the incapable.

Lassalle and the Universal German Workingman's Association. Rodbertus, Engels, and Marx equipped German socialism with ideas; Ferdinand Lassalle (1825-64) was the first to seek to give it the character of an organised movement.[1] Lassalle was a brilliant, fiery, romantic, and somewhat erratic politician, student, and reformer. His career was meteoric, being cut short by a duel inspired by a love affair, and he had not an opportunity to bring to bear upon the social phenomena of his day that breadth of observation and maturity of judgment which were possessed by Saint-Simon, Owen, Rodbertus, and Marx. The immensity of the impress which he left upon social thought, however, is demonstrated by the fact that the spirit of German social democracy became rather Lassallian than Marxian.

Turning from the business pursuits for which his father intended him, Lassalle in early years won laurels as a student at Breslau and Berlin. His family was well-to-do, and he was himself a person of highly fashionable, and even luxurious, habits. At the universities which he attended, however, he imbibed democratic ideas, which fast ripened into burning convictions. In 1848 his sympathies were with the revolutionists in the various countries of central Europe, and on the charge of inciting to riot a band of Düsseldorf workingmen he was for a time kept in prison. During thirteen years thereafter he had no notable part in affairs. But in 1861 he published a book, *System der erworbenen Rechte* ("System of Acquired Rights"), which the jurist Savigny pronounced the ablest legal work written since the six-

[1] "Lassalle," declared Wilhelm Liebknecht in a Social Democratic congress at Breslau some years ago, "is the man in whom the modern organised German labour movement had its origin."

teenth century; and in the following year he definitely entered upon his socialistic propaganda. The task to which he addressed himself was stupendous. For he was not content merely to write and to speak. His purpose was to arouse the workingmen of Germany and to induce them to unite in the cause of social regeneration. The German working-class was proverbially apathetic. The revolutionary movements of 1848 were essentially middle-class efforts, and it had been supposed that, whatever might be possible in France and England, the proletariat east of the Rhine could not be stirred. The assumption was not without foundation. But Lassalle, in the space of less than three years, proved that the obstacles to be overcome were not insuperable.

Lassalle wrote, and wrote voluminously. In the brief period mentioned he became the author of a score of publications, chiefly speeches and pamphlets, but including at least one considerable treatise. To the body of socialistic thought he contributed, however, little that was new. His economic theories came direct from Rodbertus and Marx, and his service to his cause lay largely in his popularisation of the abstruse and forbidding work of these and others of his great contemporaries. His speeches and writings have been termed "eloquent sermons on texts taken from Marx." [1] For the real starting point in his teaching he resorted, however, to England, taking the dismal Ricardian law of wages and, having styled it the "iron law of wages," explaining simply and forcefully to the working-people how the operation of this law kept them perpetually at the lowest level of subsistence and assuring them that the law could be overcome only by the complete abolition of the wage system. The measure which he advocated for immediate adoption was the establishment of co-operative associations for production, to be subsidised by the state—a plan obviously similar to, if not copied from, that which Louis Blanc had propounded in France. Lassalle could not have considered this proposal adequate to solve the labour problem, but it had the merit of affording a not too impracticable basis upon which to build a labour party. For, as has been said, Lassalle's supreme aim was the organisation of labour, and upon political lines. His principal piece of writing of later years was his treatise in refutation of the contention of the founder of the German co-operative movement, Schulze-Delitzsch, that labour should keep out of

[1] Ely, *French and German Socialism*, 191.

politics and devote itself to economic activities exclusively.[1] In this matter he parted company with Rodbertus, and, for the time at least, with Marx also. In common with other radicals, he refused to be whipped into line by the newly formed *Fortschrittler,* or Progressive, party (an offshoot of the National Liberal party), because even it was not sufficiently unreserved in its antagonism to existing political arrangements. Economic justice for the workingman was to be won by political action, first of all by compelling the establishment of universal suffrage; but such action must be undertaken by the workingmen themselves, organised in a party of their own.

On May 23, 1863, there was founded at Leipzig the *Allgemeiner Deutscher Arbeitsverein,* or Universal German Workingman's Association, which was intended to be developed into a great national party of the sort desired. Lassalle was its founder and president, and it fell to him not only to administer its affairs but also to defend it against its critics, including the government, and to carry on, especially in the great industrial centers of the Rhine country, a campaign of explanation and solicitation in its behalf. The one avowed object was the attainment of direct and equal universal suffrage, as "the only means of securing a sufficient representation of the social interests of the German working-class and a real removal of class antagonisms in society." Recruits came slowly, and the organisation was as yet too weak to have attracted general attention when, suddenly, the work of its one able propagandist was cut off by the duel of August 28, 1864. Lassalle died on August 31. Within four weeks a new and more ambitious socialist organisation was brought into existence in London which for a time threatened to draw all the forces of radicalism in western Europe into one great channel. This was Marx's *Internationale Arbeiter-association,* or International Workingman's Association. At the time, Lassalle's society counted hardly more than forty-six hundred members. The future, however, lay with it, rather than with the International.

The International Workingman's Association. The object

[1] This was the *Bastiat-Schulze,* so named because in the treatise Lassalle charged Schulze with being the mere populariser of the orthodox political economy of the French writer Bastiat. A better exposition of Lassalle's views is to be found in the lecture of 1862 entitled "The Workingmen's Programme; on the Special Connection of the Present Epoch of History with the Idea of the Working Class."

of the earlier socialists had been the establishment of self-sufficing regional associations of workingmen, organised in a free society, unassisted by the state, but working under a system of law giving them free play.[1] Later, the active assistance of the state had been demanded, as by Blanc and Lassalle, and the contemplated socialistic organisation was made to rest upon a basis which was national rather than local. Finally, there was the attempt of Marx and his disciples to make socialism international and cosmopolitan. In the matter of formal organisation this last attempt failed, but with respect to the spirit and morale of the movement it was, in time, measurably successful. The agency of the Marxian experiment was the International.[2] The formation of this organisation was an outgrowth of the visits of French and other foreign workingmen to London at the time of the International Exhibition of 1852 and in the two succeeding years. A great public meeting of workingmen of all nations was held in St. Martin's Hall, London, in September, 1864, and it was there that the decision was reached to found and maintain a permanent international organisation. The constitution of the association was drafted by Marx, in behalf of a committee of fifty appointed for the purpose.[3] Not unnaturally, the instrument bears a good deal of resemblance to the Communist Manifesto of 1847. It is affirmed that the emancipation of the working-classes must be accomplished by the working-classes themselves; that this emancipation is the great object to which every political movement must be subordinated; that exertions toward the desired end have failed hitherto because of the lack of solidarity of the various branches of labour in individual countries and the lack of unity between the labouring classes of different countries; that the emancipation of labour is neither a local nor a national, but a social, problem, which embraces all countries in which modern society exists; and, finally,

[1] Kirkaldy, *Economics and Syndicalism*, 71.

[2] It is not to be overlooked that the Communist League, under whose commission Marx and Engels drew up the Communist Manifesto of 1847, may very properly be regarded as historically the first of international organisations of a socialistic character. See p. 487.

[3] It is of interest to observe that the task was first committed to the Italian patriot Mazzini. His proposals proved unsatisfactory to the French and the Germans, and Marx was employed in his stead. It was a matter of no small difficulty to formulate any statement which would be acceptable equally to the English trade unionists, the disciples of Proudhon, the followers of Blanc, the Lassallians, and the revolutionaries of Italy and Spain, who were present at the congress.

that it is the duty of man to demand the rights of a man and a citizen, not only for himself, but for every person who does his duty. "No rights," it is urged, "without duties, no duties without rights." Plans formulated for the work of the new society were comprehensive. Elaborate machinery was created, with a president, a treasurer, and a general secretary, who were to be Englishmen, and a council composed of representatives of the labourers of the various nations. An international congress was to be held every year, and workingmen of the several countries were to be encouraged to unite in compact national associations.

From first to last the organisation was dominated continuously by Marx. The general congress which was announced to be held in Brussels in 1865 was prevented from convening by the Belgian government, and the first meeting of the kind after that in London for the purpose of organisation was held in Geneva in 1866, with sixty delegates present. Thereafter, until 1873, meetings were held annually in various cities. They afforded opportunity for the discussion and amplification of the Marxist doctrines, for reassertions of the unity of the workingmen's cause, and for presentation of reports of labour conditions in various places. The meetings were all substantially of the same character. The joining of the association, in 1869, by Bakunin, with a following of anarchists bent on the overturning of all existing institutions, marked the beginning of the end. The Marxist majority from the outset found itself in disagreement with the new element, and at the congress at The Hague in 1872 the anarchists were expelled. At the same time the seat of the Association's council was removed to New York, practically as a mode of permitting the organisation to perish obscurely. A final congress was held at Geneva in 1873, after which the association disappeared completely. Bakunin's wing of it, renamed the International Alliance of Social Democracy, suffered from the suppression of the communal uprisings in southern Spain in 1873 and finally broke up in 1879.

Throughout its history the International was feared by the governing powers of Europe far beyond the degree warranted by the actual strength of the organisation. The association's only asset was the idea of international solidarity, and for the exploitation of this idea the times were not ripe. Discredit was brought upon the organisation, in particular, by the revolt incident to the Paris Commune of 1871, which it did not instigate. as was charged, but

which it publicly approved; also, of course, by the vagaries and plottings of its anarchistic contingent. Practically, the International served the cause of socialism in three principal ways: first, by bringing together the leaders of the younger generation, those who in their respective countries were to make socialism a political and national force; second, by emancipating socialism, throughout the larger part of Europe, from the incubus of anarchism; and third, by bringing the more speculative and revolutionary socialists of continental countries into contact with the more moderate and practical socialism of Great Britain, which at the time was found principally in the ranks of the trade unions and was directing its attention to immediate and practical questions such as the reduction of the hours of labour, the inspection of factories, and the farther restriction of the labour of women and children.

At no time had the International accomplished more than a superficial unification of the socialist forces of the countries represented in its congresses, and after the break-up of the organisation the socialist movement proceeded in the several countries independently. Only near the end of the century did a new International appear, with purposes analogous to those of the old and with methods better suited to the character of the times. Down to the World War, however, this organisation had comparatively little influence; and for our purposes it will be best to take account, rather, of the fortunes of socialism in the principal west-European countries individually.

Rival Socialist Organisations: the Social Democratic Party (1869). The land in which socialism acquired its greatest strength to 1914 was Germany. The reason is to be found, at least in part, in the historical fact that in that country the middle class never became dominant as it did in France and England, and that this class, as the Social Democrats freely charge, never led the liberal forces of the country against autocratic and aristocratic reaction with any degree of courage or determination. It was in the period of the revolutions of 1848 that this deficiency of the middle class was first noted and resented by the working-people, and it was then that there was created the gulf between the two classes which persists largely at the present day. Rebuffed by the bourgeois parties, and most forcefully of all by the Liberals, the workingmen stood ready to be organised independently. This, as socialism took on more of a political character, meant the formation of German

socialist parties, and ultimately the creation of one great party of the sort. And when the constitution of the North German Confederation, and of the succeeding Empire, established the principle of manhood suffrage in parliamentary elections, this separate party became, as will be pointed out, a growing power in the state. Despite all of the efforts that have been made to organise the workers of England, France, and other countries in separate political parties, the vast majority of them still adhere to the parties which are essentially bourgeois, or middle-class. In Germany the situation is otherwise. There the majority give their allegiance to socialism, at least to the extent of voting for socialist party candidates.

For some years after the death of Lassalle the Universal German Workingman's Association had a troubled history. Its members were without experience in common action, and until, in 1867, the lawyer Jean Baptiste von Schweitzer was elected president, it was without capable leadership. Even thereafter it tended strongly to become rather a petty clique than the political party which it was designed to be. From the first it had failed to enlist the support of the workingmen generally, and it became manifest that it never would do so. Such strength as it had lay chiefly in the north. In the south, and eventually elsewhere, large numbers of workingmen's unions, designated *Arbeiterbildungsvereine* ("workmen's educative associations") were organised after about 1860, and in 1864 Marx commissioned one of his ablest disciples, Wilhelm Liebknecht, to repair to south Germany and there promote the formation of these societies upon purely Marxian lines.

Liebknecht was a scholar, a revolutionist of 1848, and a refugee long resident, in association with Marx, in England. Very early in his new work he fell in with August Bebel, with whom he established a comradeship which was broken only by Liebknecht's death in 1900. Bebel was a workingman, who, being left an orphan at an early age, had been educated in charity schools and who, after taking up the turner's trade, had spared no effort to extend the range of his information. He was a person of attractive manners, forceful personality, and intense convictions, a man well fitted for the leadership which in time fell to him. Already when he met Liebknecht he was chairman of a number of local workingmen's societies and was fast advancing from the position of a mere radical to that of a thoroughgoing socialist. Contact with

Liebknecht completed the transformation, and under the joint influence of the two men the workmen's educative societies, which had been established on the basis of the co-operative program of Schulze-Delitzsch, dropped their earlier character and became frankly socialistic. The principles which they accepted were those of Marx, and were not wholly in accord with those which were being propounded by the Universal Workingman's Association under its new leaders. In 1865 the educative societies held a congress at Stuttgart, in 1866 another at Chemnitz, and in 1868 another at Nuremberg (where for the first time allegiance to the principles of the International was proclaimed); and finally, in 1869, at the congress held at Eisenach a new and more compact organisation was formed, known as the Social Democratic Workingman's Party. The program which was promulgated announced the party's first object to be the attainment of a "free state," political freedom being the necessary antecedent of economic freedom. Specific and immediate demands included equal and direct manhood suffrage, the secret ballot, the abolition of all privileges of birth, wealth, or religion, the separation of church and state, the secularisation of education, freedom of speech and the press, the establishment of a normal working day, the abolition of child labour, the suppression of indirect taxes, and the extension of state credit for co-operative enterprises.

The Union of Socialist Forces. For a number of years the Lassallian Workingman's Association and the Social Democratic party continued to be rivals, and even enemies. The membership of the one was principally in Prussia, that of the other in Saxony and adjoining states of the south. Both groups were represented in the Bundestag of the North German Confederation, there being in that body at its first assembling in 1867 no fewer than eight socialist deputies. Socialist agitation was for a time submerged by the flood of patriotic enthusiasm incident to the Franco-German war, and in 1871 the Social Democrats injured their position by adopting, in their congress at Dresden, resolutions extolling the Paris Commune. At the first general election following the establishment of the Empire, in 1871, the socialists of all groups cast only 102,000 votes and returned to the Reichstag only two members. Growth thereafter, however, was rapid, and at the election of 1874 351,952 socialist votes were cast, and nine members were elected.

In the meantime strong desire had arisen for an amalgamation of the discordant socialist forces of the Empire. In all quarters socialist agitation was being met by the imprisonment of leaders, the suppression of newspapers and organisations, and other activities of the police, and the need of presenting a solid front had become imperative. The retirement of Schweitzer, in 1871, from the presidency of the Workingman's Association removed a principal obstacle to union, and the movement progressed until in 1875, at the congress of Gotha, it culminated in the complete and amicable amalgamation of the two hitherto warring parties. The new organisation kept the name of the Social Democratic Party, which it bears to this day; although the party regards as its natal day May 23, 1863, the date of the founding of Lasalle's Association, and celebrates its anniversaries accordingly. Under the pressure of practical difficulties recollection of old rivalries and animosities fast faded out. At the time of the union the Lassallian group had 15,000 members and the Liebknecht-Bebel group only 9,000. None the less it was Liebknecht and Bebel who took up the leadership of the consolidated party, and the principles and policies of the party were from the outset thoroughly Marxist. The program promulgated at Gotha remained for sixteen years—or until the Erfurt program was drawn up in 1891—the party's official statement of doctrine and policy.[1]

The Era of Attempted Repression, 1878-90. The fusion of 1875 marked the beginning of a new epoch of socialist agitation and growth, and at the general election of 1877 the party polled 493,288 votes and returned twelve members to the Reichstag. Among the dozen or more parties and factions now contending for power in the Empire the socialists ranked fifth in number of members elected. In official circles—notably by the Emperor William I and his Chancellor, Bismarck—the triumphs of the movement were viewed with alarm, as indeed they were by the ruling, landholding, and professional classes generally. It was notorious that in the felicitations attending the establishment of the Empire the socialists had shared but grudgingly, and as most of the great projects of the Imperial government continued to be ridiculed and resisted in socialist quarters the conviction deepened that the radicals not only were opposed to the entire existing

[1] The text of this document is printed, in English, in Kirkup, *History of Socialism*, Appendix.

order, economic and political, but were willing even to betray the interests of their country for the promotion of their mistaken cause. In 1878 two attempts upon the life of the Emperor, made by men who were socialists, although the acts were disavowed by the socialists as a party, afforded the authorities the desired opportunity to enter upon a more systematic and vigorous campaign of suppression than had as yet been undertaken.

The policy which Bismarck brought to bear was two-fold: (1) relentless repression of socialist agitation, and (2) legislation for the amelioration of those conditions in consequence of which the working-classes were induced to lend socialism their support. At the elections which were held, in 1878, while the anti-socialist reaction was at its height the Social Democrats polled but 437,158 votes, and the new parliament was influenced to enact, in October, 1878, a measure of remarkable severity, intended to stamp out every trace of socialist propaganda.[1] All socialist societies were ordered to be disbanded; labour organisations were subjected to rigid police supervision; socialist meetings were prohibited; socialist newspapers were suppressed; the circulation of socialist literature was made a penal offence; and every sort of effort to propagate socialist doctrine was made punishable by fines and imprisonment. Martial law might be proclaimed where deemed expedient, and the decree of a police official practically sufficed to expel from the Empire any person accused or suspected of being a socialist. This law, biennially renewed, continued in operation until 1890, and during most of the period it was vigorously enforced. Contemporaneously with the effort to annihilate organised socialism, the government busied itself with a program of social reform, which, partaking strongly of the character of state socialism, was calculated to cut the ground from under the Social Democratic forces, or, as one writer has put it, "to cure the Empire of socialism by inoculation." The most important steps taken in this direction comprised the inauguration of various schemes of social insurance—sickness insurance in 1883, accident insurance in 1884, and old-age and invalidity insurance in 1889—described elsewhere in this volume.[2] Closely related was the institution of state ownership of railways and of a state monopoly of tobacco.

[1] The measure bore the title "A Law Against the Publicly Dangerous Activities of the Social Democracy."

[2] Chap. XXIV.

For a time the measures of the government seemed to accomplish their purpose, and the official press loudly proclaimed that socialism in Germany was extinct. In reality, however, socialism thrived on persecution. From their places in the Reichstag, where not even Bismarck could silence them, Liebknecht and Bebel made continuous appeal to the nation in behalf of their persecuted compatriots. And in the hour of Bismarck's apparent triumph socialist agitation was being carried on covertly in every corner of the Empire. A party organ known as the *Sozial-demokrat* (the "Social Democrat") was established at Zürich in 1879, and every week thousands of copies of the sheet found their way across the border and were passed from hand to hand among determined readers and converts. A compact organisation was maintained, a treasury was established and kept well supplied, and with ample warrant the Social Democrats later averred that in no small degree they owed their superb organisation to the Bismarckian era of repression. In 1881, at the first election after the passing of the repressive law, the socialist vote sank to 312,000 and the deputation in the Reichstag to three. In 1884, however, the vote rose to 549,990 (9.7 per cent. of the total), and the party contingent in the Reichstag was increased to 24, including two of the six representatives of Berlin. In 1890 the popular vote attained the enormous figure of 1,427,298 (19.7 per cent. of the total), and the number of Social Democratic representatives was increased to 35. Repression was manifestly a failure, and in 1890 the Reichstag, with the sanction of the new emperor, William II, wisely declined to renew the persecuting statute. From their contest with Bismarck the socialists emerged with both popular and parliamentary strength increased three-fold. Numerically, the party was stronger than any other in the Empire.

Growth of the Social Democratic Vote after 1890. After 1890 the growth of the German Social Democracy was phenomenally rapid. In 1893 the adherents of the party cast a total of 1,876,738 votes and elected 44 representatives. In 1896 the popular vote rose to 3,008,000 (24 per cent. of the total, and larger than that of any other single party), and the quota in the Reichstag was increased to 81. In 1907 the popular vote was 3,258,968, but by reason of an unusual combination on the part of the political groups opposed to the Social Democrats the number of representatives elected fell to 43. At the elections of 1912, however, the

Social Democratic triumph was unexpectedly overwhelming. The popular vote was 4,238,919, in a total of 12,188,337, or 32 per cent.;[1] and the number of Social Democratic representatives rose to 110, in a total membership of 397. In Berlin, five of whose six seats were already occupied by Social Democrats, there was at this time a notable attempt to carry the sixth, or "palace," district, in which was situated the Kaiserhof, or Imperial residence. The effort failed, but by a scant margin of six votes. And when the new Reichstag was convened it was only by dexterous "log-rolling" on the part of the Clerical-Conservative *bloc* that the election of Bebel himself to the presidency of the chamber was averted. As it was, a socialist was elected first vice-president.

But for the antiquated basis of distribution of seats, the socialist contingent in the Reichstag would have become very much larger than it was. The electoral "circles," or districts, each of which returned one member, were laid out originally in such a manner that their population was substantially uniform (100,000). After 1871, however, there was no reapportionment until the World War, with the consequence that the constituencies came to vary enormously. The concentration of population in cities brought it about that the urban electoral areas were, as a rule, grossly under-represented and the rural areas grossly over-represented.[2] When it is considered that the strength of socialism lies normally in the cities, the effect of the unfair arrangement upon the socialist position in the Reichstag becomes obvious. There was steady demand for a redistribution of seats, but the government, shrinking from the increase of radicalism in the Reichstag which would inevitably ensue, remained inflexibly opposed. The situation in the kingdom of Prussia was substantially the same as in the Empire, save that there it was further complicated, and the socialist strength was more completely dissipated, by the notorious three-class electoral system. Aside from a few changes introduced in 1906, the districts from which the deputies to the Prussian Landtag were elected had not been readjusted to population since 1860. The socialist vote was, of course, heavy; yet not until

[1] The popular vote of other principal parties was as follows: Center, 2,012,990; National Liberals, 1,671,297; Radicals, 1,556,549; and Conservatives, 1,149,916.

[2] In conservative East Prussia the average number of voters in a district was 121,000; in socialist Berlin it was 345,000.

1908 did socialist deputies—and then only seven—appear in the Landtag.

Party Organisation and Activities. With respect to the actual condition of the Social Democracy in years immediately preceding the outbreak of war in 1914, the first thing to be observed is that the party which bore this name was very much smaller than might be inferred from the number of votes polled by its candidates. Strictly, the membership of the party included only those persons who paid party dues and obligated themselves to perform any service which the party might demand of them. In only six electoral districts in the Empire in 1909 did the membership reach thirty per cent. of the Social Democratic vote vast; and the total membership of the party in 1912 was but 970,112. Obviously, the party's parliamentary strength arose in large measure from the readiness of outside sympathisers to give more or less regular support to its candidates. The party has been pronounced the most perfect mechanism of its kind in the world. Its supreme governing body was a congress composed of six delegates from each electoral district of the Empire, the socialist members of the Reichstag, and the members of the party's executive committee. This congress convened annually in some important city to hear reports of committees, to discuss party policies, to administer party discipline, and to take action upon matters referred to it by local party organisations or by individual members. There was the utmost freedom of debate, but the decisions reached were expected to be complied with scrupulously and uncomplainingly. Between sessions the administrative work of the party was carried on by an executive committee of seven members, chosen by the congress and assisted by a staff of travelling secretaries. Locally, the membership was organised in branches, which held meetings, instructed the youth in the tenets of the party, and in every possible way advanced the party's interests in the community. The activities of the party were varied and untiring. In 1910 over 14,000 meetings were held, and over 33,000,000 circulars and 2,800,000 pamphlets were distributed.[1] At campaign time voters were interviewed in person, and no workingman, at all events, escaped the attention of the propagandist. The party press included seventy-five daily newspapers, with a circulation of 1,100,000 copies; *Vorwärts*, the central organ, with a daily

[1] Orth, *Socialism and Democracy in Europe*, 176.

circulation of 139,000;[1] the weekly *Die Neue Zeit,* with a circulation of 475,000; the humorous *Wahre Jacob,* with 250,000 weekly; and a propagandist paper for women, circulating 37,000 copies fortnightly. The party had two hundred central circulating libraries and three hundred and seventy-seven branches.[2]

The Erfurt Program, 1891. In its larger aspects, the organisation which the party had in 1914 was given it by the first annual congress convened after the discontinuance of the government's repressive policy, that held at Halle in 1890. The same gathering worked over, also, the party's program and set on foot a movement for the revision of the Gotha pronouncement of fifteen years earlier. The outcome was the adoption by the next congress, at Erfurt, in 1891, of a freshly drawn program, mainly Marxist in content and spirit, and with all traces of anarchistic influences eliminated; and with only slight modifications the Erfurt Program remained in 1914 the formal statement of the party's creed.[3] From time to time, as new issues arose, this instrument required interpretation or amplification by pronouncements of the annual congress. But it still contained the fundamentals.

The essential objects of the Social Democracy are set forth in the Erfurt Program as follows: "Nothing but the conversion of capitalistic private ownership of the means of production—the earth and its fruits, mines and quarries, raw materials, tools and machines, means of exchange—into social ownership, and the substitution of socialist production, carried on by and for society in the place of the present production of commodities of exchange, can effect such a revolution that, instead of the large industries and the steadily growing capacities of common production being, as hitherto, a source of misery and oppression to the classes whom they have despoiled, they may become a source of the highest well-

[1] This journal became the central organ of the party in 1890, succeeding the *Sozial-demokrat,* which, after being published for a time in London, had finally been discontinued. On the German party press see Collier, *Germany and the Germans from an American Point of View,* Chap. IV; A. Marvaud, *La presse politique allemande,* in *Questions Diplomatiques et Coloniales,* Mar. 16 and Apr. 1, 1910.

[2] The means and methods of Social Democratic propaganda are described fully in E. Milhaud, *La démocratie socialiste allemande* (Paris, 1903), 73-180.

[3] K. Kautsky, *Das Erfurter Programm* (8th ed., Stuttgart, 1907). An English version of the program is printed in Orth, *Socialism and Democracy in Europe,* 298-301. Compare the Election Address of the Social Democrats for the Reichstag elections of 1912, *ibid.,* 303-307.

being and of perfect harmony. This social transformation means the emancipation, not merely of the proletariat, but of the entire human race which suffers under the present conditions. But it can only be the work of the labouring class, because all other classes, in spite of their mutually conflicting interests, stand on the ground of private property in the means of production, and have as their common aim the maintenance of the bases of the existing society. The struggle of the working-class against capitalistic exploitation is of necessity a political struggle. The working-class cannot conduct its economic struggle, and cannot develop its economic organisation, without political rights. . . . To shape this struggle of the working-class into a conscious and united one, and to point out to it its inevitable goal, this is the task of the Social Democratic party. . . . The German Social Democrats are not, therefore, fighting for new class privileges and rights, but for the abolition of class government and even of classes themselves, and for universal equality in rights and duties, without distinction of sex or rank. Holding these views, they are fighting not merely against the exploitation and oppression of the wage-earners in the existing social order, but against every kind of exploitation and oppression, whether directed against class, party, sex, or race."

The more specific demands of the party, as set forth in the Program, may be enumerated as follows:

1. Universal, equal, and direct suffrage by ballot in all elections for all subjects of the Empire over twenty years of age, without distinction of sex; proportional representation; biennial elections to the Reichstag; payment of representatives.

2. Direct legislation by the people through the use of the right of initiative and veto; self-government by the people in Empire, state, province, and commune; an annual vote of taxes.

3. Universal military training; substitution of a militia for a standing army; decision of questions of peace and war by the Reichstag; settlement of all international disputes by arbitration.

4. Abolition of all laws restricting freedom of speech and the right of public assembly.

5. Abolition of all laws that put women, whether in a private or public capacity, at a disadvantage in comparison with men.

6. Declaration that religion is a private matter; discontinuance of all expenditure of public funds for ecclesiastical purposes.

7. Secularisation of education; compulsory attendance at public

schools; free education, free supply of educational apparatus, and free maintenance of children in schools and of such students in higher institutions as prove themselves fitted for higher education.

8. Free administration of the law by judges elected by the people; compensation of persons unjustly accused, imprisoned, or condemned; abolition of capital punishment.

9. Free medical treatment, including medicine, and free burial.

10. Income, property, and inheritance taxes to meet all public expenses that are to be met by taxation; abolition of all indirect taxation, customs duties, and other measures which sacrifice the interests of the people at large to those of a small minority.

11. A national and international system of protection of labour on the basis of a working day of not more than eight hours, the prohibition of the employment of children under fourteen years of age, and the prohibition of night work except where absolutely necessary; supervision of all industrial establishments and regulation of the conditions of labour by government departments and bureaus; confirmation of the right of labouring men to form organisations.

Internal Party Differences: Revisionism. The program, it will be observed, consists of two parts—first, a re-statement of Marxian economics and, second, an enumeration of the specific and practical objects to be attained, not in all instances as ends within themselves, but as contributions toward the realisation of the ultimate ideal. Much stress is placed upon political action, and if any one entertained a doubt that German socialism proposed to remain in politics such doubt must have been dispelled by the promulgation of this platform. After 1891, and especially during the decade before the war, the main issue in the shaping of socialist policy was the extent to which theoretic and remote aims should be subordinated to practical and immediate ends. There was in the party at all times an element which had its eyes fixed on the ultimate socialistic goal. To this element the things that happened until that goal should be attained did not greatly matter. The supreme danger, it felt, was that men would set out to be socialists and end by being mere social reformers. This element clung to the old articles of faith—the abolition of class government and of classes themselves, the termination of every kind of exploitation of labour and oppression of men, the overthrow of capitalism and everything for which capitalism stands,

and the introduction of an economic system under which the production and distribution of goods shall be controlled by the state exclusively.

Some thirty years ago, however, an element began to develop in the party which viewed matters differently. Shortly after the general election of 1897, in which the Social Democrats suffered serious reverses, Edward Bernstein, the literary executor of Engels, published in *Die Neue Zeit* a series of papers repudiating the revolutionary aspect of the socialist cause and urging that "the movement is everything, the goal is nothing." The articles gave forceful expression to the thought of an increasing number of critics within the party, and at the congresses of 1898 and 1899 the proposals which they contained were made the principal subjects of debate. The question was whether the party should recast its platform and eliminate the doctrine of cataclysmic revolutionary expropriation which it had taken over from Marx (even as at an earlier time it had ejected the last trace of anarchism), or should stand inflexibly upon the ground which until now it had occupied. Bernstein led the "revisionists," Kautsky led the Marxists. Bebel, who since the death of Liebknecht in 1900, had been the party's principal leader, inclined against the revisionists but directed his efforts mainly to the prevention of an open breach within the party's ranks. Bernstein wrote a book explaining the revisionist position; Kautsky wrote one in sharp reply.[1] And year after year the question was agitated, in the annual congresses and in the party press.

Results were indecisive until the elections of 1907, when the party lost one-half of its seats in the Reichstag. Thereafter the scale turned rapidly in favour of the revisionists. There was, indeed, no formal modification of the Erfurt Program. But after the death of Bebel, in 1913, every socialist leader of note in the Empire, save only Kautsky, was a revisionist, and the disposition to bear lightly upon theoretic revolutionism and to concentrate effort upon immediate and practical reform became characteristic of the party as a whole. Nominally revolutionary,

[1] Bernstein's volume is *Die Voraussetzungen des Socialismus und die Aufgaben der Sozial-demokratie* (Stuttgart, 1899). It has been published, in translation by E. C. Harvey, under the title *Revolutionary Socialism; a Criticism and an Affirmation* (London, 1909). Kautsky's volume is *Bernstein und das sozialdemocratische programm; eine antikritik* (Stuttgart, 1899).

the party comprised in fact a very orderly organisation whose economic-political tenets were at many points so reasonable that they commanded wide support among people who did not bear the party name. The party grew ever more moderate in its demands and more opportunist in its tactics. Instead of opposing reforms undertaken on the basis of existing institutions, as it once did, in the hope of bringing about the establishment of a socialistic state by a single grand *coup*, it worked for such reforms as were adjudged attainable and contented itself with recurring only occasionally, and even only incidentally, to its ultimate ideal. The state as at present constituted became a means of removing evils, not itself an evil to be removed. Perhaps the conclusion may be that the party of 1914 was at once reforming and revolutionary—reforming in that it definitely repudiated violence and forcible measures and advocated a positive, constructive policy of social amelioration; and yet revolutionary, because, after all, it clung to its faith in a radical transformation of society which should involve the termination of social classes, the displacement of capitalist production, and the cessation of the exploitation of labour by the economically powerful.[1]

Participation of the Social Democrats in Governmental Affairs. The German Social Democracy of 1914 was thoroughly political. In accordance with Lassalle's dictum, "Democracy, the universal ballot, is the labouring man's hope," it made its immediate issue the establishment of universal suffrage and the reconstruction of the antiquated electoral arrangements of Empire, states, and municipalities. Marx, as a recent writer has put it, was a tradition, democracy was an issue.[2] Once the party's representatives were present in the Reichstag merely to make the cause of the workingman heard, to protest, to obstruct, and to embarrass the government. Gradually, and not without criticism from the extremists, they became constructive legislators, introducing bills, serving on committees, seeking and holding offices in the chamber, and finally, after the elections of 1912, joining with the Radicals in assuming practical leadership of the Reichstag itself. In many of the states, notably Bavaria, Baden, and Württemberg, they voted for budgets prepared by representatives of other parties,

[1] Lichtenberger, *Evolution of Modern Germany*, 172. The earlier history of the internal differences within the party is related with fulness in E. Milhaud, *La démocratie socialiste allemande* (Paris, 1893), 541-572.

[2] Orth, *Socialism and Democracy in Europe*, 194.

participated in court functions, and worked hand in hand, in campaigns and in local councils and diets, with Radical, and even National Liberal, organisations.

So far as the Empire as a whole and the kingdom of Prussia were concerned, the socialists advanced farther to meet the government than the government to meet the socialists. The theory was still prevalent in official circles that the Social Democrats were enemies of the monarchy and were conspiring its eventual overthrow. That being the case, socialists were rigorously excluded from all positions of trust and honour at the disposal, directly or indirectly, of the government. No socialist was ever tendered a ministerial or other high public office, and the ban was extended to judicial appointments, professorships in the universities, pastorates in the state church, and teaching positions in the public schools. The tension was less in the southern states than in Prussia, but it was apparent everywhere.[1]

Effects of the Entrance of Politics by Socialism. The entrance of politics by socialism, as witnessed on a systematic and permanent basis first in Germany, is a fact of capital importance. It was productive of a change in the character and methods of both socialism and politics. In the first place, it made socialism more practical. The earliest socialists were, in the main, philosophers, dreamers, utopians. They conjured up splendid theories and evolved dazzling programs. Their feet were seldom on the ground. Turning to political methods, socialist leaders were obliged to propose courses of action which were sufficiently within the grounds of practicability to commend themselves to men of sense and moderation. Only thus could they hope to enlist the

[1] In what has been said two minor groups of German socialists are not accounted for. One is the Christian Socialists. The other is the Katheder-Socialisten, or Socialists of the Chair. The Christian Socialists were originally Protestant socialists chiefly, but the denominational basis largely faded out, and the group ceased to be numerous or important. It may be added that the ban of the state rested upon them but lightly. The Socialists of the Chair comprised a group of learned men, mainly university professors, who in 1872-73 began to work systematically for social reform, to be furthered by the "great moral institution for the education of the race," i.e., the state. Prominent in the group were Professors G. Schmoller, W. Roscher, A. Wagner, and L. J. Brentano. They differed from the Social Democrats in relying upon the state as then constituted to make requisite provision for the welfare of the masses. Investigations conducted by members of the group were influential in determining the nature and scope of the great insurance laws of 1883-89. See Ely, *French and German Socialism in Modern Times*, Chaps. XV-XVI.

support of the masses in the practical work of building up radical parties. On the other hand, politics acquired a new character from this injection of organised radicalism. Conservatives, bending backward against the pressure, became ultra-conservatives or reactionaries. Liberals became, as a rule, more liberal, in the hope of cutting the ground from under the radical opposition by conceding some portion of the radical demands. In any event, the perennial conflict of conservatism and radicalism was sharpened, and the alignment of political elements was freshly drawn. The adoption of political methods by the socialists was accomplished slowly and with difficulty. It involved temporising, paring down of demands, compromise with the existing order; and to the utopian these adjustments were irksome. It involved also the attainment of desired ends gradually and piecemeal, which was by no means what the revolutionist desired.

As will appear more fully in the succeeding chapter, socialism never surrendered completely to the limitations of politics; on the contrary, it was, and is, everywhere divided against itself upon this very matter. There was not, however, by 1914 an important country in Europe, south at least of Scandinavia, in which there was not a socialist political party. And in some countries, notably Germany, France, Italy, Belgium, and Spain, socialism as a political force was a fact of first-rate importance in the conduct of public affairs. The simple broadening of the franchise and the extension of parliamentary government which most of the states had experienced in the past half-century would have added greatly to the influence of the masses upon the operations of government, and thereby upon social and economic policy. Organised political socialism, however, had put in the hands of the workingman a power which otherwise he could hardly have acquired. There was not one country in which the socialists had ever been able to gain complete, or even substantial, control of the governmental system. But on the other hand there was not a country which did not give evidence, on its statute books, in its organisation of industry, or in other ways, of socialist achievements, or—what amounts to the same thing—of action taken in deference to socialist demand, or, as in Germany, of socialistic measures adopted to circumvent socialist propaganda.[1]

[1] The attitude of socialists in the various countries toward social reform is clearly worked out in E. Milhaud, *La tactique socialiste* (Paris, 1905). See

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CHAPTER XXIII

SOCIALISM IN POLITICS—FRANCE, ENGLAND, AND OTHER COUNTRIES

Social Unrest in France, 1860-71: the Paris Commune. The principal theater of socialist activity prior to 1914 was Germany. As has appeared, it was, however, France that gave modern socialism birth, and in France to-day the organisation, and especially the thought, of socialism is a fact of capital importance. From first to last the advance of French socialism has been exceptionally irregular. In an earlier chapter it has been pointed out that, following a feverish outburst in the period of the revolution of 1848, socialism in France became quiescent, and that it remained so substantially throughout the two decades covered by the Second Empire. There continued to be socialists—Prudhonians, radicals of the school of Blanc, Blanquists (adherents of Blanqui), who proposed to take the country by surprise and wrest the government from the control of the capitalists, and a small group of Marxists who urged peaceful political action. And there was a certain amount of socialistic discussion and writing. But there was no socialist party. There was unrest among the labouring classes, but the object principally sought was the repeal of laws which prohibited the formation of trade unions. In 1864 partial victory in this matter was achieved through the enactment of a measure legalising strikes, and in 1868 the government virtually abandoned its repressive policy by agreeing to "tolerate" syndicats, or unions, although without formally repealing the law which had forbidden their organisation.[1]

The war with Prussia in 1870-71 stirred deeply the working-classes, who felt both the burden and the humiliation of the conflict; and the uprising at Paris, known as the Commune, at the close of the contest, while not distinctively socialist in origin or purpose, was facilitated by the influence of socialist agitators upon

[1] See p. 441.

the masses of idle and discontented workingmen in and around the capital, and it evoked strong expressions of sympathy from the socialists of Germany and of other countries. It may be added that the ill-starred government set up by the Communards adopted the red flag, which already was the socialist emblem. Under the direction of the National Assembly, sitting at Versailles, the Commune was promptly suppressed, and frightful punishment was visited upon all people who in any way had been responsible for it. Included among the thousands who were slain, imprisoned, or deported were Blanqui, Vaillant, and most of the country's remaining exponents of socialism. In his last official message as president of the new republic Thiers, in 1873, declared that while socialism was thriving in Germany, in France it was totally extinct; and he was not far wrong. Even the International, which had gained some influence in France, had broken up forever.

The Conquest of Labour by Socialism. In 1872 there was a sporadic attempt in Paris to form a workingmen's society, which was brought to naught by the government. Another such effort three years later was more successful, although the association formed was obliged to restrict its pronouncements to declarations in favour of the organisation of labourers in trade unions and co-operative societies. The initial event in the revival of socialism in the country may be taken to have been the return, in 1876, of the political exile Jules Guesde. Guesde was an able journalist who, in 1871, had printed in *Les Droits de l'Homme* ("The Rights of Man"), a paper which he was editing in Montpellier, a series of articles in defence of the Commune, and who, for doing so, had been condemned to imprisonment. Escaping confinement and fleeing the country, he had settled in Geneva and there had become an avowed socialist of the Marxian persuasion. Upon his return to France, in 1876, he renewed the propaganda which, during a year's travel, he had carried on in Italy, and in 1877 he established a new and widely read socialist journal, *L'Égalité*. It was principally at Guesde's instigation that the third French labour congress, convened at Marseilles in 1879, declared for socialism and, indeed, assumed the name of Socialist Labour Congress. From that time, leadership in the French trade union movement passed to the socialists.[1] In 1880 the socialist cause received fresh impetus from the raising of the ban against the Communard exiles, who in

[1] See p. 442.

numerous instances returned home and threw themselves anew into socialist agitation.

At the national congress of the labour forces held in the same year at Havre the non-socialist members seceded, and the remainder of the gathering adopted a thoroughly socialistic program which had been drawn up by Guesde in collaboration with Marx and the latter's son-in-law, Paul Lafargue. The ascendency of the socialists in the labour organisations had been established, not because of any general preponderance which they as yet enjoyed among the rank and file of the working population, but principally in consequence of adroit management on the part of Guesde, who saw to it that whenever there was likely to be indecision the socialists should be on the spot with a definite and plausible program of action. No sooner, however, had the socialists definitely captured the labour movement than they displayed the weakness long pre-eminently characteristic of them in France, i.e., inability to act in harmony. At the congress at Rheims in 1881 the orthodox, Marxian, collectivist program of Guesde was opposed by the "possibilists," who declared that Marxism was alien to French ideas and who, expressing their willingness to accept such social change as was immediately possible, embraced the policy of opportunism advocated most ably by Benoît Malon. And at the congress at St. Étienne, in 1882, an open breach developed. Two distinct parties resulted. One, the *Parti Ouvrier Français*, or French Labour Party, led by Guesde and Lafargue, and finding its strength chiefly in the industrial north, was composed of those socialists who were unwilling to enter into any compromise with a capitalist government. The other, known as the Republican Socialist Alliance, and now led principally by Paul Brousse, comprised the possibilists or opportunists. In addition, there was the anarchistic *Parti Socialiste Révolutionnaire*, or Revolutionary Socialist Party, led by Blanqui.

The Socialist Groups in Politics. Throughout the succeeding decade the progress of disintegration was continued. To describe, or even to enumerate, all of the factions and groups which made their appearance and played their little parts would be wearisome. The facts of largest importance are the secession of Allemane from the Broussists, in 1882, to form the *Parti Ouvrier Socialiste Révolutionnaire Français*, or French Revolutionary Socialist Workingmen's Party, and the rise of the *Parti Socialiste Indépendent*, or

Independent Socialist Party, as an outgrowth of a society for the study of social problems founded by Malon in 1885. By 1890 French socialism thus comprised five well-organised groups: the Collectivists, upholding the Marxian tradition, and led by Guesde, Lafargue, and other doctrinaires; the Opportunists, or Co-operativists, led in two factions by Brousse and Allemane respectively; the Blanquists; and the Independents, led now by Jean Jaurès, Étienne Millerand, and Fournière. The last-mentioned group was composed of radicals, including many brilliant university and professional men, who were only beginning to support the socialist position. Thus divided, it would hardly be supposed that socialism could count for much in politics. At the parliamentary elections of 1893, however, the various groups (all of which were agreed upon the wisdom of using political methods) procured the return of their ablest leaders to the Chamber of Deputies. The aggregate socialist vote was only a little short of a half-million, and the contingent of socialist deputies numbered forty.

Scattered socialists had sat in the Chamber before, but it was at this time that parliamentary socialism in France may be said to have had its beginning. The forty socialist members perfected an organisation, of which Jaurès became the acknowledged leader. Jaurès (1859-1914) was a professor of philosophy at the University of Toulouse and author of a monograph on the origins of socialism in Germany. He was first elected to the Chamber of Deputies in 1885 and was from the outset a radical, although not until later did he profess himself a socialist. He was a scholar, a man of tremendous physical strength, and a superior orator and debater. It was about his personality that French socialism was destined to revolve in the first decade and a half of the twentieth century, even as it had revolved about that of Guesde in the last two decades of the nineteenth.

Presenting the group of forty socialist members to the new Chamber in 1893, Jaurès declared that its guiding motives would be "allegiance to the Republic and devotion to the cause of humanity." Throughout the period covered by this parliament, 1893-98, the program of socialism was first expounded authoritatively within the Chamber and placed before the country at large with clearness and power. Although Jaurès undertook to speak for the socialists generally, without distinction of groups,

the division of forces still existed; and inevitably there was set on foot a movement for their amalgamation. In 1896-97 the outlook for union seemed bright. The desired consummation, however, was long postponed on account, principally, of two occurrences which created fresh schisms in the socialist ranks. The first was the Dreyfus affair, which in 1898 threw all France into a tumult of passion. The Guesdists and some other socialist elements were alarmed by the injection of this issue into parliamentary life and refused to have anything to do with it. Jaurès, however, profoundly convinced that Dreyfus had been the victim of race prejudice and military arbitrariness, threw himself into the conflict and brilliantly led one of the most notable battles ever fought in the Chamber. The difficulties produced by this incident were accentuated in the following year by the acceptance by Millerand of the portfolio of commerce in the radical ministry of Waldeck-Rousseau. When the new premier, finding the support of the socialists a parliamentary necessity, tendered the invitation to Millerand, disagreement at once arose. Jaurès, who already had permitted himself to be elected a vice-president of the Chamber, advised acceptance; Guesde, noting especially that General de Gallifet, who had suppressed the Commune in 1871, would be one of the socialist minister's colleagues, strongly advised refusal.

Accordingly, Millerand's entrance of the cabinet was the signal for an open rupture. Although enjoying no organic solidarity throughout the country, the socialists for several years had been effectually united through their parliamentary representatives. Now even that bond was broken. The Guesdists, the Blanquists, and the followers of the Communard Vaillant issued a scathing manifesto expelling Millerand and his followers from the party and themselves seceded from the parliamentary group. Realising the damage that had been done, Jaurès instituted an effort to bring the warring factions together again, and before the close of 1899 a conciliating *Comité Général Socialiste* was organised, representing every shade of socialist opinion. Little, however, could be accomplished, and in 1900 the Guesdists, on account of the suppression of strike riots by the government, abruptly withdrew from the committee. An international socialist congress which was convened at Paris in September, 1900, was compelled by the situation in France to devote its time principally to consideration of the "cas Millerand." In the end, however, no action was taken

save the adoption of a colourless resolution, introduced by Kautsky, asserting that the acceptance of office by a single socialist in a bourgeois government "could not be deemed the normal commencement of the conquest for political power, but only an expedient called forth by transitory and exceptional conditions."

Jaurès and the Plea for Opportunism. Throughout the period 1900-05 there continued to be no union, even in form, of the socialist forces. On the contrary, the bickerings of the various groups were being constantly aired before the country, and before the world, to the deep chagrin of socialist leaders in other lands. There were two principal parties. One was the *Parti Socialiste de France,* or Socialist Party of France, composed of the Guesdists and (after 1901) the Blanquists. The other was the *Parti Socialiste Français,* or French Socialist Party, composed principally of the followers of Jaurès and the Independents. The policy of the one was to stand fast by Marxist collectivism and refuse to compromise. The policy of the other was to "penetrate the democracy with the ideas of socialism" and to do it, in the words of Jaurès, by collaborating with all democrats, yet vigorously distinguishing one's self from them."[1] Acknowledging freely, in a remarkable speech at the Bordeaux congress of 1903, that the policy of opportunism was complicated, awkward, and certain to create serious difficulties at every turn, Jaurès contended, none the less, that in it alone lay hope of the achievement of the socialist purpose. "Guesde is wrong," he declared, "in thinking . . . that the state is exclusively a class-state, upon which the too feeble hand of the proletariat cannot yet inscribe the smallest portion of its will. In a democracy, in a republic where there is universal suffrage, the state is not for the proletarians a refractory, hard, absolutely impermeable and impenetrable block. Penetration has begun already. In municipalities, in parliament, in the central government, there has begun the penetration of socialistic and proletarian influence. . . . It is in part penetrated by this democratic, popular, socialistic force, and if we can reasonably hope that by organisation, education, and propaganda this penetration will become so full, deep, and decisive, that in time by accumulated efforts we shall find the proletariat and socialistic state to have

[1] For an English version of the program of the liberal wing of the French socialists, adopted at Tours, in 1902, under the leadership of Jaurès, see Orth, *Socialism and Democracy in Europe,* 281-289.

replaced the oligarchic and bourgeois state, then perhaps we shall be aware of having entered the zone of socialism, as navigators are aware of having crossed the line of a hemisphere—not that they have been able to see as they crossed it a cord stretched over the ocean warning them of their passage, but that little by little they have been led into a new hemisphere by the progress of their ship."[1]

This was clearly evolutionary, not revolutionary, socialism; and it differed from the socialism of the Marxists in France quite as profoundly as the socialism of the revisionists differed from that of the Marxists in Germany. At the international socialist congress held at Amsterdam in 1904 Jaurès was compelled to enter the lists against Bebel in defence of his ideas, and there occurred one of the most notable debates—a "titantic international duel," it has been aptly designated—in the history of the socialist movement. The burden of the French leader's argument was that, notwithstanding the fact that the socialists of Germany in congress at Dresden in 1903 had voted overwhelmingly against revisionism, it was not possible to pursue an identical policy in all countries and as matters were in France, where the proletariat was in a position already to exercise control over the government, the policy of opportunism was not only permissible but fundamentally necessary. The logic of Bebel, however, prevailed, and the congress voted a revised resolution based upon that adopted by the Germans at Dresden.

The Unified Socialist Party, 1905. The outcome of the Amsterdam meeting cleared the way for socialist unification in France. The congress, indeed, voicing the desire of the socialists of all lands, urged, and in effect enjoined, that the French factions should drop their quarrels and combine in a single party. The Guesdist element had stood with Bebel and the non-opportunist forces. Jaurès and his followers had put forth their best effort and had been defeated, and they now accepted the decision loyally. In 1905, at the congress of Rouen, occurred the long-deferred fusion of the two groups in the *Parti Socialiste Unifié*, or Unified Socialist Party, of the present day, designated officially as the *Section Française de l'Internationale Ouvrière*, or French Section of the International Workingman's Association.

The instrument of agreement between the contracting groups contained the following notable declarations: (1) "The Socialist

[1] Quoted in Hunter, *Socialists at Work*, 74.

Party is a class party which has for its aim the socialisation of the means of production and exchange, that is to say, to transform the present capitalistic society into a collective or communistic society by means of the political and economic organisation of the proletariat. By its aims, by its ideals, by the power which it employs, the Socialist Party, always seeking to realise the immediate reforms demanded by the working-class, is not a party of reforms, but a party of class war and revolution. (2) The members of Parliament elected by the party form a unique group opposed to all the factions of the bourgeois parties. The Socialist group in Parliament must refuse to sustain all of those means which assure the domination of the bourgeoisie in government and their maintenance in power: must therefore refuse to vote for military appropriations, appropriations for colonial conquest, secret funds, and the budget. In Parliament the Socialist group must consecrate itself to defending and extending the political liberties and rights of the working-classes and to the realisation of those reforms which ameliorate the conditions of life in the struggle for existence of the working-class. (3) There shall be complete freedom of discussion in the press concerning questions of principle and policy, but the conduct of all the Socialist publications must be strictly in accord with the decisions of the national congress as interpreted by the executive committee of the party." [1]

The united party grew rapidly in membership and in influence. Although founded in reaction against opportunism, it steadily pursued a political policy. It consistently sought to increase its strength in the Chamber of Deputies, and its members had no hesitation in accepting municipal, departmental, and national office. When, in 1906, two socialists, Réné Viviani and Aristide Briand, accepted posts in the ministry of Clemençeau, the event was taken quite as a matter of course. In 1885, when the French socialists made their first concerted effort to influence the results of a parliamentary election, the aggregate number of votes polled by their candidates was but 30,000. In 1889 their popular vote was 120,000, and in 1898, 700,000, or almost twenty per cent. of the total. At the elections of 1906 the vote was 1,000,000, and the aggregate of Socialist and Socialist-Radical seats rose to 250, or thirty-eight per cent. of the total membership of the

[1] Orth, *Socialism and Democracy in Europe*, 289-291.

Chamber. In 1910 the vote was 1,200,000, and the number of Socialist deputies alone was raised to 105.

After the upheaval produced by the Dreyfus affair the Chamber of Deputies, and French politics generally, was dominated by a *bloc,* of somewhat shifting composition, but comprising in general the parties of the Left, i.e., the groups of more or less radical character; and in this governing combination the socialists played a rôle of large and growing importance. They had a part in all of the great transforming measures of the period, e.g., the Law of Associations of 1901, the abrogation of the Concordat in 1905, and the law of 1907 further defining the status of the Catholic Church in the country; and in the discussion of other important matters upon which action of one sort or another was taken—notably tax reform, electoral reform, and social insurance—they made large contribution.

Status of French Socialism in Later Years. Memories of the differences between the Guesdist and Jaurèsite groups could not instantly be obliterated. They have not yet wholly disappeared. But after 1905 the unity of the party, although at times severely tested, withstood every strain put upon it until the era of the World War. Not that the Unified Party included all French socialists. There was a party of Independent Socialists, composed of men who for various reasons did not care to be identified with the major organisation; and of the 105 socialist deputies elected in 1910, 30 were representatives of this group. It was to this body that Briand, Viviani, and Millerand really belonged. Besides, there was the large party of Socialist-Radicals, many of whose members would be identified in other countries with strictly socialist organisations. At the elections of 1910, it returned 149 deputies. The hope of organised socialism in France lay, however, with the Unified Party.[1] As was true of the German Social Democracy, the number of bona-fide dues-paying members of this party was very much smaller than the number of votes polled by the candidates whom it placed in the field. In 1905, the date of unification, the number of dues-paying members was only 27,000. By 1908 the number had risen to 52,000, and in 1914 it was 68,900. The principal reason for such slowness of growth is to be found in the policy of the trade unions, which, while not

[1] At the elections of April, 1914, the Unified Socialists alone returned 102 deputies.

discouraging their members from casting their votes for socialist candidates, none the less held aloof from the socialist organisations. The French party was governed, as was the German, by a congress, meeting annually in some important town; and there was a committee to administer affairs during intervals between sessions. Local organisations and methods of propaganda were similar to the German. In 1908 the party press consisted of three dailies,[1] two bi-weeklies, thirty-seven weeklies, and two monthlies.

The program of the party laid stress principally upon the socialisation of the instrumentalities of production and exchange, involving the displacement of the capitalistic by a collectivist organisation of the state; and the means to be employed to this end was the acquisition of control over the state through the unification of the industrial classes in support of the party's policies. That, despite its opportunism, the party stood by its traditional ideal, was indicated by a resolution adopted by the congress at Limoges in 1907. "The congress," it was affirmed, "considering that any change in the personnel of a capitalist government could not in any way modify the fundamental policy of the party, puts the proletariat on its guard against the insufficiency of a program, even the most advanced, of the 'democratic bourgeoisie'; it reminds the workers that their liberation will only be possible through the social ownership of capital, that there is no socialism except in the socialist party, organised and unified, and that its representation in parliament, while striving to realise the reforms which will augment the force of the action and the demands of the proletariat, shall at the same time oppose unceasingly, to all restricted and too often illusory programs, the reality and integrity of the socialist ideal."

A striking aspect of socialism in France was the extent to which the creed permeated all social classes and all professions. In England members of the educated classes belonged almost invariably to one of the two great political parties, and in Germany there were no socialists in the governing class and comparatively few in the professions. In France, on the other hand, many men of education, wealth, and social standing were willing to associate themselves with the masses, not only as leaders, but as private advocates of the enthronement of the people. Most of the leaders,

[1] The most important was *L'Humanité*, founded by Jaurès in 1904 and published in Paris.

indeed, were of bourgeois extraction. An American writer has pointed out that among the representatives of the Unified Party in the Chamber of Deputies after the elections of 1910 there were only thirty workingmen and trade-union officials, while there were eleven professors and teachers, seven journalists, seven lawyers, seven farmers, six physicians, and two engineers.[1] This very cosmopolitanism of the movement led one to doubt whether there was any sort of chance that the more radical portions of the party program would ever be realised. Certainly many men who freely lent their support to the party were in sympathy with its ultimate ideal in only a broad and theoretic way. And it may be added that the temper of the French people as a whole runs counter to the socialist dream. For while, as has been demonstrated on many historic occasions, no people is more ready to theorise and to talk radicalism, it is just as true that no people clings more tenaciously to its property and its property rights. The French are a nation of small farmers and shopkeepers, and while they have been ready to accept the nationalisation of railways and various other forms of collectivism, they absolutely refuse to divest themselves of their traditional and treasured rights of private property.

English Disinclination to Radicalism. Despite the fact that it was in England that there took place first that transformation of industrial conditions which may be regarded as the fundamental cause of the socialist movement, the English people have embraced the tenets of socialism but slowly and reluctantly. Neither Owen nor the Christian Socialists gathered any considerable following, although, merely as a matter of intellectual assent, their ideas were very well received. Chartism, as has been explained, was not socialism, and even the revolutionary feelings which in some degree were involved in it were soon extinguished. After 1850 the working-classes practically abandoned social and political strife. Their demands had not been met in full, but from the repeal of the corn laws and the revision of the poor law, and in other ways, they had gained a good deal. They discarded all socialist chimeras and fell back upon the policy of taking advantage quietly of each opportunity as it arose to obtain farther improvement of their condition. They showed no disposition to form an independent political party. On the contrary, they con-

[1] Orth, *Socialism and Democracy in Europe*, 116.

tinued to support the Liberals or the Conservatives, looking to them (and by no means in vain), for ameliorative and protective legislation. Availing themselves of their new freedom under the law, they perfected elaborate organisation. But it was not political organisation, and it was not socialistic.

One principal form of organisation was the trade union; the other was the co-operative society. These two institutions became, indeed, England's most notable contributions to the modern labour movement. Co-operation, if not trade-unionism, is to-day more widespread in some of the countries on the continent, but both were originated and first developed on a considerable scale in England.[1] The parent co-operative enterprise in Great Britain was that undertaken in 1844 by the Rochdale Equitable Pioneer's Society. Attracted by the co-operative principles of Robert Owen, a group of twenty-eight weavers of the town of Rochdale, in the year mentioned, subscribed three pence a week to a common fund and began the purchase of sugar and flour at wholesale, eliminating the customary profits of the retailer. As the venture succeeded its scope was broadened, until in 1902 the Rochdale Society had a membership of 13,000 and a business of £292,000, upon which there was a net profit of £46,000. Members gained admission by the payment of a nominal fee, and the association became, in effect, a vast company which owned buildings and grounds, employed buyers and clerks, and conducted a general mercantile business, the profits being distributed from time to time among the members in accordance with the amount of monthly purchases made by each. Under the stimulus of this enterprise the co-operative movement spread throughout the British Isles, taking the form not alone of the purchase and distribution of goods, but also of the manufacture of commodities, and even of banking. In 1914 there were 1,550 co-operative societies, with an aggregate membership of 2,500,000, and a share capital of £35,000,000. The volume of trade which they handled in the course of a year exceeded £110,000,000, and the annual profit arising therefrom was more than £12,000,000. Local societies were federated in great wholesale associations, one in England and one in Scotland, by which commodities were purchased in bulk for such of the local organisations as cared to avail themselves of this service. The system became so elaborate as to justify Lord Rosebery's charac-

[1] On the development of British trade-unionism, see Chap. XIX.

terisation of it as "a state within a state," and the benefits accruing from it to the labouring masses of the United Kingdom were beyond computation. By good fortune, the co-operative movement was kept entirely outside the sphere of politics.[1]

The reasons for the non-revolutionary, non-socialistic character of the English labour movement in the third quarter of the nineteenth century have been the subject of some speculation. It may be said, in the first place, that a certain reaction following the ignominious collapse of Chartism was inevitable. An obvious factor of importance, now as ever, was the native English conservatism, dispassionateness, and opportunist turn of mind. There was also the fact of the extraordinary prosperity of the country, resulting in increased wages, decreased unemployment, and immunity from the effects of crises. Finally should be mentioned the rivalry of the great parties for the votes of such portions of the working-classes as enjoyed the franchise (after 1867 sub-

[1] The success of co-operation in Great Britain prompted numerous co-operative experiments on the continent, and some of these achieved noteworthy results, although, on the whole, the working-people of continental countries have shown less capacity for peaceful, non-political organisation than have their British contemporaries. In France there were, in 1914, more than 2,000 distributive societies, but in neither volume nor value of business did they approach the societies of Great Britain. They suffered from lack of cohesion. There were more than 300 productive societies, some as much as sixty years old. The prosperity of many of these was to be attributed in part to government patronage. There were also some 3,000 agricultural societies whose principal activity was the maintenance of co-operative dairies. Co-operation in Germany dates from the middle of the nineteenth century. The earlier societies, organised for the purchase of raw materials of manufacture, were but indifferently successful, but the later distributive and agricultural associations flourished beyond expectation. Co-operative loan banks also became very numerous and serviceable. In 1889 a General Agricultural Co-operative Union was established, and there was in 1914 a Co-operative Wholesale Society, resembling the British "Wholesale." On January 1, 1905, there were in the Empire 23,221 co-operative societies of all types, with an aggregate membership of 3,409,871. Of the number, 14,272 were "credit," i.e., loan, societies; 3,062, agricultural productive societies; and 1,806, associations for the purchase of raw materials. Co-operative distributive societies of the British type were developed in Switzerland at an earlier date than in any other continental country, and the co-operative principle, in production, distribution, and banking, is applied in that country to-day upon a very extended scale. The number of co-operative societies is approximately 5,000. In Belgium, Holland, Denmark, Norway, and Sweden co-operation is widely practiced. In Italy, Austria-Hungary, Spain, and even Russia, it is firmly intrenched. There is, indeed, no country of Europe in which the co-operative movement has not attained considerable proportions. The results are by no means confined to the diminution of expenditures, the increase of savings, and the amelioration of conditions of livelihood. The sense of social solidarity is perceptibly strengthened, and labour is brought to a realisation of the highly important fact that the promotion of its essential interests may be attained by pacific and scientific means no less than by aggression and combat.

stantially all in the towns), leading to reiterated pledges of advanced social legislation—pledges which were redeemed, not invariably, but with sufficient scrupulousness to go far toward allaying public discontent.

Circumstances of the Revival of English Socialism. Fifty years ago one might have predicted, as indeed men did predict, that socialism would never gain a real hold among the English people. It is, therefore, the more remarkable that by 1914 England was stirred by socialistic agitation hardly less than Germany, and rather more than France, and that the spirit and ideals of socialism were injected into parliamentary debates and the national and local legislation of the country quite as prominently as in any of the continental states. Here again, reasons which will really explain are not easy to assign. The rejuvenation of the socialist movement on the continent after 1880 was not without effect across the Channel; although English socialism is fundamentally a native growth and has never closely followed continental lines. As the century passed into its last decades, however, the sense of security and satisfaction which the British labouring classes had felt was dissipated. Industrial conditions became less settled and the position of the workingman less ascured. Again it began to be argued, and with much plausibility, that from the kingdom's general increase in wealth the manual labourer had not derived the advantage that was his due. It was easy to demonstrate that poverty, if less hideous, was not less general, than fifty years before; statistics showed, indeed, that from one in twenty-five to one in twenty of the population every year had recourse to aid administered by the poor-law guardians. During the years 1874-79 trade was severely depressed and a series of desperate and generally unsuccessful strikes against reductions of wages kept public attention centered upon the disagreeable aspects of the industrial situation. In 1881-83 there was a brief interval of prosperity, but bad times set in again at the middle of the decade. Social and industrial reform commanded much thought. About 1880 Henry George's *Progress and Poverty* was widely circulated, and to the period belong the publication of *The Bitter Cry of Outcast London,* the Royal Commission on the Housing of the Poor, the Select Committee of the House of Lords on the Sweating System, the beginning of Charles Booth's investigations into the conditions of living among the toiling masses of

London, and a fresh outburst of evangelical zeal whose principal manifestation was the establishment of the Salvation Army.[1] During the periods covered by the second Gladstone ministry (1880-85) and the second Salisbury ministry (1886-92) alike it was charged by the labouring classes that the government's social policy was evasive and barren. Finally, in 1889 there occurred a series of events—notably the organisation of the Gas Workers' and General Labourers' Union (which almost immediately secured, without a strike, the establishment of an eight-hour day in the London gas-works) and a gigantic strike carried out successfully by the London dock labourers—which forced afresh upon the nation's attention the restlessness of labour and the wretchedness of great numbers of the labourers and led many persons to the conviction that an economic system under which so much misery was possible was inherently defective.

The Democratic Federation and the Fabian Society. The history of socialistic organisation in Great Britain in recent times begins with the establishment at London in 1880 of the Democratic Federation, known later as the Social Democratic Party. The program of the society was strictly socialistic, and among the earliest members were William Morris, John Burns, Tom Mann, and the journalist H. M. Hyndman. After only four years the organisation split, and one wing of it, led by Morris and inclining toward anarchism, soon disappeared. But the other element, re-named the Social Democratic Federation, entered upon a prolonged and active career. Advocating violence and opposing participation in politics, it assumed a position closely resembling that of the Guesdist party in France. Its social doctrine was purely Marxist, and to propagate its ideas it founded two papers—*Justice*, a weekly, and *The Social Democrat*, a monthly—which were still somewhat widely read in 1914. A program of revolution, however, could not be expected to appeal to the English mind, and the party never acquired numerical strength.[2] The membership before the war was about 20,000.

[1] See Slater, *Making of Modern England*, 256-258. In 1878 the missionary and philanthropic work which for some years had been carried on in London by William Booth and his wife, Catherine, was reorganised on a quasi-military basis, and the name "Salvation Army" was definitely adopted in June, 1880. In 1890 Booth published *In Darkest England, and the Way Out*, which attracted wide attention.

[2] The Program of the Social Democratic Federation, as formulated afresh in 1906, is printed in Orth, *Socialism and Democracy in Europe*, 330-334.

The year 1883 witnessed the birth of a new socialist organisation, and one destined to wield large influence. This was the Fabian Society, established originally by a group of young students who had been stirred by the lectures of an American utopian, Thomas Davidson, of New York. Included in the group, from the outset or early in its history, were Sidney Webb, George Bernard Shaw, Chiozza Money, Graham Wallas, Rev. R. J. Campbell, and many more scholars, writers, clergymen, and other men of achievement and influence. The name "Fabian" was adopted for the reason that the members of the group, being not quite sure of their ground, proposed to delay as did the Roman general until the right moment for action, and then, still imitating the Roman, to "strike hard." The general object of the society was to carry on, especially among the middle and upper classes, educational propaganda in behalf of socialist doctrine. Its socialism, however, has never been of the Marxist, revolutionary type. It has been, rather, peaceful and evolutionary, seeking to make its way by slow permeation of the social mass. The activities of the Fabians have taken the form principally of the production of books and pamphlets and the promotion of socialist candidacies at municipal and parliamentary elections. Much of the best-written literature of the socialist movement has come from Fabian pens; while the measure of success attained in practical politics has been considerable. For years the London County Council was dominated by Fabians, while there have been numbers of Fabian members in Parliament. It is to be observed that the Fabians have not constituted a political party. As a group they have had little organisation or discipline. Fabianism is rather a cult to which men in all walks of life may adhere without cost or formality, and in the matter of belief each Fabian is a law unto himself. The membership of the society has always been small, being in 1911 but 2,664, and there is little effort to enlarge it. When Fabians, or men of Fabian views, are elevated to office they are obviously not elected by Fabian votes; sometimes they are elected in spite of, not because of, the fact that they are Fabians. The *New Statesman*, a weekly organ, was founded in 1914 largely to advocate Fabian principles.[1]

[1] A document which sets forth officially the principles and objects of the Fabian Society is printed in Orth, *Socialism and Democracy in Europe*, 327-330.

British Socialism and Labour. The socialist cause derived a certain impetus from the successful conclusion of the London dock labourers' strike in 1889. On the whole, however, progress continued to be slow. The movement lacked unity, and no one of the several groups was able to attract recruits widely. In the opinion of Jaurès and of other friendly observers, both foreign and native, the difficulty lay in the fact that from the first socialism had not been brought by its protagonists into sufficiently close touch with the actual life and needs of the working-class. Undoubtedly the charge could be laid with some justice at the door of the Fabians, for many of them had arrived at the conclusion that the proletariat is the really conservative and immobile element in society and that the only promising course of procedure is, in the words of Shaw, "to place socialism upon a respectable bourgeois footing."

In the decade 1890-99 strong effort was made to introduce labour in politics as a distinct and controlling force, and a portion of that effort was directed toward the identification of the political interests of labour and socialism. Elsewhere it has been related that at a conference of labour delegates held at Bradford, in January, 1893, there was founded, under the leadership of Keir Hardie, the Independent Labour Party, whose object was stated to be the promotion of "the collective ownership and control of the means of production, distribution, and exchange," and whose immediate purpose was to bring about the election to Parliament of men pledged to the party's strongly socialistic program.[1] The Independent Labour Party exists to-day as a distinct political group within the general Labour Party. In 1906 it had but 16,000 members (fewer than ten years earlier), although in the parliamentary elections of that year seven of its candidates and sixteen of its members were sent to the House of Commons, and in 1914 its membership was asserted to be 60,000. It published the *Labour Leader* (a weekly), the *Socialist Review* (a quarterly), and several local weekly labour and socialist sheets. From first to last the party was essentially socialistic. Its socialism was not sufficiently thoroughgoing to save it from strife with organisations, such as the Social Democratic Federation, which were socialist to the core. But, at all events, its program was too radical to commend itself to the mass of workingmen, and it was on this

[1] See p. 422.

account principally that around it, and overshadowing it, there was built up a more broadly based organisation known simply as the Labour Party.[1] This party was an outgrowth of the Labour Representation Committee organised in 1900 under trade union auspices to bring about the increased representation of labour in the House of Commons. Originally it was non-socialistic, and for that reason the Social Democratic Federation refused to sustain working relations with it. In 1907, however, the annual congress of the party, held at Hull, adopted a resolution declaring for "the socialisation of the means of production, distribution, and exchange to be controlled in a democratic state in the interests of the entire community, and the complete emancipation of labour from the domination of capitalism and landlordism, with the establishment of social and economic equality of the sexes." The conversion of the Labour Party to socialism is perhaps the capital fact in the history of the movement in the British Isles to 1914. For this party was distinctly larger and more prosperous than either of the two remaining party-groups whose representatives swelled the total of the labour quota in Parliament, i.e., the socialist Independent Labour Party and the non-socialist Liberal Labour Party.[2]

British socialism was not integrated in one grand organisation of the nature of the German Social Democracy or the French Unified Socialist Party. Its forces continued to be divided and difficult to evaluate. Certain facts, however, were clear. One of them was that the number of professed socialists in the kingdom had been increasing, slowly and irregularly, through the past thirty years. A second was that, barring a few of the more radical members of the Social Democratic Party, British socialists were identified with the evolutionary, rather than the revolutionary, school. In the third place, all British socialists favoured the employment of political methods, and, indeed, the strength of the movement was measured in the public estimation by the degree of success or failure at the polls. A fourth fact was that socialistic thought and policy had already exerted important influence upon

[1] See pp. 425-428. For the Constitution and Standing Orders of the Independent Labour Party in 1911, see Orth, *Socialism and Democracy in Europe*, 318-327.

[2] The strength of the Labour Party was, in 1914, approximately 1,500,000. A large, although somewhat passive, section of the party, however, continued to be rather radical than socialist in its aim.

the country's affairs, both national and local. As has been pointed out, there is no portion of Europe in which, within the decade before the war, social legislation of more varied and substantial character was spread upon the statute books. One calls to mind instantly the Trade Disputes Act of 1906, virtually annulling the decision in the Taff Vale case; the Workmen's Compensation Act of 1906; the Old-Age Pensions, Small Holdings, and Children's acts of 1908; the Labour Exchange, Development, and Housing and Town Planning acts of 1909; the readjustments of taxation provided for in the Lloyd George Budget of 1909 and adopted in 1910; and the Insurance Act of 1911. Besides these, and other, great social measures which became law, many more of the kind were, during these years, proposed, discussed, and in some instances defeated only by a conservative majority in the House of Lords.

Throughout this remarkable course of legislation the ruling Liberal Party had as allies the several Labour groups, and upon all the measures enumerated the Labour members in the House of Commons voted with the Liberals.[1] The fact is that the Liberal Party, coming into power in 1905-06, in effect took over the more practicable portions of the Labour program and made them its own. As has been observed, the program of British labour, speaking broadly, converged ultimately upon the establishment of the socialistic state. Liberalism contemplated no such consummation. For the Labourites were socialists (again, speaking broadly), while the Liberals were not. But much of the legislation that was enacted inclined strongly in the direction of socialism. It was fought by its opponents as being socialistic. And it was commonly admitted that the enactment of this legislation was to be attributed, not only to the attempt of the Liberals to fulfil campaign pledges tendered to their radical supporters and allies, but to the general change of mind regarding social questions and the proper function of the state which the socialist propaganda of the past generation had aided in bringing about. When, at the opening of the century, Sir William Vernon Harcourt remarked "We are all socialists now," he meant only that men of all parties had become social reformers. Even more unmistakably was this

[1] Mr. John Burns, the first workingman and the first professed socialist to occupy a cabinet post in England, was President of the Local Government Board in the Liberal ministry of Mr. Campbell-Bannerman, formed in December, 1905.

true in England in 1914. There was no reason to believe that the bulk of Englishmen would ever be more than social reformers. In being such, however, they had already, consciously or unconsciously, absorbed a certain amount of socialism, and there was a strong probability that in time they would absorb still more.[1]

Socialism in the Low Countries. Notwithstanding the fact that Holland is mainly an agricultural and pastoral region and that Belgium was long, in the words of Marx, "the paradise of the capitalists," the Low Countries have been found a productive field for socialist propaganda. The era of socialist beginnings in this quarter was, approximately, the years covered by the tortuous history of the International. In Holland development was slow. There, as in Germany, Italy, and some other lands, the movement long laboured under the stigma of anarchistic tendencies. The Social Democratic Union, founded in 1878, continued practically powerless, until finally in 1893, the anarchistic and non-political element (led by Domela Nieuwenhuis) was expelled from its ranks. In 1894 there was established, as the successor of the Union, a Social Democratic Labour Party, with a strictly socialist program closely resembling that of the German Social Democracy. In 1897, when this party first entered the political arena, its candidates polled 13,025 votes; in 1901 its votes numbered 38,279, and in 1905, 65,743. In the last-mentioned year it elected seven of the one hundred members composing the lower branch of the States General, and at the elections of 1909 this quota was retained, although not increased. The central socialist organ was *Het Volk*. The greater part of the organised workingmen of Holland were united in the *Nederlandsch Verbond van Vakvereenigingen*, a federation established in 1906 and including within a year eighteen trade union and other national organisations. The federation, as such, was not socialistic, but many of its members were socialists, and it maintained close working relations with the Social Democratic Labour Party.

Belgium, while a land of capitalism, is for that very reason a land of industrialism, and therefore a land of the proletariat.[2] Its people have been gathered largely in cities and towns, where

[1] The fact may be mentioned that in 1908 there was founded an Anti-Socialist Union of Great Britain, whose object was to combat the socialist movement.

[2] The reader should be reminded that the conditions described are those which existed before the outbreak of war in 1914.

many have lived under conditions of housing, sustenance, and economic opportunity hardly better than those revealed in England by the investigations of eighty-five years ago. In the industries hours of labour have been long and wages low; while even in the rural districts the mass of the population has been able to live in only hand-to-mouth fashion. The proportion of illiteracy has been much higher than in any other surrounding country.[1] Until 1893 the parliamentary franchise was severely restricted by property qualifications. An electoral law of that year conferred the franchise upon all male citizens twenty-five years of age and resident twelve months in their commune, but at the same time instituted a scheme of plural voting, based variously on age, property, and education, which robbed the system of a true democratic character.

The beginnings of socialism in Belgium can be traced to a date as remote as 1848, when Brussels became the haven of numerous revolutionists fleeing from Germany, Italy, and other lands. In 1857 the first labour union was organised, at Ghent, and in later years the co-operative movement was inaugurated. One of the strongest sections of the International was in Belgium. But neither that nor any other agency succeeded in bringing together the various discordant socialist factions until, in 1885, there was founded, at a congress held at Brussels, the *Parti Ouvrier Belge,* or Belgian Labour Party. This organisation intentionally omitted from its name the term "socialist," and it began with no program save that of resisting capitalistic exploitation of labour; but its leaders—César de Paepe, Van Beveren, Anseele, Verrycken, and others—were socialists, and very soon the party itself became essentially socialist in personnel, policy, and tendency, although it continued to welcome to its ranks every sort of organisation professing working-class aspirations. The program of the party may be said to have become avowedly socialistic in 1894. Thenceforth it was Marxist in spirit, yet not wholly Marxist in content. Belgian socialism has been, indeed, remarkable not only for the ability of its leadership but also for the variety of its origin and constituency. It has been built up from trade-union, co-operative, and political elements alike. And it has drawn to itself distinctive qualities of the socialism of many other lands. In the language

[1] In 1909 it was estimated to be 34.69 per cent. in the Flemish communes and 17.34 per cent. in the Walloon communes (excepting Liège).

of Émile Vandervelde, the best known of Belgian socialist leaders in recent times, "Socialism in Belgium, standing as it does geographically at the meeting-point of the three great European civilisations, has taken over the characteristics of each of them. From England Belgian socialists have learned self-help, and have copied the independent and free societies, chiefly in the form of co-operative societies. From Germany they have adopted the political tactics and the fundamental doctrines which were expressed for the first time in the Communist Manifesto. From France they have taken their idealist tendencies, and the integral conception of socialism, considered as a continuation of the revolutionary philosophy, and as a new religion, in continuation and consummation of Christianity." [1]

The Belgian Labour Party. From its earliest years the Belgian Labour Party concentrated its efforts upon two issues—electoral reform and the secularisation of education. Already these were the issues mainly dividing the two historic parties, the Liberals and the Clericals or Catholics. Within Parliament the Liberals carried on the contest; outside, they and the Labourites jointly. In 1893 the law providing for manhood suffrage (combined with a system of plural voting) was enacted, and at the parliamentary elections of the following year there was added to the two party groups in the lower chamber a third of considerable strength. The Labourite candidates received an aggregate of 346,000 votes, or almost one-fifth of the total number cast, and of the 152 members of the new Chamber of Representatives, 29 were adherents of the newly enfranchised party. Through Vandervelde the group announced a policy which was eminently moderate and practical. In 1899 the electoral system was further modified by the introduction of the principle of proportional representation. Year after year, however, the conservative, and even reactionary, Clerical Party held control in both branches of Parliament and the Labour, or socialist, quota in the popular house fluctuated between 30 and 35. At the elections of 1912 the number rose to 38. Although waged incessantly and spectacularly through many years, the campaign for the abolition of the plural vote was unsuccessful. By adding its strength on many occasions to that of the Liberals, the

[1] For an English version of the Program of the Belgian Labour Party, adopted at Brussels in 1893, see Orth, *Socialism and Democracy in Europe*, 309-315.

Labour Party was able to exert decided influence upon the course of legislation. But it never approached independent control of the affairs of state.

The Labour Party was organised upon a federal basis, its component elements being large groups of lesser societies, each with an organisation of its own. The supreme authority in the party was the annual congress, which determined all important questions of policy and method. The congress elected a *conseil général,* or general council, which in turn chose from its own members an executive committee of nine. The party funds were derived from contributions made from the treasuries of the several federated organisations. The activities from which the party derived strength were varied. Trade-unionism was definitely encouraged, and in return more than half of the trade unionists of the country were identified with the party. *Mutualités,* or mutual insurance societies, were likewise encouraged, although organisations of the kind existed long before the party came into existence. Finally may be mentioned the development of "co-operatives," i.e., stores, bakeries, factories, dairies, restaurants, and numerous other kinds of establishments owned and managed by groups of working people. The most notable of these were the *Vooruit* ("Forwards") in Ghent, the *Maison du Peuple* in Brussels, the *Worker* in Antwerp, and the *Progrès* in Jolimont. These establishments occupied large buildings, which served as centers for local trade-union, co-operative, and political associations; and almost invariably these associations were identified with the Labour Party. The structures became workingmen's club-houses, equipped with cafés, sales-rooms, lecture-rooms, reading-rooms, baths, and offices for the use of the trade unions, co-operative societies, educational circles, and every other sort of popular organisation which cared to avail itself of the accommodations provided. The distinctive feature of socialism in Belgium might be said to be its practical character, and its principal achievement was unquestionably its development of the co-operative spirit and of co-operative facilities of everyday life.

Socialism in Scandinavia. Organized socialism in the Scandinavian countries is oldest in Denmark. In 1871 a Danish socialist newspaper, the *Social Democrat,* which is still published, was founded, and in the same year a local branch of the International was organised. The present Social Democratic Union was founded

in 1878, with a program similar to that of the German Social Democracy. In 1884 two socialist members of the Folkething were elected, and thereafter the quota of representatives rose until in 1906 it became 24 (in a total of 114), where it still stood in 1914. The socialist popular vote in 1906 was 77,000, or 26 per cent. of the whole. The Union was compactly organised. It had an ably conducted press. It had contributed to the upbuilding of a co-operative system second only to that of Belgium. It had been very successful in local politics, and it had been instrumental in promoting national factory legislation, the establishment of an old-age pension system, and the reduction of military expenditure.

The Social Democratic Labour Party of Sweden dates from 1889. In policy and method it has closely resembled the Danish party. Its earliest activities centered about the reform of the electoral system, which was not finally accomplished until 1909. On account of the agricultural character of the country the opportunity for socialist propaganda was limited. By 1902, however, the party was able to register 10,000 votes and to return four deputies to the Riksdag. By 1906 the quota of representatives was increased to fifteen, and in 1911, at the first elections under the electoral law of 1909, it was raised to 64, in a total of 230. The Norwegian Labour Party was organised two years earlier than the Swedish party, although it was not proclaimed a socialist party until the same year, i.e., 1887. Norway is one of the last of European countries to be invaded by industrialism and capitalism, and inasmuch as the tone of society and government has long been democratic and the social strata have been less widely separated, the growth of socialism proceeded even more slowly than in the sister Scandinavian lands. At the elections of 1903 socialist candidates for seats in the Storthing polled 24,526 votes, and four of these candidates were successful. Two years later the popular vote was doubled, and ten deputies were elected. At the elections of 1909—the first in which women participated—the socialist vote showed heavy increase, but was so distributed that the number of representatives was increased by but one. But in 1912 the number was more than doubled, being brought up to 23 (in a total of 123). In all of the Scandinavian countries socialism and trade-unionism have been closely associated.

Socialism in Switzerland and Austria-Hungary. Although Switzerland has attained an advanced stage of industrial develop-

ment, the democratic, and even radical, character of the governmental system has operated to prevent the growth of socialism on a large scale. For generations the refuge of exiles, the country long continued to receive socialists hospitably without accepting their views. In 1888, none the less, a Swiss Social Democratic Party was founded. The party's growth was slow until, in 1901, it effected a fusion with an older association which had dominated the working-class movement, the *Grutliverein,* and with the trade unions. By this step it enlarged its membership, although, the *Grutliverein* and the unions being but mildly socialistic, it was obliged to dilute its program to make it acceptable to the new recruits. From time to time after 1890 the party returned to the National Council from two to nine deputies (in a total, after 1890, of 167); but its successes were won chiefly in the domain of cantonal and municipal politics.

By reason principally of the industrial backwardness of Austria-Hungary and the difficulty of carrying on propaganda among a heterogeneous population, the development of socialism in the Dual Monarchy was slower than in Germany or France. The official ban against socialist agitation was lifted in 1869, but it was only after the Hainsfeld congress of 1888, which marked the final victory of social democracy over anarchism in the Austrian labour movement, that systematic socialist propaganda can be said to have been instituted. Upon the occasion mentioned there was established a United Socialist Party. But in time it was found expedient to break up this organisation into six self-supporting parties corresponding to the principal racial groups: i.e., Germans, Bohemians, Poles, Ukrainians, Italians, and Southern Slavs. Each of these parties was independent in organisation and policy, but all were agreed upon general principles and tactics, which were arranged in a common congress held every two years. The group, which some one has not inaptly designated "the Little International," exhibited a remarkable degree of harmony. The most effective of the six parties was that of Bohemia. It included 2,500 branches and 120,000 members. At the elections of 1907—the first after the establishment of manhood suffrage—the aggregate socialist vote in Austria was 1,041,948, or almost one-third of the total, and the number of deputies elected to the Reichsrath was 87, in a total of 516. At the elections of 1911, 80 deputies were returned, including 44 Germans, 26 Czechs, 7 Poles, and 3

Italians.[1] In pre-war Hungary no political organisation of socialists was permitted, but a majority of trade-unionists were socialists at heart, and the number of members of the unions in 1914 was approximately 150,000.[2]

Socialism in Italy. The remoter origins of socialism in Italy may be traced to the first half of the nineteenth century; but it is only from the congress of Rimini, in 1872, that the growth of the movement can be measured with any degree of precision. During a considerable period following the date mentioned socialism in the peninsula was scarcely distinguishable from Bakuninian anarchism, and in the International it was the Italians who most strongly represented the anarchist tendency. The enactment of the franchise law of 1882, tripling the number of electors, influenced Andrea Costa and many other anarchists to accept the parliamentary method of reform and to become simple socialists; and gradually a line of cleavage between the two creeds was drawn with some clearness. In 1885 there was formed at Milan a socialistic workingmen's party, which soon numbered forty thousand members. The anarchists, however, captured the organisation, and in the following year it was suppressed. In 1891 a socialist fortnightly review, *La Critica Sociale,* was founded at Milan by a wealthy Marxist barrister, Filippo Turati, and in the same year the first Italian congress which was distinctively socialist was held in the same city. This congress, containing representatives of one hundred and fifty workingmen's societies, organised a party which may be regarded as the immediate forerunner of the Italian Socialist Party of the present day. In 1892, at the congress of Genoa, came the final break with the anarchists, and after this date the socialism of Italy differed in no fundamental feature from the socialism of France, Germany, or the Low Countries. Between 1891 and 1893 the new party was allied with the Right. But the relentless policy of repression pursued by Crispi in 1894-95 and by Rudini and General Pelloux in 1898-99 had the effect of gradually driving the radical groups, Republicans, Radicals, and Socialists, into alliance, and it is to this period that the origins of the later coalition of the groups of the Extreme Left are to be

[1] K. Schwechler, *Die österreichische Sozialdemokratie* (Graz, 1907).

[2] G. Louis-Jaray, *La question sociale et le socialisme en Hongrie* (Paris, 1909); J. Majlath, *The Birth and Progress of Socialism in Hungary,* in *Forum,* May, 1910.

traced. During the years 1895-1900 the Socialists assumed, in effect, the status of the advanced wing of a great parliamentary party, with a very definite program of political and social reform. Included among the most essential features of this "minimum program" (dating from about 1895 and revised in 1900) were the establishment of universal suffrage for adults of both sexes, the payment of deputies and members of municipal councils, the enactment of a more humane penal code, the substitution of a national militia for the standing army, improved factory legislation, compulsory insurance against sickness, the reform of the laws regulating the relations of landlords and tenants, the nationalisation of railways and mines, the extension of compulsory education, the abolition of duties on food, and the enactment of a progressive income tax and succession duty.

The widespread dissatisfaction of Italians with the older parties, the practical character of the socialist program, and the comparatively able leadership of the socialist forces combined to give socialism an extraordinary growth within the past thirty years. In 1895 the party polled 35,000 votes and returned to the Chamber of Deputies twelve members. In 1897 it polled 108,000 votes and returned sixteen members. In 1904 it polled 301,000 votes (about one-fifth of the total number) and returned twenty-six members. In 1909 the vote was upwards of a half-million; the number of deputies returned was 43; and the election was signalised by the return for the first time of a socialist, Leonida Bissolati, by a constituency in the national capital.[1] Finally, in the elections of 1913 there were no fewer than 376 socialist candidates, the popular vote rose to almost one million, and the party increased its quota of seats in the Chamber from 41 to 79. Among features which Italian socialism of pre-war days had in common with the socialism of France, Germany, and other lands was the conflict between wings or factions of opposing tendencies, and most notably between the moderate, evolutionary, "reformist" group led by Turati and the uncompromising, revolutionary group led by Enrico Ferri and the syndicalist Arturo Labriola. The question

[1] When, in 1911, Bissolati joined the cabinet of Giolitti a fresh controversy was precipitated, resembling the conflict produced in the ranks of the French socialists by Millerand's acceptance of a cabinet post in 1899. At the congress of Reggio Emilia, in 1912, the revolutionist element mustered sufficient strength to bring about the formal expulsion of Bissolati and his followers from the party.

of "reformism" *versus* revolutionism was debated as early as the congress of Imola in 1902, and the friction between the two tendencies became especially acute in 1904, when the revolutionists organised a general strike which failed. In 1902 the reformists carried the day. But during the years 1904-08 the revolutionists, largely in consequence of the eloquence and leadership of Ferri, were in the ascendency. At the congress of Florence in 1908 the reformists regained control, and with slight interruptions they dominated the councils of the party until 1913. In the elections of that year, however, the revolutionists obtained 58 in a total of 79 socialist seats and acquired complete dominance of the parliamentary group. In closing, it may be observed that in no European country prior to 1914 did socialism acquire a larger hold upon the element of the population usually least forcefully appealed to by it, namely, the agricultural labourers.

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CHAPTER XXIV

THE GERMAN SYSTEM OF SOCIAL INSURANCE

The Problem of Human Conservation. When crops were poor, prices high, taxes heavy, bureaucracy intolerable, the Prussian or Saxon farmer of seventy-five years ago was never entirely at a loss to find a mode of relief. He would correspond with his cousin in Illinois or his erstwhile neighbour who had settled in São Paulo, buy a ticket for Hamburg or Bremen, and take passage for America. The chances were that the Fatherland would know him no more. When, however, the German of thirty, or twenty, years ago fell into discontent and rebelled against his environment, the probability was that instead of fixing his hopes upon America or any other distant quarter of the globe, he would dispose of his little farm and, surrendering to the drift of his times, set out upon the beaten road to Berlin, Chemnitz, Essen, or any one of the scores of other great centers within the Empire where work and wages were to be had. For the German of yesterday was reasonably certain, as his father was not, that he could materially better his condition and enhance the opportunities of his family without resorting to the extreme of expatriation. He scorned the colonies, and he was not attracted by the United States, Brazil, Argentina, South Africa, or any of the outlying fields of opportunity which appeal ordinarily to the workless and luckless European. His labour, his taxes, his military service, his children, were saved to the Empire, in part because of the remarkable growth in late years of German industrial opportunity, but also in part by reason of the equally remarkable series of ameliorating and conserving instrumentalities which Germany had brought to bear upon the conditions surrounding her working-classes. Thus it arose that, while the population of the Empire was increasing between 1882 and 1910 from 45,200,000 to 64,896,881, the volume of emigration, once exceeding 300,000 a year, was falling by 1900 to 30,000 a year, or less. Population which formerly would have

represented an embarrassing surplusage was now finding profitable employment in the factories, work-shops, mines, and commercial establishments of the Empire.

The United States in the past quarter-century has experienced a considerable awakening with respect to the importance of the conservation of the physical resources of the country. Under conditions that have existed on this side of the Atlantic, in a new and sparsely populated land, it was perhaps inevitable that an adequate appreciation of the values of forests, water-power, minerals, and unoccupied lands should be belated. Until within recent years the available supply seemed substantially inexhaustible, and economy appeared hardly worth while. In Germany, however, the conservation of resources—of forests, mines, waterways, and farm lands—long ago became a fundamental canon in the public creed. Furthermore, throughout a full generation Germany worked more systematically than any other nation upon the problem which a French writer a few years ago termed that of "the higher conservation"—the conservation, that is, of men, women, and children, and of their capacities to add by their labour or their ingenuity to the stock of national wealth. This problem was attacked after 1900 in practically all civilised countries, and in Great Britain, France, Italy, Switzerland, Holland, the Scandinavian lands, and the United States large progress toward a solution was attained. But Germany was the country in which it was first clearly recognised that under the industrial conditions which have arisen in modern times, involving the management of business by huge impersonal corporations, the congestion of the working population in great cities, and the lack of resource on the part of the majority of labourers and their families in the event of illness, accident, old age, or unemployment, the worker is less free and less able to protect himself than he was a hundred years ago. It was Germany that first perceived the wastage and the impairment of the national vigour arising from the inability of men to defend themselves under the new economic order. At all events, it was Germany that first among the nations acted upon the plain admonition of these facts and secured for herself the increased prosperity arising from the enhanced security and contentment of her labourers. "If," declared the Imperial minister of the interior, Count Posadowsky, in the Reichstag in 1906, "Germany has just experienced a vast industrial expansion equalled by no other country in the

world during the same time, it is chiefly due to the efficiency of its workers. But this efficiency must inevitably have suffered had we not secured to our working-classes, by the social legislation of recent years, a tolerable standard of life, and had we not, so far as was possible, guaranteed their physical health."

Fundamental Aspects of German Social Policy. If, in pursuit of the policy of social conservation, Germany led the world, it was, in the last analysis, because in Germany there was no such fear of the state as retarded similar development elsewhere. In no European country has individualism had so wide scope as it has had in the United States, where even yet it is often so conscious and assertive as to resent any interference with the right of the strong to exploit the weak. In at least France and Great Britain, however, the doctrine of *laissez-faire* was also long adhered to, being, indeed, clearly dominant until within the past thirty years. And nowhere in western Europe in the half-century before the war was there in evidence either that paternalistic attitude of the state or that ready acquiescence of the public in paternalism which Germany showed at every turn. Paternalism is not without its serious disadvantages. Yet in the case of Germany it cannot be denied that, in an eminent measure, it was through the close, continuous, and sometimes harsh application of the regulating and directing power of the state that the masses of the Empire's population were brought to the condition of prosperity and efficiency which they enjoyed on the eve of the war. Not only was the landed proprietor protected against American wheat, but the manufacturer was shielded from the competition of foreign-made goods, and the shipowner subsidised from the Imperial treasury.

The workman was trained to be a good mechanic; he was insured against accident, sickness, and old age; he was protected from the careless employer, and was watched over in a variety of ways. When hard times or industrial depression threw him out of work, employment was provided for him. When seeking employment in other cities, a lodging was offered to prevent his passing into the vagrant class. When sick, he was cared for in remarkable convalescent homes, tuberculosis hospitals, and farm colonies. And when old age removed him from the factory, a pension awaited him as a slight mark of appreciation from society, which had taken in his labour all that his life had to offer, and

had given him only a bare subsistence in return.[1] The watchwords at all points were conservation and efficiency, and no nation had as yet closely approached Germany in the practical application of these twin principles of public well-being.[2]

At the basis of the national conservation policy lay the system of public education. Every German citizen, in any one of the states, and in town or country, had a right to a common-school education at the public cost. And not merely had he a right to it; he was obligated to receive it. School attendance was compulsory for both boys and girls between the ages of six and fourteen. And this elementary education meant more than instruction in the rudiments of academic subjects. It involved compulsory physical training in school gymnasiums and swimming-tanks and on school playgrounds, and also frequent excursions for purposes both of observation and of exercise; and these diversions were continued in vacation periods, under the direction of teachers and at the public expense. Every child entering the schools was examined by a physician. If any defect was discovered, the parent or guardians were advised of it, and the training of the child so adapted that, if possible, the handicap might be overcome. After leaving the elementary school the boy or girl must spend two or three years in free "continuation" schools, in which the subjects of study were largely of a practical nature; and still beyond were the high schools, gymnasiums, commercial colleges, art and normal schools, and other secondary schools, attendance upon which was optional and not always entirely free, but which attracted very great numbers of pupils. In all of the schools in which attendance was compulsory books were furnished free to pupils who were unable to purchase them. Breakfasts, likewise, were provided, and in fact the feeding at public cost of all school children had been widely introduced. The ultimate aim, never lost to view, was that the boy should be made a good soldier and a self-supporting and useful citizen, and that the girl should become a model *Haus-frau* and mother. The first requisite of national power was recognised to be sturdy, intelligent, thrifty men and women.

In German eyes, the workingman, skilled or unskilled, was an

[1] Howe, *European Cities at Work*, 127-128.

[2] For further description of the spirit and scope of German social-welfare work see Dawson, *Municipal Life and Government in Germany*, Chap. XI.

asset. When he was profitably employed, he both maintained himself and those dependent upon him and contributed positively to the volume of national industry and wealth. Conversely, when he was idle, he was not merely not a contributor; he was a hindrance. When he became a tramp, his existence became a social drain. When he was maimed or killed, society lost by so much. It was therefore the part of thrift to see to it that, in so far as possible, every capable member of society should have something worth while to do, that he should be educated sufficiently to do well the work that fell to him, and that in the doing of it he should be accorded every safeguard and favouring circumstance that was practicable. It was some such philosophy as this, bluntly stated, that underlay the great mechanism by which Germany in late decades had protected, encouraged, and conserved her working-classes. This mechanism was in part educational, in part governmental, in part economic. It comprised, however, certain devices of a special nature by which the lot of the ordinary man was invested with security. Of these, four were of principal importance: (1) insurance against sickness, (2) insurance against accidents, (3) insurance against old age, and (4) insurance against unemployment. The first three, as will be pointed out, rested upon Imperial statute and were in operation throughout the Empire; the last had not been made the subject of general legislation, but had been left to be provided by municipal and local authorities and by private philanthropists.

The Impetus of Socialism. The inauguration of the policy of compulsory state insurance for workingmen dated from 1883, but the circumstances which led directly to the steps are traceable from a point at least as early as 1871. As has been explained, the close of the war with France was followed in Germany by a remarkable outburst of industrial and commercial activity.[1] The factory system developed rapidly, urban populations multiplied, and the wage-earners increased apace, both in numbers and in consciousness of class interest. The transition to the new conditions was productive of social unrest not unlike that which had been produced in England by a similar development a hundred years earlier. Among the discontented the propaganda of socialism, instituted by the followers of Marx and Lassalle at the middle of the century, began to make rapid headway. Between 1871 and

[1] See p. 215.

1877 the number of votes cast for socialist candidates for seats in the Reichstag rose from 124,655 to 493,288. In view of the provision made in the Imperial constitution of 1871 for manhood suffrage, the prevailing disaffection gave promise of acquiring grave political consequence. The ruling classes took alarm, and when, in 1878, two unsuccessful attempts were made upon the life of the Emperor, by socialists, who, however, acted quite independently, Bismarck decided upon measures designed to bring socialist agitation to an end.

The policy adopted was two-fold. One phase of it—the first to be applied—was repression by law and by force. And in October, 1878, the Imperial parliament passed a measure of much severity forbidding all associations, meetings, and publications having for their object "the subversion of the social order" or in which there should be any trace of socialistic tendency. The powers of enforcement conferred upon the police were inquisitorial and arbitrary in the highest degree. The law, enacted originally for four years, was twice renewed, and it remained in operation until 1890. Despite vigorous attempts to apply it, however, it entirely failed to accomplish its object, as may be indicated by the fact that in the year in which, at the instigation of the new emperor, William II, it was allowed to lapse, the socialist vote was 1,427,000, resulting in the election of thirty-five members of the Reichstag.[1]

Repression, however, was only one part of the Chancellor's program. The other part was the amelioration of those conditions of the labouring population by which alone, as Bismarck viewed the situation, men were driven to socialism. Such measures were to be adopted as would lead the workingmen to see that, after all, the state was their principal benefactor and to rally to its support, turning a deaf ear to the allurements of socialism. Some of the demands which the more moderate socialists were making appeared to the Chancellor not unreasonable, and at the time when the repressive act was passed he virtually pledged the government to the early and serious consideration of the problems imposed by the complicated relationship of the various classes of society, and by the plight in which the working masses had been involved by the new industrialism.

As early as 1878 a small group of Conservatives in the Reichstag were urging the establishment of a system of obligatory in-

[1] See p. 499.

surance against old age and indigence, and the socialist deputy, Bebel, was formulating a plan for direct insurance by the state. In 1879 a ministerial statement informed the Reichstag that the government accepted the principle that the workingmen who had become incapacitated through accident or age should not be a burden upon the public; but it was confessed that the mode of relief had not been decided upon. It was at the opening of the Reichstag on February 15, 1881, that the Chancellor came forward with his memorable program of social insurance. The socialists —especially the "state socialists" of the Wagner-Schmoller school —are to be regarded as in a very real sense the authors of this program, but to meet their more pressing demands, to allay discontent, and to prevent further triumphs of the revolutionary propaganda, Bismarck made the scheme his own and contrived not only to win for it the support of his Imperial master, William I, but to force the proposed reforms through a reluctant parliament.

Ideas and Motives underlying the Policy of State Insurance. The ideas which underlay the government's great departure were set forth explicitly in the *Begründung* of March 8, 1881, by which the first accident insurance bill was accompanied. "That the state," it was asserted, "should interest itself to a greater degree than hitherto in those of its members who need assistance, is not only a duty of humanity and Christianity—by which state institutions should be permeated—but a duty of state-preserving policy, whose aim should be to cultivate the conception—and that, too, amongst the non-propertied classes, which form at once the most numerous and the least instructed part of the population—that the state is not merely a necessity but a beneficent institution. These classes must, by the evident and direct advantages which are secured to them by legislative measures, be led to regard the state, not as an institution contrived for the protection of the better classes of society, but as one serving their own needs and interests. The apprehension that a socialistic element might be introduced into legislation if this end were followed should not check us. So far as that may be the case it will not be an innovation but the further development of the modern state idea, the result of Christian ethics, according to which the state should discharge, besides the defensive duty of protecting existing rights, the positive duty of promoting the welfare of all its members, and especially those who are weak and in need of help, by means of

judicious institutions and the employment of those resources of the community which are at its disposal."[1] The plea was for a state of positive and forceful functions; the ideal was thoroughgoing, but beneficent, paternalism. The method of social amelioration was to be the compulsory insurance of working-people against the misfortunes and vicissitudes of life—more specifically, against sickness, accidents, old age, and incapacity. Such insurance was to be provided by, and administered through, the state exclusively, and the state was to be made to bear a fair share of the cost. "The corollary of compulsion," Bismarck insisted, "is . . . insurance through the state—either through the empire or the industrial state: without that no compulsion. I should not have courage to exercise compulsion if I had nothing to offer in return. . . . If compulsion is enforced it is necessary that the law provide at the same time an institution for insurance which shall be cheaper and securer than any other. We cannot expose the savings of the poor to the danger of bankruptcy, nor can we allow a deduction from the contributions to be paid as dividends or as interest on shares. . . . We could not compel insurance in private companies which might go into bankruptcy, even with good management, because of conjunctures or great calamities."

Bismarck's view that if there was to be compulsory workingman's insurance at all the agencies of it must be supplied and controlled directly by the state commended itself not only in Germany but eventually in every country in which social insurance has been projected or put in operation. Equally sound was his conception of the magnitude and the interminable nature of the task which the state was proposing to assume. Speaking in support of the Accident Insurance Bill, April 2, 1881, he said: "The domain of legislation which we enter with this law . . . deals with a question which will not very soon be removed from the order of the day. For fifty years we have been speaking of a social question. Since the passing of the Socialist Law I have continually been reminded by persons in high and official circles, as well as by others in the popular classes, that a promise was then given that something positive should also be done to remove the legitimate causes of socialism. I have had the reminder in mind *toto die* up to this very moment, and I do not believe that either our sons or grandsons will quite dispose of the social question

[1] Quoted in Dawson, *Bismarck and State Socialism*, 111.

which has been hovering before us for fifty years. No political question can be brought to a perfect mathematical conclusion, so that book balances can be drawn up; these questions rise, have their day, and then disappear among other questions of history: that is the way of organic development." [1]

The most general ground of defence of the policy which was being entered upon was humanitarian. A more specific ground was the strength which would accrue to the Empire from the alleviation and prevention of social distress. The immediate object was the cutting of the ground from under the feet of the socialists. "Give the workingman the right to work as long as he is healthy," Bismarck urged in 1884; "assure him care when he is sick, and maintenance when he is old. Do not fear the sacrifice involved, or cry out at state socialism, as soon as the words 'provision for old age' are uttered. If the state will show a little more Christian solicitude for the workingman, then the socialists will sing their siren song in vain, and the workingmen will cease to throng to their banner as soon as they see that the government and the legislative bodies are earnestly concerned for their welfare." What the Chancellor hoped to do, in brief, was to cure the Empire of socialism by inoculation. It is to be observed that the insurance program now proposed was not created absolutely *de novo,* for earlier in the century there had been in Germany some experiments with industrial insurance in a number of forms. Those beginnings, however, had been crude and sporadic. In the matter of accidents a Prussian statute of 1838 had legalised, in respect to railways, the principle of employer's liability, and in 1871 the principle had been extended to factories, mines, and quarries. But the burden of proof imposed upon the employee was so heavy that, in effect, the law conferred small benefit. From early times the gilds and associations of journeymen had as one of their principal functions the extension of relief to their members in time of sickness, and by statutes of 1845, 1849, and 1854 the kingdom of Prussia legalised and encouraged these benevolent activities. It is worth observing, indeed, that by the law of 1854 power was given local authorities both to require the formation of insurance societies and to compel certain classes of employers to contribute one-half of the necessary cost, thus introducing for the first time the principle of obligatory in-

[1] Quoted in Dawson, *Bismarck and State Socialism,* 112-113.

surance. The German Workingman's Association founded at the middle of the century by Lassalle had as one of its features an elaborate insurance system, as did various other later organisations of the kind. In Saxony, Bavaria, Baden, Württemberg, and several of the minor German states, sickness and accident insurance was not uncommon by 1880, and in a number of instances it included compulsory features.

The Insurance Laws of 1883-89. Bismarck's first Imperial insurance measure was the Accident Insurance Bill, introduced in the Reichstag March 8, 1881. The purport of it was that all proprietors of railways, mines, and factories should be required to insure their employees against occupational accidents, either in an Imperial insurance department or in mutual associations organised by employers under government supervision. The necessary funds were to be raised from contributions by both employers and employees, supplemented by a continuous subvention by the Empire. The project encountered formidable opposition from two directions. The socialists, whose first move was to propose an amendment extending the provisions of the measure to working-people (both men and women) of every class, ended by denouncing the proposal altogether; and throughout the period of insurance legislation their support was withheld. Bismarck, as a matter of fact, did not much care for socialist co-operation; for socialism stood for democracy, and democracy he detested. By many non-socialists, including the Radicals, on the other hand, the contents of the bill were denounced as socialism or something worse. In the Reichstag the measure was subjected to amendment which proved fatal. The chamber assented to the principle of compulsory insurance, but it refused to vote an Imperial subsidy; it substituted a plan under which employers were to contribute two-thirds and employees one-third of the funds required; and it greatly altered the complexion of the bill by voting to transfer the administration of the system entirely to the several states. Bismarck, supported by the Bundesrath, refused to concede the desired modifications, and the bill failed.

At the convening of the Reichstag on November 17, 1881, the question was re-opened. In a message which approached the character of a social charter the Emperor solemnly affirmed the "necessity of furthering the welfare of the working-people" and of rendering "the needy that assistance to which they are justly en-

titled," and it was promised that an amended draft of the Accident Insurance Bill would be introduced, together with a bill on the subject of insurance against sickness. The promise was redeemed in the spring of 1882, when two measures—an amended Accident Insurance Bill and a Sickness Insurance Bill—were introduced simultaneously. The two were tied together, because as the government's plan had taken shape, one was to supplement the other. The agencies through which sickness insurance was to be administered were to care for insured persons during the first thirteen weeks of inability to work; thereafter responsibility was to be assumed by the agencies of accident insurance. It is to be observed, too, that the government abandoned its original plan of insurance by the state direct and accepted in lieu of a central state institution an arrangement for trade organisations, based on the principle of mutual liability. Even Bismarck admitted that the scheme first proposed savoured too much of bureaucracy. On May 31, 1883, the Sickness Insurance Bill was adopted by the Reichstag by a majority of 117 votes. The law was promulgated June 15, 1883, and it took effect December 1, 1884.

The Accident Insurance Bill introduced in the spring of 1882 did not receive legislative sanction, but with some modifications it was re-introduced in March, 1884. In supporting the new bill in the Reichstag Bismarck freely admitted that the difficulties of accident insurance were very great and that it would be desirable to begin with a measure extending, as did the present one, to only a section of the great industrial army. "The whole matter," he asserted, "centers in the question, Is it the duty of the state, or is it not, to provide for its helpless citizens? I maintain that it is its duty, that it is the duty not only of the '*Christian* State,' as I ventured once to call it when speaking of practical Christianity, but of every state. It would be foolish for a corporation to undertake matters which the individual can attend to alone; and similarly the purposes which the parish can fulfil with justice and with advantage are left to the parish. But there are purposes which only the state as a whole can fulfil. . . . To these . . . belong the help of the necessitous and the removal of those just complaints which provide Social Democracy with really effective material for agitation. This is the duty of the state, a duty which the state cannot permanently disregard."[1] To leave to

[1] Dawson, *Bismarck and State Socialism*, 118.

private initiative the creation and management of social insurance agencies meant, Bismarck insisted, to encourage private speculation on the misfortunes of the labouring population. The Accident Insurance Bill was finally passed by a substantial majority, on July 6, 1884, and it became effective October 1, 1885.

After the two foregoing measures were well in operation, the third project of the series was launched, that of insurance against old age and invalidity. The first draft of a bill upon this subject made its appearance on November 17, 1887. From the outset, the provision of pensions for the aged and the incapacitated had formed a part of Bismarck's program, and consideration of the advantages and disadvantages of the plan had crept into the official utterances and parliamentary debates upon various related proposals. While the old-age project was pending there occurred the death of Emperor William I, the three-months' reign of Emperor Frederick, and the accession of Emperor William II. Any doubt concerning the social policy of the last-mentioned sovereign was dispelled at his accession by an unequivocal declaration of purpose to "carry on the work of social-political legislation" begun under William I. And after some inevitable delay the Old-Age and Invalidity Bill was passed by the Reichstag, June 22, 1889. The time of its taking effect was left to be fixed by the Emperor and the Bundesrath; and the date selected was January 1, 1891.

Subsequent Amendment: the Codification of 1911. Each of the trio of measures mentioned was partial and experimental. There was little disposition to suppose that steps of the kind if once taken, could be wholly retraced. But it was recognised that the details of the system as established would need to be tested and to be modified frequently in accordance with the dictates of experience. Social insurance amending acts after 1884 were numerous, and it would be wearisome to attempt in this place even an enumeration of them. Suffice it to say that by acts of 1885 and 1886 the Sickness Insurance Law was extended in scope until it reached virtually the entire working-class and the smaller official class of the Empire; that in 1885 the Accident Insurance Law was extended to the postal, railway, telegraph, naval, and military administrative services, and to the carrying, inland navigation, and other trades; and that in 1886 the same law was applied to soldiers and to persons engaged in agriculture and for-

estry, and in 1887 to workmen employed in building operations and to sailors and all persons engaged in marine occupations. All of the insurance laws were revised and to some extent codified between the years 1899 and 1903.

Although by force of circumstances the compulsory insurance system was introduced in each of its three major forms by different acts and at different dates, and in each form was extended to various branches of industry after varying intervals, there lingered an ideal of one grand, unified system. This ideal the government was obliged for a time to abandon. None the less, during the first decade of the present century the problem of closer co-ordination was given a good deal of attention, and in 1910 the Imperial authorities got so far as to cause to be prepared a draft of a single law covering every phase of social insurance in the Empire. After being approved in the Bundesrath, this instrument was submitted to the Reichstag, and on July 19, 1911, it was adopted by that body. Thus was instituted the great *Reichs-Versicherungsordnung*, or Workmen's Insurance Code, which was operative in the Empire in 1914, replacing the separate laws or series of laws under which sickness, accident, and invalidity insurance were formerly administered. The vastness which the subject had acquired may be indicated by the fact that the statute of 1911 contained a total of 1,805 articles, in addition to an "introductory law" containing 104 more. It embodied the development of a scheme of compulsory insurance through a quarter of a century and covering substantially the entire industrial population of the Empire, a system which is easily the most elaborate of the kind that the world has known.[1]

Arrangements for Administration. The new Code was based upon a recognition of the necessity of maintaining the separateness of the various institutions which, by successive amplifications and adaptations running back through three decades, had been brought to the point of meeting quite completely the needs of the employers and the employees. No attempt, therefore, was made to consolidate the organisations conducting sickness, accident, and invalidity insurance. In so far as changes were introduced relating to administration, the effort was rather to obtain more co-

[1] The complete text of the Code is printed in *Reichsgesetzblatt*, Aug. 1, 1911, 509 ff. For an English version see Bulletin of U. S. Bureau of Labour, No. 96 (Sept., 1911), 514-774.

operation among these different organisations by simplifying the agencies of control and establishing a single and centralised system of supervision. To this end the law of 1911 provided a single set of authorities charged with the duty of supervising all organisations throughout the country administering insurance in any of the several forms. These supervisory authorities were in three grades. At the bottom was the *Versicherungsamt,* or "local insurance office," covering a small area, and presided over by a *Versicherungsamtmann,* or director, who was a public official, and who was assisted by a board of at least twelve local representatives of employers and of workingmen (equally divided), by a "judgment" committee of three members charged with the handling of matters referred to it by law, and by a "decision" committee of three.

Above the local insurance office stood the "higher judicial, decision, and supervisory" authority known as the *Oberversicherungsamt,* or superior insurance office. This agency replaced the former arbitration courts for workingmen's insurance. Each superior office was presided over by a director appointed for life or for a term prescribed by state law, with a body of associates, normally numbering forty, elected one-half from the employers and one-half from the insured persons. The superior office created one or more *Spruchkammern,* or judgment chambers, and one or more *Beschlusskammern,* or decision chambers, whose rulings upon appeals were final in many matters. At the top stood the *Reichsversicherungsamt,* or Imperial Insurance Office, which exercised general supervision over the entire system.[1] This office was composed of permanent and non-permanent members. The president and the other permanent members were appointed for life by the Emperor, on nomination of the Bundesrath. Of the thirty-two non-permanent members, the Bundesrath elected eight, the employers twelve, and the insured persons twelve. The regulations governing the method of election were complicated in the extreme. For purposes of business the Office was organised into a *Grossen-senat,* or great senate, a number of *Spruchsenate,* or judgment senates, and a number of *Beschluss-senate,* or decision senates, all to exercise functions defined minutely by law. There

[1] Except that in Bavaria, Saxony, Baden, and Württemberg, *Landesversicherungsamten,* or state insurance offices, took the place of the Imperial Office in relation to insurance organisations located entirely within the boundaries of these states respectively.

was also a *Rechnungsstelle,* or accounting bureau. The costs of the entire administrative mechanism were borne by the Empire.

The Growth of Sickness Insurance. The sickness insurance law of 1883 was originally extended only to persons employed in mines, quarries, factories, and certain other industrial establishments, and receiving an annual wage of not over 2,000 marks ($476). By amendments adopted in 1885, 1886, and later years, however, the provisions of the measure were made to apply to a very much larger body of working-people. The act of 1911 made compulsory for the first time the insurance (against sickness) of several important groups, including agricultural labourers, household servants, teachers and tutors, members of orchestras and theatrical companies, members of ship's crews, clerks and apprentices in pharmacies, and persons engaged in home industries—in effect extending the system to workers of every sort whose annual wage or salary fell below 2,000 marks. Certain classes of workmen who were not compulsorily insured might insure themselves voluntarily. With some exceptions, only persons actually employed might be directly insured under the laws, and the obligation to become insured followed automatically on employment. Normally, the wife and children of workmen were not insured unless they were themselves employed, although in the case of sickness insurance the local societies might, under certain conditions, so extend the benefit as to include medical treatment for the workingman's wife and children, and many societies availed themselves of the privileges. Insurance was effected through local societies of insured persons, and the society to which a workingman should belong was determined for him automatically by the place at which he lived or worked or the form of occupation in which he was engaged.

The law provided for six absolutely independent kinds of sickness insurance funds, each to be administered for the benefit of certain stipulated classes or bodies of people. There was, for example, the "local fund," to which, in certain localities, all workingmen of the community belonged; the "factory fund," in which the workmen of an industrial establishment employing more than fifty hands were insured; and the "miners' fund," maintained exclusively for miners. In so far as possible, pre-existing *Krankenkassen,* or sick-benefit societies, were perpetuated and adapted to the purposes of the enlarged system. Each fund was sustained

by the workingmen and the employers, with occasionally some assistance from the community and from private individuals. As a rule, the employers contributed one-third and the workingmen two-thirds; although the law of 1911 prescribed that contributions to one of the classes, known as "gild funds," might be levied equally upon the two parties. In practice, the employers paid the entire amounts and deducted accordingly from the employee's wages. The expense to the worker was very small. It varied according to the trade and the locality between 1½ per cent. and 4 per cent. of the daily wage, rarely exceeding 3 per cent. The funds were administered by boards representing both employers and employees, the members being chosen at meetings in which it was the privilege of every contributor to take part. These boards were supervised by the hierarchy of insurance officers previously mentioned. The benefits comprised, in the main, free medical and surgical treatment, hospital or home care, burial money in the event of death, and a sick allowance amounting to one-half (in some instances three-fourths) of the wage the beneficiary was accustomed to receive, and beginning the third day of sickness. If illness was continued beyond a half-year, the burden was transferred to the accident insurance fund.[1] These were the benefits which the law prescribed. In point of fact, in the large industrial centers others of a social or charitable nature were not infrequently provided.

In 1907 the number of sickness insurance societies in the Empire was 23,232, and the number of persons insured through them was 12,138,966 (8,972,210 men and 3,166,756 women), comprising approximately nineteen per cent. of the Empire's population. In 1885, at the close of the first year of the operation of the system, the percentage of insured persons was ten; in 1890 it was fourteen; and in 1900 it was eighteen. In 1910 the number of insured persons exceeded thirteen millions, being twenty-one per cent. of the total population, and the average membership per society (excluding miners' societies) was 572. When statistics under the law of 1911 became available they revealed a heavy increase in both number and percentage of the insured. The number of societies, however, was shown to have been reduced,

[1] Prior to 1904 the transfer was made at the end of thirteen weeks. Persons suffering from accident are still entitled to receive benefit from sickness societies for the first thirteen weeks of disability.

for the law strongly encouraged the maintenance of larger and fewer local organisations.

Later Character and Extent of Accident Insurance. The original accident insurance law, enacted in 1884, applied only to a few specially hazardous trades. Subsequent legislation extended it to other forms of occupation, including agriculture, forestry, and marine navigation. And finally the act of 1911 broadened its scope to an extent such that practically no industries of importance remained unreached. Government employees in postal, telegraph, and railway services, and in industrial enterprises of the army and navy, unless otherwise provided for, came under the provisions of the law. And substantially all workingmen, irrespective of wages, and all inferior administrative and operating officials whose yearly salaries did not exceed 5,000 marks were required to be insured.[1] The funds by which the system was maintained were contributed entirely by the employers, and they were administered by mutual associations of employers engaged in the same general trades or industries. When a man set up or acquired a business of any sort which was comprehended within the terms of the law he automatically became a member of the local employers' association covering that particular kind of business, and he was bound to contribute to the insurance fund of this association in proportion to his pay-roll and to the degree of risk assumed by labourers in his employ.[2]

These associations were managed by elected representatives of the employers, under the supervision of the state insurance offices. They could classify trades, fix danger schedules, and enforce regulations concerning the use of appliances for the prevention of accidents. They were solely liable for the indemnities as they fell due. There was no liability on the part of the employer to pay the indemnity to the workman, his liability being solely to the mutual association for the premiums assessed against him. The money to pay the indemnities currently was advanced to the associations by the Imperial government, and at the close of the year the associations must apportion among their members the cost of repaying the amounts borrowed, including the outlays

[1] Prior to 1911 only officials whose annual earnings were less than 3,000 marks were under such requirement.

[2] It may be observed, however, that Article 543 of the Code empowered the Bundesrath to exempt from the insurance "establishments having no particular accident risk."

for administration. The solvency of the associations was guaranteed by the Empire. The scale of compensation was determined by law, and any injury by accident in the course of employment, causing death, or disability for more than three days, was indemnified, unless it could be shown that the injury arose from culpable negligence on the part of the employee or from the performance of an illegal act. An industrial accident, as defined by the law, must be a sudden occurrence at a specific time. The gradual acquirement of industrial or occupational diseases did not come within the terms of the code, although the Bundesrath was empowered to extend the measure in this direction if it desired.

The benefits of accident insurance were not changed by the legislation of 1911. Compensation for injury included in all cases free medical attendance (with surgical treatment, if needed), paid for during the first thirteen weeks from the sick fund and afterwards by the employers' associations. There was also in all instances a cash benefit. In case of total disability, this involved (1) fifty per cent. of the daily wage of persons similarly employed in the community, but not exceeding three marks, paid by the sick-benefit funds from the beginning of the fourth day to the end of the fourth week, (2) from the fifth to the end of the thirteenth week the allowance just mentioned plus 16 2-3 per cent. contributed by the employer direct, and (3) after thirteen weeks, 66 2-3 per cent. of the average annual earnings of the injured person, paid entirely by the employers' association. In cases of partial disability the cash benefit was determined by a scale arranged on the principle of compensation for two-thirds of the impairment of earning power. In cases of accidental death compensation consisted of a burial benefit equal to one-fifteenth of the annual earnings of the deceased (but in no event less than fifty marks), together with pensions in varying amounts under varying circumstances, for widows, children, and other dependents. Pensions might in no case exceed sixty per cent. of the annual earnings of the deceased. Between 1885 and 1907 the number of persons covered by accident insurance rose from 3,251,336 to 21,172,027. After 1911 the number became considerably larger.

Invalidity, Old-Age, and Survivors' Insurance. The law establishing invalidity and old-age insurance went into operation January 1, 1891. It was replaced by a new statute upon the

subject in 1899, and it is significant that whereas the original measure was forced through the Reichstag with the greatest difficulty, being carried eventually by a slender majority of twenty votes, the act of 1899, by which the scope of old-age insurance was materially broadened, was carried almost unanimously. The application of the law was further extended by the revision of 1911, notably in respect to "survivors' insurance," i.e., the insurance of widows and orphans. As the law stood in 1914, with few exceptions, every person over the age of sixteen, working for wages, must insure against invalidity and old age. Invalidity was defined as total and permanent disability not caused by occupational accident. The law extended, also, to numerous groups of salaried men and women, especially teachers and managing employees, whose annual earnings fell below 2,000 marks. The cost of old-age and invalidity pensions was borne in part by the Imperial treasury, but principally by funds contributed equally by the insured and their employers. The system represented a compromise between the desire of some that the state bear the whole of the cost and the ideas of others who would make of the insurance system simply a device for compulsory saving. The contribution made by the workingman varied from 7 to 18 pfennigs (1½ to 4 cents) a week, according to the amount of wages received.

The law entitled all contributing wage-earners to (1) an invalidity annuity in the event of permanent disability (save by occupational accident) so complete that as much as two-thirds of the individual's earning-power was lost, and (2) an old-age annuity, payable to all who had completed their seventieth year, without regard to physical capacity. The amount of payment was fixed in accordance with a five-fold schedule of wages and contributions, on the general principle that the beneficiary should receive a sum equivalent to two-thirds of the average wage of the class to which he belonged. Old-age pensions were paid primarily from the general invalidity fund, but to each pension the Imperial government added the sum of fifty marks a year. No person might receive an invalidity and an old-age pension at the same time. Aside from bearing the expenses of administration and paying the contributions of men while serving in the army and the navy, the old-age subvention was the only fiscal burden which the government assumed in relation to any part of the

entire insurance system. Some outlay, of course, was involved in the collection of statistics, the hearing of appeals, and other incidental activities, but the total obligation which fell upon the Imperial treasury was small. In 1906 it amounted to only 48,757,608 marks. In 1907 the number of persons insured against invalidity and old-age was 14,958,118 (10,350,293 men and 4,607,825 women).

The law of 1911 added to the three main branches of workingmen's insurance a fourth, namely, "survivors' insurance," applying to widows and orphans. For purposes of administration the new branch was combined with invalidity insurance, but it really constituted a separate division of the system. The widow's pension for which provision was made was a benefit paid to the invalid widow of an insured person, so long as she remained unmarried.[1] It consisted of three-tenths of the invalidity pension of the deceased, plus an Imperial subsidy of fifty marks a year. The orphan's pension was paid to all children of the deceased insured person until they attained the age of fifteen. It consisted of an annual Imperial subsidy of twenty-five marks plus three-twentieths of the invalidity pension of the deceased for one orphan and one-fortieth of this pension for each additional orphan. There was imposed the general limitation (1) that the orphans' pensions might not exceed the amount of the invalidity pension of the deceased; and (2) that the aggregate sum of the widows' and orphans' pensions might not exceed one and one-half times the pension of the deceased. The provision thus made for invalid widows and for orphans was a minor one, yet it unquestionably met a very real need.

The Care of Tuberculous Wage-Earners. A further interesting aspect of German invalidity insurance was the provision that had been made for the care of that special class of afflicted persons which, while imposing upon the invalidity funds a burden of exceptional proportions, was yet susceptible of remedial treatment, namely, workers suffering from, or threatened with, tuberculosis of the lungs. This one disease was responsible for fifteen per

[1] "That widow shall be considered an invalid who is no longer in a condition to earn, through work which corresponds to her powers and abilities, and which with a proper consideration of her education and her previous social status she may be expected to perform, one-third of that amount which physically and mentally sound women of the same kind and with similar education are accustomed to earn through labour in the same region." Insurance Code, Art. 1258.

cent. of the disability annuities granted to men and for nine and one-half per cent. of those granted to women. The invalidity insurance law of 1899 stipulated that when an insured person should fall so ill that incapacity to earn a livelihood seemed likely to result, the insurance institution to which he belonged should have the power to require him to undergo treatment to such extent as it might deem desirable, in order to avert the contingency of the insured person's becoming a charge upon the invalidity fund. This provision was continued in the law of 1911.[1]

Under the authority thus conferred invalidity insurance organisations established a chain of special sanatoria, numbering fifteen in 1902 and thirty-seven in 1909. In addition, public sanatoria were founded by provincial, communal, and other local authorities, largely from funds provided at low rates of interest by the invalidity insurance institutions. In 1911 there were in the Empire not fewer than ninety-nine of these public sanatoria for the treatment of tuberculous wage-earners. The number of tuberculous working-people receiving treatment in public sanatoria rose from 3,334 in 1897 to 42,232 in 1909, and the aggregate number cared for during the twelve years was 272,480. The amount disbursed in this period on account of the treatment of tuberculous wage-earners by invalidity insurance institutions was approximately one hundred million marks. Statistics show that of the persons treated a very large proportion were restored to health, at least within the meaning of the insurance laws, and that the investment of the insurance organisations in this direction was good business, whatever it might be in addition. Besides maintaining sanatoria of their own and loaning money to local administrative authorities to maintain others, the insurance associations contributed liberally to the support of the general anti-tuberculosis movement which in late years had made much headway in the Empire. As a consequence largely of their efforts, supported systematically by the public authorities, the mortality from tuberculosis of the lungs for the Empire as a whole fell from 23.08 per ten thousand during 1895-99 to 18.45 during 1905-09.[2]

[1] If the afflicted person was married, if he had a household of his own, or if he was a member of the household of his parents, he might not be placed in a hospital or in an establishment for convalescents without his consent.

[2] For further statistics upon this subject see Bulletin of U. S. Bureau of Labour, Whole No. 101 (Washington, 1912), 9-10. The subject is discussed in Dawson, *Social Insurance in Germany*, Chap. VII.

Insurance of Salaried Employees. The year 1911, in which was promulgated the Workmen's Insurance Code, witnessed the enactment of a second social insurance measure of large importance. This is the *Versicherungsgesetz für Angestellte,* or Law Relating to the Insurance of Salaried Employees, of December 20, 1911.[1] Until within the past twenty or twenty-five years social insurance in the various countries was planned to be applicable primarily, and generally exclusively, to wage-earners. The first state to adopt a system of insurance for salaried employees was Austria, whose law of December 16, 1906, providing for insurance against invalidity and old age became operative January 1, 1909. In 1910 salaried employees were included in the old-age pension law of France. In Germany the first formal demand for a system of invalidity and old-age pensions came from an association of employees in the Rhine district in 1895. Other groups made similar demands in succeeding years, and in 1901 a federation of associations was established to promote the movement. Most of the employees from whom the demand came were already included in the workmen's insurance system. Their contention was, however, that the benefits accruing from this source were disproportionate to the needs and standards of clerks, accountants, and other people of similar station, and to prove that this was true they instituted, in 1903, an elaborate investigation of the economic status of the salaried employee class in all of its aspects. The data of this investigation were compiled by the Imperial Statistical Office, and in 1907 the results were transmitted to the Reichstag. A projected scheme of insurance which accompanied the report proved impracticable, because it called for an outlay of not less than nineteen per cent. of the earnings of insured persons. Farther investigation showed, however, that voluntary insurance organisations were already in existence which were providing reasonable benefits for employees at a total cost of about eight per cent. of their earnings. Accordingly, in 1908 a second memorial was submitted to the Reichstag outlining a plan calling for an eight per cent. expenditure. In January, 1911, a bill based upon the memorial was presented by the government; four months later a second draft was submitted; and on December 20 the bill became

[1] Text in *Reichsgesetzblatt,* Dec. 28, 1911, seit 989-1061. For an English version see Bulletin of U. S. Bureau of Labour, Whole No. 107 (Washington, 1912).

law. The time of the taking effect of the measure, left for subsequent determination, was eventually fixed at January 1, 1913.

The new law—which was an elaborate instrument arranged in 399 articles—was made applicable to all persons employed for compensation in directing or administrative positions or occupations of a clerical nature whose yearly salary did not exceed five thousand marks. It was estimated that it would reach 2,000,000 persons, of whom 420,000 were women. Three-fourths of the persons affected were included in some part of the insurance system already in operation, and they were now vested with two sets of benefits. The new insurance, while supplementary, was independent, and it was compulsory. The cost of it was met by contributions in equal parts by the employees and the employers. On a basis of salary, employees were divided into nine classes, and members of any one class paid the same, regardless of age, sex, or other condition. These contributions were deducted by the employer, who at the same time added his half, periodically, when salaries fell due. The government bore no part of the expense. Administration was vested in a special Imperial Insurance Institute, working through a corps of officials in charge of local offices. The principal benefits consisted of retirement pensions and pensions to survivors, i.e., widows and orphans. The retirement pension was paid on the completion of the employee's sixty-fifth year, or on the occurrence of occupational disability. The yearly amount of this pension for men was one-fourth of the sum of the dues paid in during the first one hundred and twenty months, plus one-eighth of the dues paid after that period; for women there was some variation. The pension of a widow was two-fifths of the pension which the husband was receiving at the time of his death, or would have received had he been disabled. Orphans under eighteen years of age received on the death of the father a pension equal to one-fifth of the widow's pension; but if the mother was also dead, the pension was one-third of the widow's pension. Orphans' pensions terminated at the age of eighteen, or at marriage. In the great majority of cases the pensions received from the salaried employees' pension fund were in addition to benefits received under the workmen's insurance system.[1]

[1] On the insurance of salaried employees see Dawson, *Social Insurance in Germany*, Chap. X.

Remedies for Unemployment: Labour Exchanges. Officially, Germany had never admitted the socialist contention that every able-bodied man has an inalienable right to remunerative employment. That she had not done so may be explained perhaps by the prominence which had been accorded the proposition in the socialist creed. Speaking on the Accident Insurance Bill in 1884, none the less, Bismarck not only substantially accepted the contention but made it his own by proclaiming forcefully the workingman's "right to labour" (*Recht auf Arbeit*), as laid down in the common law of Prussia, and by insisting that the state was ultimately responsible for those of its citizens who, through no fault of their own, lacked the opportunity to procure work and therefore the means of subsistence. And the devices that were brought to bear in the next forty years to minimise the evils of unemployment tended strongly toward a recognition of the socialist principle. These devices may be grouped under three heads, in the order of their importance: (1) labour exchanges, or labour bureaus, (2) *Herbergen,* or "home lodging-houses," and public relief stations, and (3) insurance against unemployment.

The German method of dealing with unemployment was the very practical one of bringing together with as little delay and inconvenience as might be persons who wanted work and persons who wanted workers. The principal instrument employed to this end was the labour exchange, or labour registration bureau. Here and there, as in Leipzig, there were public labour bureaus in Germany as much as eighty years ago, and the earliest private establishment of the kind was founded at Stuttgart by a workingmen's improvement society as early as 1865. A private bureau appeared in Cologne in 1874, one in Berlin in 1883, one in Hanover in 1889, one in Düsseldorf in 1890, one in Karlsruhe in 1891, and one in Freiburg in 1892. Most of these were early converted into municipal bureaus, and the number of such institutions created between 1893 and the close of the century was eighty-five. After 1900 the increase was rapid, and by 1907 there were reported some four hundred bureaus maintained by the municipalities, together with a very considerable number maintained by trade unions, gilds, and private persons. In practically every industrial center of importance there was a public bureau, and by these alone employment was found for from 500,000 to 1,000,000 men and women during the course of every twelvemonth. The public bureaus were

administered, as a rule, by special municipal officials and in buildings or rooms set apart for the purpose. Classified lists were kept on file, both of persons seeking employment and of persons desiring labourers, and every one interested was invited to consult these lists and to receive any supplementary information that might be in the possession of the officials. At the private registries there was often a small fee to be paid, but the services of the public ones were almost uniformly free. The period for which an applicant registered varied from two weeks to several months, and it might be extended indefinitely. At the larger registries waiting-rooms were provided in which the registered unemployed might find shelter and sustenance during the day, and in which from time to time lists of applications for labourers were read aloud by the official in charge. As a rule, applicants for skilled labour were considered in the order of their ability, and applicants for unskilled labour in the order of their appearance, save that priority was accorded men who were heads of families. The Berlin registry, established in 1883, was conducted on non-municipal lines by a society known as the *Centralverein für Arbeitsnachweis,* or Central Association for Labour Registration. Under a liberal organisation, this Association drew in the labour bureaus of many unions; and its administrative board of twenty-one members was advised by a committee of employers and workmen in each branch of industry represented on the exchange. After 1902 its work was carried on in a commodious and well equipped structure in the *Gormanstrasse,* built by the Imperial Insurance Office and leased to the Association at a nominal figure. There were three vast apartments, one for skilled workmen, one for unskilled workmen, and one for women. In each there was a hall in which seekers of employment sat, grouped by occupations, awaiting the announcement of positions to be filled. In 1908 this bureau alone secured work for 120,000 persons. In many centers, as Berlin, Munich, and Düsseldorf, there was a tendency toward the amalgamation of trade-union and private registries with the public ones, to the end that all agencies of the sort within a city might be brought under a common management. In some states the municipal bureaus were organised in an association, in order that uniformity of practice might be maintained, lists of applicants might be conveniently exchanged, and exceptional surpluses or shortages might be more readily handled. Württemberg or-

ganised the first state system of bureaus, in 1895; Bavaria, Baden, and a few other states followed. There were also associations for northern, middle, and southern Germany. And in 1898 there was established a voluntary association, the *Verband Deutscher Arbeitsnachweis,* for the Empire.[1]

Other Remedies: Municipal Unemployment Insurance. The services rendered by the labour bureaus were supplemented by those of certain other agencies, notably the *Herbergen zur Heimath,* or "home lodging-houses," and the *Verpflegungsstationen,* or "public relief stations." It was recognised in Germany that under modern economic conditions a certain amount of unemployment is inevitable. Strikes, lockouts, failures, business depression, the invention of new methods or machinery constantly involve, in some measure, the dislocation of industry. To the end that the man in need of work might be encouraged to set actively about the finding of it, hundreds of lodging-houses and relief stations were established which ministered exclusively to the wandering labourer, and it was possible for a man of this class to traverse very nearly all parts of the Empire, earning his way as he went, or receiving sustenance and shelter entirely without cost. The *Herbergen* were private establishments, founded and maintained by philanthropic individuals or societies. The first one was opened at Bonn in 1854 by a professor in the university, Clemens Theodor Perthes. The majority were organised in connection with labour registries, and more than half of them had savings-bank features. They were required to be controlled by responsible committees, to be clean and cheap, and to be conducted with a view to the inculcation of morality and thrift. In order to procure admission the worker must prove that he needed assistance and must be able to produce a passport showing that he had recently been employed. He could pay ten or twelve cents for his lodging and breakfast, or, if he had less than a mark in cash, he could make the necessary settlement by spending four hours at wood-chopping or some other simple form of labour.

The relief station differed from the *Herberge* principally in that it was a public institution. To destitute wanderers it likewise offered food and lodging, but only in return for work. Here, also, no one might be admitted unless he could produce a certificate

[1] For a good description of a typical municipal bureau—that of Munich—see Dawson, *The German Workman,* Chap. II.

or other evidence of recent employment. In the industrial regions of southern Germany, and especially in Westphalia, the lodging-house and relief station were developed to such a degree that vagabondage and beggary became rare. There were also some two score labour colonies—some public and some private—in which agriculture was carried on for the support of such men as cared to join them. They were not penal establishments, but they were closely regulated, and at the bottom of the economic scale they fulfilled a distinctly useful function.

Finally, there was a certain amount of unemployment insurance, although this particular form of social amelioration was not carried as far in Germany as in some other countries. The first experiment with insurance of this nature was undertaken at Cologne in 1894, being inspired principally by the success of the Swiss, especially at Berne, in the field. An endowment fund was contributed, in part by the city council and in part by private philanthropists, and the work of administration was vested in an unemployment bureau consisting of twenty-six citizens comprising the mayor of the city, the president of the local labour exchange, twelve insured workingmen elected by the insured, and twelve honorary members chosen from the philanthropic contributors to the insurance fund. To avail himself of the benefits of the system, the skilled labourer was required to pay in 45 pfennigs, and the unskilled 35 pfennigs, a week during thirty-four weeks of the year. Between December 1 and March 1 a member who lacked employment was entitled to draw from the fund two marks a day during twenty days succeeding the third day of worklessness, and thereafter one mark a day. Membership was open to all independent able-bodied workingmen of a minimum age of eighteen years and resident in Cologne at least twelve months. A workingman might not benefit if he were on strike, if he had been dismissed through fault of his own, if he refused work, or if he had given false information concerning himself. For a time the number of insured persons grew slowly, but the system justified its existence, and within a decade it passed beyond the stage of experiment. Although modified in details from year to year, the plan operated in 1914 upon substantially the lines originally devised. In the winter of 1910 the number of insured persons was 1,957, and seventy-six per cent. of them became entitled to insurance money, to the aggregate

amount of 61,934 marks.[1] After 1900 the example of Cologne was followed, although with many local variations, by Munich, Leipzig, Dresden, Düsseldorf, Strassburg, Freiburg, Lübeck, Karlsruhe, Elberfeld, Magdeburg, and a number of other cities.[2] The large powers which, in Germany, were conferred upon municipalities made it possible for projects of this kind to be embarked upon without hindrance from the state.

Proposals for State and Imperial Unemployment Insurance. Thus far the only provisions for unemployment insurance in Germany were those made by the municipalities, together with certain arrangements effected by trade unions, employers, and other private or semi-private agencies. As might be supposed, there was demand from various quarters for the provision of unemployment insurance by the states, and also by the Empire. The question of state insurance was agitated most actively in Bavaria, where a commission to study the subject was appointed in 1908. In 1909 the Bavarian government directed the attention of the principal towns of the country to the necessity of taking measures to remedy the evils of unemployment and submitted for consideration a model scheme of unemployment insurance which had been formulated by a representative committee appointed for the purpose during the previous year.[3] The recommendation was without practical effect, perhaps for the reason, principally, that the government held out no prospect of financial aid. The granting of aid by the state was prevented mainly by party antagonisms, although it may be added that the employers as a class opposed it, on the ground that it would tend to strengthen the trade unions; and that the agricultural interests were also opposed, on the ground that agricultural workmen stood in no need of insurance of this kind and that state assistance would impose an unreasonable burden on landed taxpayers. In Baden the question of state-aided insurance was given much consideration, and an elaborate report upon it was submitted to the government. The obstacles were virtually the same as in Bavaria. In Württemberg, Hesse, and Saxony, also, the question received attention. In Württemberg a proposal that the state should grant assistance to trade unions which provided unemployment insur-

[1] I. G. Gibbon, *Unemployment Insurance*, 46-56.
[2] *Ibid.*, 194-203, 208-214.
[3] For a summary of the plan see Gibbon, *Unemployment Insurance*, 214-216.

ance was rejected; likewise in Saxony, in January, 1910, a bill requiring the state to reimburse the local authorities for expenditures incurred in granting assistance in unemployment insurance. The pressure upon the states, especially in the south, was increasing, and in 1914 it seemed not unlikely that before the lapse of many years some provision for state aid would be made. Such aid would take the form, probably, of subsidies repaying to local authorities portions of the sums laid out by them in providing or assisting insurance. With definite prospect of the receipt of such subsidies the towns might be expected to institute and foster unemployment insurance systems much more generally than they at present did.

Finally, there could not fail to be demand that the Imperial government should round out its extended insurance system by making direct provision for insurance against unemployment. The Reichstag in 1902 passed a resolution asking the Imperial authorities to undertake a special inquiry into the subject. The investigation was made by the Imperial Bureau of Statistics, and after three years an elaborate report was presented to Parliament based upon experiments made and systems operating in Switzerland and Belgium, as well as in Germany. While occupying the post of minister of the interior, Count von Posadowsky gave much attention to the subject and, with the aid of statisticians, worked out a tentative scheme embracing compulsory contributions by workmen during the period of employment, compulsory contributions by employers, and proportionate subsidies from the Imperial treasury. Count von Posadowsky, however, was not fully satisfied with his plan, and it was never submitted formally, even to the Chancellor or Emperor. An obstacle that always loomed formidably was the condition of the Imperial finances, which seemed to preclude the inauguration of a new and costly service of the kind. In a formal statement issued in 1912 the Imperial government declared that there had not yet been discovered any basis for Imperial insurance against unemployment which could be adjudged acceptable.

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CHAPTER XXV

THE SPREAD OF SOCIAL INSURANCE

The German Example Emulated. In respect to its comprehensiveness, its connection with the state, and the compulsory nature of the benefits which it sought to bestow, the program of workingmen's insurance which Bismarck succeeded in carrying through in Germany during the decade 1880-89 broke new ground. In several countries, including Prussia and other portions of Germany, various arrangements for insurance against accidents and sickness existed prior to 1880. But these arrangements were applied to small groups of men; in most instances they were voluntary rather than obligatory and private rather than public; and at the best they were sporadic and unsystematic. Guided by a public minister who viewed affairs in the large, and impelled by the spirit of thoroughness which is characteristic of their legislation, the Germans of a generation ago led the way in the formulation of a great co-ordinated scheme under which the entire wage-earning body might be protected against economic misfortune, and at the same time the burden of social support might be distributed with equity among those who ought to bear it. At the time, the German experiment was viewed in many quarters with surprise, and even with abhorrence. To many serious and open-minded critics the scheme seemed especially objectionable by reason of the large elements of state socialism which unquestionably were involved in it; although, as has been pointed out, the project was advocated by Bismarck primarily as an agency by which the progress of socialism—revolutionary socialism, at all events—might be stayed.

With little delay the essential success of the system, however, was made clear to all observers, and gradually the critics, both in and out of Germany, were obliged to revise their opinions. The growth of socialism was by no means stopped, but—what was more important—it was demonstrated that Germany had hit

upon a scheme of social conservation whereby she was enabled to increase tremendously the security and efficiency of her fast-growing industrial population, and at an expense which, considering the magnitude of the end attained, was very slight. The upshot was that one after another of the states of Europe was influenced to investigate the possibilities of public insurance, and eventually to enact insurance measures directly inspired by German models, and following more or less closely the lines which the Germans had marked out. It is not to be assumed, of course, that no one of these states would have entered the field independently; none the less, the fact remains that every one of them availed itself freely of the example and the experience of the German Empire. There were by 1914 social insurance systems, more or less elaborate, in Great Britain, France, Holland, Belgium, Denmark, Norway, Sweden, Italy, Switzerland, and Austria. Even in Russia and some of the Balkan states there were the beginnings of such systems. One may say not only that workingmen's insurance in some form had become practically universal in Europe, but that in most countries there was a pronounced trend in the direction of a more comprehensive and connected system than as yet existed. No one can follow the course of European legislation without being aware that the decade preceding the war was exceedingly fruitful, in England, France, Belgium, and several other countries, in measures looking toward social amelioration in general and the extension of workingmen's insurance in particular.

Nowhere was the German scheme of compulsory insurance subjected to heartier criticism a generation ago than in Great Britain. In view of this fact it is interesting to observe that Great Britain by 1914 had insurance arrangements which at some points were even more elaborate than those prevailing in Germany, and that, on the whole, no important European state save Germany herself has yielded so unreservedly to the insurance idea as has the United Kingdom. The triumph of social insurance at Westminster came principally within the last decade before the war, i.e., after the accession of the Liberal party to power in December, 1905. The Liberals entered office with a program in which a very large place was provided for social legislation, including the prevention of unemployment, the establishment of old-age pensions, the adjustment of labour issues, and the general amelioration of the

life of the poor and the unfortunate. Their record of achievement, while not one of unqualified success, or at all points of unquestionable statesmanship, was remarkable. Four aspects of it which related especially to the subject of social insurance call for present attention: (1) the passage of the Workmen's Compensation Act of 1906; (2) the adoption, in 1908, of a general scheme of old-age pensions, extended considerably by legislation of 1909; (3) the establishment, under the National Insurance Act of 1911, of an elaborate system of insurance against sickness, involving the creation of important agencies for the conservation of the national health; and (4) the introduction, under terms of the measure last mentioned, of an experimental scheme of insurance against unemployment in the building and engineering trades.

Beginnings of Workmen's Compensation Legislation in Great Britain. In respect to occupational accidents Great Britain had not, as yet, in 1914 a system of compulsory insurance, but there was a thoroughgoing employer's liability law, in accordance with whose provisions the great majority of employers carried insurance in ordinary insurance companies or in specially organised stock companies. This law, known commonly as the Workmen's Compensation Act, was passed in 1906, and its effect, so far as the working population was concerned, was to guarantee protection almost, if not quite, the equal of that which would be derived from a compulsory accident insurance statute of the German type. The law was the product of prolonged consideration of the subject both within and without Parliament, and it was but the latest and most comprehensive of several important British enactments within the field. Prior to 1880 workmen in the United Kingdom enjoyed no occupational protection save such as they were given by the common law. Under the common law an employer was, as he is to-day, bound to take reasonable precautions to secure the safety of his employee and was liable for any injury sustained by his employee when it could be shown that the employer was directly and personally at fault. The loopholes by which an employer could evade responsibility were, however, numerous, and in practice the employee was left without protection which was in any degree adequate. The principle of employers' liability was incorporated in statutory law for the first time in Great Britain in 1880. The passage in that year of the first Employers' Liability Act was made possible only after ten years of

agitation, and to the end it was opposed by all of the great manufacturing, railway, and mining interests. The act extended in a substantial manner the liability of the employer, yet a very large number of accidents did not fall within its provisions, and in reality it went no farther than did a Prussian statute passed as early as 1838.

The law of 1880 was renewed from time to time, and in 1893 a bill was introduced in the House of Commons to amend and extend it. Disagreement arose between the Lords and Commons and the bill was lost. Continued agitation culminated, however, in the highly important Workmen's Compensation Act of 1897, which was carried through by a Unionist government under the leadership (in this matter) of Joseph Chamberlain. This statute was made applicable to all of the so-called dangerous trades, i.e., to workmen in factories, quarries, mines, railway service, and building operations—an aggregate of some six million persons, or approximately one-half of the labourers in the kingdom. The principle of the act was identical with that of an amendment to the bill of 1893 introduced by Mr. Chamberlain to the effect that compensation should be guaranteed workmen "for all injuries sustained in the ordinary course of their employment, and not caused by their own acts or default." It was now for the first time in the history of English jurisprudence that an employer was made liable for compensation for personal injuries not the consequence of any negligence or wrongful act, either of himself or of the agents for whose conduct he was legally responsible. In short, the employer who fell within the scope of the act was compelled to insure his workmen of all grades against injuries arising by accident irrespective of the cause of the accident, provided such injuries resulted from, and in the course of, the employment and were not attributable to the "serious and wilful misconduct" of the injured workman.[1]

The British Workmen's Compensation Act of 1906. In practice the law of 1897 proved in several ways defective. Its enforcement gave rise to a flood of litigation, largely of a petty and vexatious character. And, once the principle was admitted that insurance should be compulsory in certain industries, the question of the law's extension to industries as yet not provided for was

[1] On the development of employers' liability in England to 1893 see T. G. Spyers, *The Labour Question* (London, 1894), 85-100.

certain to be raised and to evoke perennial discussion. The demand for extension quickly became irresistible. In 1900 a special act applied the provisions of the law for the first time to agriculture and gardening,[1] bringing another million employees into the system; and in the following year shiplading was similarly included. In the parliamentary session of 1905 the Unionist government of Mr. Balfour presented, along with other measures relating to labour, a bill proposing to extend the law of 1897 to several classes of workingmen not yet provided for; but the project was amended until its original character was lost, and in the end it was dropped.

On March 26, 1906, the Liberal Home Secretary, Herbert J. Gladstone, introduced in the House of Commons a new workmen's compensation bill of comprehensive scope. The Unionists, who so recently had proposed to enact legislation of the kind, had no desire to make a party issue of the subject, and the consideration of the bill in both houses was uneventful. The measure received the royal assent December 21, 1906, and became operative July 1, 1907. Unlike its predecessors, it repealed existing acts and sought to reduce the whole mass of regulations upon the subject to clear and orderly statement in a single statute. It introduced no new principle of importance, but it swept away the incongruities of earlier legislation by extending the benefits of the law to workmen in almost every kind of employment, including domestic service. Whereas formerly only those classes of workmen were included which were expressly named, hereafter all were to be regarded as included which were not expressly excluded. The term "workman" was extended to denote every person employed under a contract of service by another, with the exception of persons earning more than £250 a year (unless engaged in manual labour), shop-assistants, outworkers, policemen, persons casually employed, and members of an employer's family living in his house. Among important groups brought within the scope of the law were domestic servants, clerks, seamen, fishermen, postmen, and persons employed in transport service. The first-mentioned group alone comprised approximately two million people. Extension was made also through the inclusion of certain industrial diseases, especially such as arise from poisons, in the category of

[1] This marked an important departure, since the occupations mentioned could hardly be regarded as "dangerous trades."

personal injuries by accident. Prior to the taking effect of the act the number of persons protected was 7,000,000; under the act the number became approximately 13,000,000.

As the law stood in 1914, any employee who was injured at his work during working hours was entitled to compensation, regardless of circumstances, provided only that the employee's ability to earn full wages was impaired through at least one week, and provided also that injury was not caused by the employee's "serious and wilful misconduct." In the event of disability exceeding in duration one week the compensation was half the average weekly wage, including the value of board and lodging, ranging to a maximum of £1 per week. If injury caused permanent disability, this compensation was due weekly as long as the beneficiary lived. In the event of the employee's death the employer was obliged to pay reasonable medical and funeral expenses, to a maximum sum of £10. If, however, there were persons who were wholly dependent upon the wages of the deceased, the employer was required further to pay to such persons a sum equivalent to three years' wages, the maximum being fixed at £300 and the minimum at £150. Persons partly dependent were compensated at special rates. The employer was not required, as was the German employer, to insure. But he very commonly did insure, in order that when it became necessary for him to pay an accident benefit he might be indemnified by the insurance company.[1]

The Movement for Old-Age Pensions. A second highly important development in Great Britain in the field of social insurance is the establishment, beginning in 1908, of a comprehensive system of old-age pensions. In Great Britain, as elsewhere, the problem of the aged poor had long been recognised as one of much seriousness. From the adoption of the Poor Law Amendment Act of 1834 to the passage of the Old-Age Pensions Act of 1908 it was dealt with by the public authorities on three different lines. Prior to 1871 the indigent aged were placed ordinarily in the general mixed workhouses, although at the discretion of the guardians

[1] The text of the British Workmen's Compensation Act of 1906 is printed in Lewis, *State Insurance*, 188-225; with annotation, in V. R. Aronson, *The Workmen's Compensation Act, 906* (London, 1909), 47-270; and in slightly abridged form in Hayes, *British Social Politics*, 47-72. For detailed analysis see W. A. Willis, *The Workmen's Compensation Act, 1 6* (London, 1907). Extracts from nine speeches delivered in the House of Commons while the measure was pending are presented in Hayes, 20-47.

some were given outdoor relief. In 1871 the harsher policy was instituted of rigorously applying the "workhouse test." Aid from the public funds was given only to such aged persons as should apply for admission to the local workhouse, and it was assumed that only the undeserving would be willing to incur the stigma of such an application. Finally, as a result of revelations made by a royal commission in 1893-95 the workhouse test was relaxed, and thereafter the policy of the poor-law authorities became that of granting outdoor relief almost without exception to the aged whose conduct had shown them to be industrious and deserving and who had relatives or friends to give them physical care. If the deserving aged were obliged to enter the workhouse they were to be separated there, as they had not been in the first period mentioned, from the undeserving. No one of these plans ever proved altogether satisfactory, although the third was by far the most humane and in other respects the best of the three.

From about 1880 social reformers began to advocate the establishment of compulsory old-age insurance, and throughout a quarter of a century both of the principal political parties were profuse in promises to enact legislation upon the subject. In 1885 a Select Committee on National Provident Insurance was created by Parliament to investigate pension schemes. But after two years the committee reported that the obstacles to the establishment of compulsory old-age insurance were as yet insuperable, and no action was taken. Agitation was kept up, both by persons who were in favour of compulsory contributions to a fund for old-age pensions and by those who were inclined to a scheme of voluntary insurance supported by a government subsidy. Charles Booth long urged the establishment of a system whereby, from funds supplied by an increase of the income tax, every man, be he rich or poor, should be entitled from the age of sixty-five until death to a government pension of five shillings a week. A commission appointed on the initiative of the fourth Gladstone government, in 1893, failed to recommend the adoption of any one of several pension plans to which it gave consideration, and the same is true of another created by the third Salisbury government in 1896. Throughout their last decade of power, 1895-1905, the Unionists continued to give the subject intermittent attention, and all of the while they stood pledged to action upon it. In 1899,

1900, and 1903 special parliamentary committees were constituted for the purpose of gathering additional information. Beyond investigation and the formulation of tentative plans, the Unionists, however, accomplished nothing; although it should be observed that their creation of the Poor Law Commission of 1905, charged with the task of studying and reporting upon the whole problem of the aged and infirm, was a step of very considerable importance.[1]

The Liberals came into office in 1905 unpledged in respect to any particular course of action—unpledged, also, in the matter of the precise time at which, once in power, they should take action. They, however, were committed quite as unconditionally to the pension principle as were their opponents. Perhaps unwisely, their leaders chose not to postpone action until the Poor Law Commission should have completed its investigations. Their hands, it is but fair to recognise, were in some degree forced. At least, the decision was hastened by the action of the Labour group in introducing a resolution, early in 1906, calling for the provision of old-age pensions from public funds, and by the fact that this resolution was adopted by the House of Commons by a unanimous vote. In May, 1907, a private member's bill was introduced providing for the payment of a pension of five shillings a week, upon individual application, to persons sixty-five years of age and over, from funds supplied nine-tenths by the central government and one-tenth by local taxation. This measure failed on its second reading, principally because it did not have the sanction of the ministry.

The Old-Age Pensions Act of 1908. In April, 1907, Mr. Asquith, then Chancellor of the Exchequer, in presenting the budget in the Commons pledged the ministry to deal with old-age pensions during the next parliamentary session. Not until more than a year had elapsed was the bill which the Liberal leaders had been maturing ready for presentation. Introduced in the Commons on May 28, 1908, the measure was debated at length and was warmly opposed by many of the Unionist members, who sought to obstruct its passage by offering large numbers of amendments. The bill was carried on its third reading by the enormous majority

[1] On the handling of the old-age pension problem by the Unionists see A. Mackintosh, *Joseph Chamberlain; an Honest Biography* (2nd ed., London, 1914), Chap. XXXVII.

of 417 to 29; but of the Unionists only twelve voted for it, eleven voted against it, and 140 abstained from voting upon it at all. In the House of Lords the Unionist majority was generally lukewarm, and in individual cases positively hostile, toward the measure. The time to force the issue with the Commons on fiscal legislation was not as yet, however, ripe, and after a brief debate the bill was passed. On August 1, 1908, the measure received the royal assent, and on January 1, 1909, it went into operation.[1] In view of its possible far-reaching consequences, the bill was pronounced by Lord Rosebery the most important enacted in Parliament in forty years.

The more fundamental features of the insurance system created by the act of 1908 were taken from the old-age pension arrangements of Denmark, established in 1891, of New Zealand, established in 1898, and of New South Wales and Victoria, established in 1900. They differed materially from the principal features of the German system, which have been described. In Germany pensions were paid from funds contributed jointly by employers and employees, supplemented by government subsidies. In Great Britain they were paid entirely from funds raised by general taxation, no contributions on the part of either employers or workingmen being required. The framers of the act of 1908 were determined from the outset upon the non-contributory principle. The people in whose behalf the scheme was projected, asserted Mr. Asquith, find it at best so difficult to make both ends meet that no additional burden, however trifling, ought to be imposed. As the law stood in 1914, every person, male or female, married or unmarried, over seventy years of age, who had been a British subject at least twenty years and a British resident at least twelve years, and who had not been habitually disinclined to work, was entitled to a pension, unless he or she enjoyed an annual income in excess of £31 10s. ($153.41). The original measure imposed the further condition that the pensioner must not be in receipt of poor relief. An amending act of 1909 (in effect January 1, 1911), however, rescinded this stipulation and the poor-law authorities were relieved of the care of 163,000 paupers, involving a saving to the rates of £21,951 a week. No person might receive a pension

[1] The text of the Old-Age Pensions Act is printed in Hayes, *British Social Politics*, 167-176. Extracts from speeches upon the subject in the two houses of Parliament are presented in the same volume, pp. 130-167.

and poor relief simultaneously. When the pension became available, poor relief automatically ceased. Receipt of a pension, unlike that of poor relief, involved no impairment of civil status. The amount of the pension was graduated in accordance with the yearly income of the recipient. Qualified persons whose annual income did not exceed £21 received 5s. a week; those with incomes between £21 and £23 12s. 6d. received 4s.; those with incomes between £23 12s. 6d. and £25 5s. received 3s.; those with incomes between £25 5s. and £28 17s. 6d. received 2s.; and those with incomes between £28 17s. 6d. and £31 10s. received 1s. In no case might the sum of independent income and pension exceed 13s. ($3.12) a week. In the administration of the system the central authority was the Local Government Board, and the local authority was a pension committee appointed in each county, and in each borough and urban district having a population of 20,000 or upwards, by the council of such local area. Pensions were paid weekly, in advance, through the post-offices of the country, and it devolved upon the Postmaster-General, through the local postmasters, to make all arrangements which were necessary to that end. An amending act of 1911 clarified a number of features of the system which had produced administrative difficulty.[1]

The main act, as has been said, went into operation January 1, 1909. Within three months claims for pensions had been filed to the number of 837,831, and 647,494 pensions had been granted. A year later (March 31, 1910) the number of pensioners was 699,352. Of this number 638,147 were in receipt of the maximum weekly allowance of 5s.; the number who received 1s. was about 5,560. At the beginning of 1911, as has been noted, the body of pensioners was appreciably enlarged by the removal of the pauper disqualification, and during the first six months of 1911 the average weekly number of persons in receipt of pensions was 901,605. On March 31, 1914, the number of pensioners was 369,365 males and 614,766 females—a total of 984,131. Of this number, 931,344 were in receipt of 5s. a week; 19,366, 4s.; 19,433, 3s.; 9,238, 2s.; and 4,740, 1s. The authors of the project estimated that the annual burden to the state would be approximately £7,500,000, although it was admitted that pension expenditures would inevi-

[1] The machinery involved in the operation of the system is described fully in Hoare, *Old-Age Pensions*, Chap. VIII.

tably tend to be increased. The annual cost of the pensions in effect March 31, 1911, was £9,700,000; and the amount carried for the purpose in the budget of 1911-12 was £12,350,000. In many quarters it was urged that the age of eligibility be lowered from seventy to sixty-five—a change which, according to a statement of Mr. Lloyd George in June, 1911, would have meant an added outlay yearly of £7,750,000. The fiscal difficulties which would arise from the imposition of this added national burden seemed too formidable to permit serious consideration of the proposal. But for the intervention of the war, however, it is not improbable that before the lapse of many years some step in the direction indicated would have been taken.

The National Insurance Act of 1911. The systematisation and extension of employers' liability legislation and the provision of pensions for the aged inaugurated, but by no means completed, the program of social amelioration upon which the Liberal party embarked early in its tenure of power. So far as that program was permitted to be carried out prior to the sudden diversion of the course of domestic politics by the outbreak of the war in 1914, its crowning feature was the provision for sickness and unemployment insurance which was made in the National Insurance Act of 1911. The formulation of this measure—which is to be regarded as easily one of the most important pieces of legislation in the history of modern Britain—was undertaken as early as 1908. The presentation and adoption of it were delayed by a number of circumstances, first by the intricacy of the preliminary investigations which sundry officials and committees were obliged to conduct, and in the second place by the political confusion and crises arising from the rejection of the Lloyd George Budget of 1909 by the House of Lords, the precipitation of two general elections in 1910, and the prolonged struggle incident to the adoption of the Parliament Act of 1911. It was finally on May 4, 1911, while the Parliament Bill was pending, that Mr. Lloyd George introduced the government's carefully prepared Insurance Bill in the House of Commons. The title officially given the measure was "An Act to Provide for Insurance against Loss of Health, and for the Prevention and Cure of Sickness, and for Insurance against Unemployment, and for Purposes incidental thereto." The text was arranged in eighty-seven clauses and nine schedules, and the whole fell into two main parts, the first having

to do with insurance against ill-health, the second with insurance against unemployment.[1]

Dealing in the main with matters which had never entered into party controversy, and with matters indeed which only recently had begun to command the serious attention of British reformers and statesmen, the measure was at first received cordially by all party groups in Parliament and by the general public. In the House of Commons it passed its second reading with hardly a dissentient voice. Subsequently, however, much opposition developed (directed almost entirely against the portion of the measure relating to sickness and invalidity insurance), and the passage of the bill through its final stages was marked by heated controversy. Outside of Parliament resistance was offered principally by the medical profession, which held that its practice among the middle and lower classes would be jeopardised and that the fees fixed by the bill for attendance upon the insured were too low. Within the House of Commons the course of procedure upon the bill, involving liberal use of the guillotine, or "closure by compartments," was criticised sharply by the Opposition, and large numbers of amendments were introduced, including finally one which proposed a postponement of further consideration of the subject until 1912. On its third reading, however, the bill was carried by a vote of 324 to 21. In the House of Lords the measure, after brief and perfunctory debate, passed its third reading December 15. On the following day it received the royal assent, and on July 15, 1912, it went into operation. It comprised, in the judgment of an able writer on contemporary English affairs, "the most daring and comprehensive social legislation ever enacted in any Anglo-Saxon country." [2]

Sickness and Invalidity Insurance: Scope and Local Administration. The general principle of that portion of the act relating to sickness and invalidity insurance was to compel every worker to become insured for certain minimum benefits. Stated more explicitly, the compulsorily insured fell into two groups: (1) all permanent residents, whether British subjects or aliens, male or

[1] The text of the measure as introduced is printed in Lloyd George, *The People's Insurance*, 67-130, and as passed, in Carr, Garnett, and Taylor, *National Insurance*, 1-402 *passim*.

[2] Edward Porritt, in *Political Science Quarterly*, June, 1912, 260. In 1912 and 1913 the Act was amended slightly, with the object of simplifying its administrative features.

female, married or single, between the ages of sixteen and seventy, who were engaged in manual labour under any contract of service or apprenticeship, written or oral, expressed or implied, whatever their incomes might be; and (2) all residents engaged in work other than manual labour whose incomes did not exceed £160 a year.[1] There were some exclusions, for example, apprentices working without wages, children working for their parents without wages, wives employed by their husbands and husbands employed by their wives, pensioned government and municipal employees, and, in general, persons whose employment was not their principal means of livelihood.[2] While, with these exceptions, persons employed were compelled to insure, other persons, if under sixty-five, if they mainly earned their living, and if not in receipt of a total income in excess of £160 a year, might insure if they so desired. Such persons, however, must pay the equivalent of an employer's contribution as well as their own. From the outset the act became applicable to practically the whole of the working population of the kingdom. In a total population of approximately 45,500,000 in 1912 (when the act went into effect), about 20,000,000 men, women, and children were working for gain. Of these 20,000,000 some 19,000,000 were outside the pale of the income tax, and about 15,500,000 were manual workers; while the number of persons insured under the terms of the act was somewhat in excess of 13,000,000. The number of voluntary contributors (included in this total) was about 800,000.

Locally, the provisions of the act were administered, in the main, through approved benefit societies. In the matter of sickness insurance the framers of the act did not find the field wholly unoccupied. Through the instrumentality of various sorts of "friendly societies" insurance against illness had been long and widely practised. The origin of these societies is to be traced to the gilds of the Middle Ages, and some of the organisations survived without interruption, and with no fundamental change, through many hundreds of years. By the close of the eighteenth

[1] This amount was, before the war, the income-tax exemption limit. The principle was to exclude from the benefits of the act all persons who paid income tax.

[2] Any employed person might obtain exemption by proving to the satisfaction of the authorities that in the event of sickness or disablement he would not become destitute. At the beginning of 1914 there were 47,000 certificates of exemption current in the United Kingdom.

century there were some thousands of the societies, and in the nineteenth century many new ones were established. In 1793 they received legal recognition for the first time, and by statutes of 1819 and 1829 they were accorded official approval, with a modicum of public regulation. Laws of 1875 and 1896 effected important changes in their administration and brought them more directly under the supervision of the state. In 1904 upwards of 4,500,000 work-people in the United Kingdom were identified with at least one such organisation. In framing his sickness insurance proposals Mr. Lloyd George advised constantly with the annually-elected executive and parliamentary standing committee of the National Conference of Friendly Societies, and in the final working out of arrangements care was taken, as was done in Germany in 1883, to utilise, in so far as possible, sickness benefit agencies already existing. The act of 1911 accepted such societies as local instrumentalities of insurance, provided that their efforts were controlled entirely by bona fide members, that they were not operated for monetary profit, and that their accounts were open to inspection by the insurance commissioners appointed by the Treasury. Trade unions, and other kinds of societies, could be brought into the system upon the same terms. But no person was permitted to be insured in more than one society at a time.[1]

A further principle of the system was that, while the worker must insure, he was aided in his insurance by both a compulsory contribution from his employer and a contribution from the national exchequer. Inexpensive and expeditious collection of the workman's contribution was provided for by requiring the employer to deduct the employee's quota from his weekly wage and to pay it over to the state. In Germany the state made no contribution to sickness insurance funds. The entire cost fell upon the employer and the employee, in the proportion of one-third and two-thirds respectively.[2] In Great Britain the worker paid 4d. a week if a man, 3d. if a woman; the employer paid 3d. for each employee; and the state contributed 2d. If, however, the weekly wage was under 15s., the employer paid proportionately

[1] E. Brabrook, *On the Progress of Friendly Societies and other Provident Institutions during the Ten Years 1904-1914*, in *Jour. of Royal Statist. Soc.*, May, 1915.

[2] For further comparison with the German system see Alden, *Democratic England*, 123-125.

more. If the wage did not exceed 9s. a week (8s. for women), the employee paid nothing, while the employer paid 7d. for the insurance of each male employee, 6d. for that of each female.[1] A feature which sharply differentiated the state system from the ordinary practice of friendly societies was that in the former no contributions were required from employees during illness and, within certain limits, during periods of unemployment. On the whole, the worker paid for insurance not more than one-half as much as the German labourer paid. At the same time, the triple source of funds rendered possible the payment of benefits considerably more generous than those which prevailed in Germany. The estimated cost to the state during the first year of operation, beginning July 15, 1912, was £7,384,000.

Sickness and Invalidity Insurance: Other Aspects. The benefits to which insured persons were entitled fell into four classes: medical,[2] sickness, invalidity, and maternity. The first aim of the system was to restore to health the worker who fell ill. One of the duties of the local insurance committees for which the act provided was to arrange with physicians for the treatment of the insured. The committee prepared and published a list of approved physicians who had agreed to work under the scheme, and the insured person had a right to the services of any physician whose name appeared on this list. No reputable physician who wished his name to be on the list could be excluded.[3] Physicians were paid for their services, not by the patient directly, but by the state from the insurance fund. The rate was variable, being fixed by the local committees. Special provision was made for treatment of cases of tuberculosis in properly equipped sanatoria, and local authorities were assisted in the establishment of these institutions by special state subvention. Sickness and invalidity benefits varied according to the sex and age of the beneficiaries. For persons between the ages of twenty-one and fifty the benefit (from the fourth day of incapacity for work) was for men 10s. a week and for women 7s. 6d. during the first twenty-six weeks of sickness, and thereafter, for both men and women, 5s. a week as long as payment might be necessary. For minors and for persons between

[1] There were special rates for Ireland, where wages had commonly been lower than in England and Scotland.

[2] There was no medical benefit in Ireland, since an equivalent service was rendered by national dispensaries.

[3] The number of names on the list in England in May, 1914, was 16,000.

the ages of fifty and seventy the rates were lower.[1] From the twenty-sixth week the payment was known as "disablement" or "invalidity" benefit. An insured person was entitled to it only after having been for two years a contributor to the fund; and at the age of seventy, when the old-age pension began, invalidity payment ceased. Finally, insured women and wives of insured men were given a maternity benefit of 30s., which, in the case of employed contributors, i.e., wage-earners, was doubled by the payment of sickness benefit as well. Equally generous provision of this nature was found in no other state insurance system.[2]

The general supervision of health insurance rested with separate boards of insurance commissioners for England, Wales, Scotland, and Ireland, all appointed by the central Treasury Board. A joint committee of the four boards made necessary adjustments among the four parts of the kingdom. Local administration rested with insurance committees of from forty to eighty members, which were constituted in every borough, county borough, and urban and rural district, being composed of persons nominated by the local councils, persons representing the approved societies, persons representing those of the insured who were not identified with these societies, and physicians. It was these committees that supervised the activities of the approved friendly and other local societies and administered benefits directly to those insured persons who were not identified with any local organisation. The insurance commissioners of each division of the United Kingdom received the funds with which the system was operated from two individual sources: the Treasury, which paid over the specified state contribution, and the Post-Office, which received the whole of the contributions of the employers and the employed. The machinery of collection was simple. A card, furnished by the commissioners, was issued by the local society or committee to each insured person. When an employer paid his employee's wage he deducted the fourpence (or whatever the proper amount might be), added threepence on his own account, and affixed to the employee's card a sevenpence stamp obtained at the local post-office; and the card, after being filled, was transmitted to the central commission as evidence of the holder's right to benefit.

[1] Except in the case of persons between fifty and sixty who had paid a minimum of five hundred contributions.

[2] The number of women insured on their own account was, in 1915 4,077,000; the number of wives of insured men, about 5,000,000.

Antecedents of Unemployment Insurance: Labour Exchanges Act, 1909. A second main division of the National Insurance Act related to insurance against unemployment; and it may be added that this measure represented the first attempt in any part of the world to establish unemployment insurance on a national scale. In the half-century before the war the problem of unemployment was, in the United Kingdom, one of rapidly increasing seriousness. It was the estimate of competent statisticians that of late the army of the able-bodied unemployed had numbered at all times from 150,000 to 300,000 persons. That in a population which was highly industrial there must always be a certain amount of unemployment was commonly recognised, but in pre-war Britain both the number of the unemployed and the distress which arose from lack of work became such as to cause grave apprehension. Until comparatively late the only public measures devised to meet the situation were the extension of poor relief and the occasional establishment of "distress works" by means of which labour was provided by the public authorities in return for food, lodging, and a cash pittance. In 1905 the Unionist government of Mr. Balfour carried an Unemployed Workmen Act, by whose terms the Local Government Board was empowered to establish "distress commissions" in the larger municipalities and to co-operate with the local authorities in the finding of employment for the idle, the government bearing one-half of the cost and the local communities the remainder. By 1910 the provisions of this measure were extended to eighty-nine municipal areas; but on all sides it was admitted that only the fringe of the problem had been touched.

When, in February, 1909, the Poor Law Commission submitted its voluminous reports, majority and minority agreed that the poor law as it then stood was totally inadequate to correct the evils of worklessness.[1] Ordinary charity, furthermore, was pronounced of dubious value, and the reports concurred in advocating very earnestly the establishment of a system of labour exchanges on the plan of the labour bureaus of Germany. The minority of the commission declared that while the labour exchange of itself would not prove an adequate remedy, its establishment was the "indispensable condition of any real reform." The minority further put itself upon record in favour of a previously suggested

[1] Report of the Royal Commission on Poor Laws and Relief of Distress, Part VI, *Distress Due to Unemployment* (London, 1909), 303-445.

project to the effect that the government should adopt a ten-year program of capital grants-in-aid, setting aside £4,000,000 a year throughout a decade to be used in periods of depression to supply labour for men who should be in need of it; the idea being that this labour should be provided by the undertaking of great public works, such as land reclamation, afforestation, and harbour improvement. This proposal, however, the majority of the commission did not approve.

To the outbreak of the war the Poor Law Commission's reports received but scant attention in Parliament. But during the summer of 1909 the recommendation concerning unemployment upon which majority and minority of the commission were most conspicuously agreed was carried into effect by parliamentary legislation, and the meager agencies established by the act of 1905 were replaced by a broadly national scheme of unemployment amelioration. Delegates sent by the Labour party to study the German labour bureau system urged that the essentials of that system be reproduced in Great Britain, and the principles involved in the maintenance of publicly controlled exchanges were approved unreservedly by the National Conference of Trade-Union Delegates, the Central Unemployed Body for London, and numerous other organisations and semi-official agencies. The Labour Exchanges Bill was introduced May 19, 1909, by Mr. Winston Churchill, at that time President of the Board of Trade, and it became law September 20, 1909.[1] Under its terms the whole of the United Kingdom was divided into ten districts, in charge of each of which was placed an inspector, and provision was made that in all of the more important urban centers there should be established labour exchanges whose function it should be to supply workers with employment information and, in general, to promote the mobility of labour. The ultimate number of these exchanges was fixed at 350. At the beginning of 1915 there were in operation, however, 401. They were of three grades, differing according to the population of the towns in which they were located. The first-class exchanges were in towns of 100,000 and upwards, the second-class in towns of between 50,000 and 100,000, and the third class in places whose population was less than 50,000. From the outset the exchanges were very successful. The total number of

[1] The text of the measure is printed in Hayes, *British Social Politics*, 213-216.

persons who applied to them for employment in 1914 was 2,170,407, and the number given work was 819,039. Like the German labour bureaus, the British exchanges were intended primarily to bring employer and workingman together, leaving the two to effect terms as they might be able; but the exchange might extend to the workingman the loan of such funds as were necessary to enable him to travel to the place where he was to be engaged. Being maintained by the state, the British exchanges were more closely co-ordinated than were the German bureaus. Despite the provincial organisations that had sprung up in Germany, the bureaus there were still essentially municipal. Registration in Great Britain, as in Germany, was voluntary; but it seemed not unlikely eventually to be made compulsory.[1]

Unemployment Insurance in the Act of 1911. When the Labour Exchanges Act was introduced it was announced by the government that the measure was intended to be only preliminary to the introduction of a scheme of unemployment insurance. Several possible forms of such insurance were given careful consideration. By some persons it was proposed merely that the state should subsidise existing trade unions which granted unemployment allowances. This plan was deemed inadequate because not all trade unions granted such allowances, and because by such a method the considerable body of labourers outside trade unions would not be reached. Of the adult males of working age in the United Kingdom, not more than 1,500,000 as trade-unionists were entitled to unemployment benefits. The thing to do, it was decided, was to establish a system of direct unemployment insurance. And, recognising that it was neither desirable nor financially possible to set up at a stroke an insurance scheme that would be universal, the framers of the project were compelled to choose between insuring some workmen in all trades or all workmen in some. In the one instance, insurance would be voluntary, in the other compulsory. Choice fell upon the second plan, and for the experiment there were selected two important groups of trades which experience showed to be most affected by periods of industrial depression. One of these was the building group, comprising builders, mill-sawyers, and labourers, to the number of

[1] An authoritative description of the British labour exchanges will be found in W. H. and C. F. Beveridge, *Labour Exchanges in the United Kingdom*, in *Quar. Bull. of Internat. Assoc. on Unemployment*, July, 1913.

1,321,000; the other was the engineering group, comprising engineers and iron-founders, ship-builders, coach-builders, mill-sawyers, and labourers, to the number of 1,100,000. Of these 2,421,000 employees, not more than 350,000 were insured against unemployment through trade unions.

It was the establishment of unemployment insurance for this large body of workers that comprised the second great division of the National Insurance Act of 1911. In accordance with the terms of this measure, all labourers above the age of sixteen engaged in the stipulated trades were required to be insured against unemployment. The system was supported by joint contributions of employers and employees, aided by state subventions. The workman paid 2⅓d. a week, the employer 2½d. for each person employed, and the state 1⅔d. Employers, however, who hired labourers by the year were entitled to recover one-third of the amount which they contributed. The benefit provided was 7s. a week through a maximum period of fifteen weeks of unemployment in any year (3s. 6d. in the case of employees sixteen and seventeen years of age). Each employee kept an insurance book in which insurance stamps, procured at the post-office, were affixed by the employer. When he fell out of employment, he took his book to the nearest exchange (or to his trade union, in the event that it had chosen to undertake to administer the state system) and claimed his benefit. No benefit, however, was due if lack of work was occasioned by participation in a strike or lockout, by dismissal for misconduct, or by voluntary act of the employee without good cause. At the age of sixty (fifty-five, if retiring at that time from his trade) every insured person who had contributed during as many as 500 weeks was entitled to the return of all contributions which he had paid in, with compound interest at 2½ per cent., less any amount he might have received in benefits. It is to be observed that in addition to the compulsory portion of the scheme there was provision for voluntary insurance. This was, in brief, that any trade union or other workingmen's association, in any trade whatsoever, which provided unemployment insurance for its members, might be subsidised by the state to the extent of one-sixth of its expenditure on out-of-work pay. General supervision of unemployment insurance, whether compulsory or voluntary, was vested in the Board of Trade, which also administered the Unemployed Workmen's Act of 1905 and controlled

the distress committees which had been set up in pursuance of that measure. The adoption of the system was accomplished without serious opposition, and it was generally understood that the success of the experiment would mean as rapid extension of unemployment insurance, in its compulsory form, to other trades as might prove feasible. To 1914 there were no extensions. But it was the opinion of most observers that during the brief period of the operation of the scheme prior to the general disruption of labour conditions incident to the war the measure fully justified the hopes of its sponsors.[1]

Sickness and Accident Insurance in France. Aside from Germany and Great Britain, the idea of social insurance under state regulation took firmer hold by 1914 in France than in any other of the larger European countries. Here, as elsewhere, there were agencies of insurance long before the state began to concern itself with the matter. Prior to the Revolution the gilds administered sickness, accident, and other forms of insurance, and after the suppression of the gilds these activities were continued, through the nineteenth century, by voluntary local societies. The insurance provided through these agencies was, of necessity, partial, haphazard, and wholly voluntary. It was only in the fifteen or twenty years before the war that France, stimulated by the examples set by Germany and Great Britain, and impelled, further, by her own unsatisfactory experience with unregulated insurance, began to move with some rapidity toward the adoption of a thoroughgoing system of compulsory, state-supervised insurance. Considerable portions of such a system had already been put in operation when the war began.

The first branch of insurance to receive attention from the French government was that relating to sickness. And the first, and to 1914 the only, positive action with respect to sickness insurance was the subjection of the private, voluntary sickness insurance organisations to public regulation. Without rehearsing the somewhat intricate details of this chapter of French legislative history, it may be said simply that regulation began as early as

[1] W. H. and C. F. Beveridge, *State Unemployment Insurance in the United Kingdom*, in *Quar. Bull. of Internat. Assoc. on Unemployment*, Jan., 1914; O. S. Halsey, *Compulsory Unemployment Insurance in Great Britain*, in *Amer. Labor. Legis. Rev.*, June, 1915. For a brief survey of the operation of the Insurance Act of 1911 in general see the report prepared by the Committee of Inquiry of the Fabian Research Department and printed in the *New Statesman*, Mar. 14, 1914, Special Supplement.

1834, that there were new measures upon the subject in 1850 and 1852, and that in 1898 the existing types of societies were reduced to two, the "free" and the "approved," and all were brought under close supervision of the government. It was required from the first that the societies submit their by-laws to the proper public authorities and that they undertake only such forms of insurance as are authorised by law. The total number of societies, including those for children, rose between 1898 and 1908 from 11,825 to 20,200. The aggregate membership in 1898 was 1,909,469; in 1904, 3,488,418; and in 1907 it was estimated at 4,680,000. The principal function of these organisations was the making of provision for sick benefits, sometimes supplemented by other forms of benefit. Employers contributed as a rule only when a society was organised in connection with a particular establishment in which they were interested, and then only as inclination led. The requisite funds were supplied, in the main, by a monthly contribution on the part of the members, ordinarily one franc, but more if, in addition to the head of the family, the wife or children were insured. Almost all societies, however, carried on their rolls "patrons," or honourary members, who might be depended upon for considerable contributions; and to the majority of them the state allowed a small subsidy. It is to be emphasised that for all classes of workingmen save two, sickness insurance was still voluntary, being contingent entirely upon membership in a mutual society. The exceptions were miners and seamen, for whose protection there had been established by law a system of compulsory insurance supported by both employers and employees.

Accident insurance was likewise voluntary, although extremely common. Under the Employers' Liability and Workmen's Compensation Act of April 9, 1898, and its amendments, employers were held liable for all occupational accidents which befell their employees, and even fewer loopholes were left by which the burden of liability might be evaded than in the corresponding law of Great Britain. The statute of 1898 represented a compromise between the two houses of the French legislature, the Chamber of Deputies favouring and the Senate opposing a scheme of universal and compulsory insurance. The original statute applied to workmen in all industrial establishments and provided compensation for all injuries lasting more than four days. By amendments of 1899 and 1906 the application of the law was extended to workmen

using agricultural machines driven by mechanical power and to employees of mercantile establishments. After 1868 there was maintained a governmental accident insurance department—the *Caisse Nationale d'Assurance en Cas d'Accidents*—in which employers who applied were insured against their liability for accidents; and all companies and societies which undertook employers' liability insurance were supervised by the government and required to give adequate security. No employers, except mine operators and shipowners, were required to insure, but all were actively encouraged to do so. It was estimated that seventy per cent. of all workingmen entitled to compensation under existing law were protected by insurance policies taken out by their employers.

Beginnings of Old-Age Insurance in France. Shortly before the war France became one of the several European countries in which wage-earners were required to insure against old age. From the middle of the nineteenth century there had existed in France several agencies for the provision of old-age annuities, the most important being two departments of state, the *Caisse des Dépôts et Consignations,* established in 1856, and the *Caisse Nationale des Rétraites pour la Vieillesse,* dating originally from 1850 but reorganised in 1886. The first was a great national bank which undertook the special encouragement of thrift by the payment of high rates of interest upon savings deposits; the second was strictly an insurance department in which both immediate and deferred life annuities were sold at exceptionally low rates. Between 1884 and 1906 the number of deposits in the *Caisse Nationale des Rétraites* rose from 597,438 to 4,247,344, depositors being not simply individuals (both adults and children) but also friendly societies and corporations. In 1895 the state began in a small way to assume the burden of old-age pensions by introducing a system under which persons seventy years of age and upwards, who during a stipulated period had been depositors in the *Caisse Nationale,* were made entitled to an increment of their annuities to be paid from the national treasury.

On July 14, 1905, a law was enacted whereby it was made an obligation of the state, on and after January 1, 1907, to pension two classes of needy citizens, i.e., all persons of the age of seventy and upwards, and all who before attaining this age should be wholly and permanently disabled by accident or disease. The scheme was non-contributory, and the amount of the pension

varied from 60 to 240 francs a year, according to the recipient's circumstances. The burden entailed upon the state (100,000,000 francs a year) proved heavy, but the conviction rapidly grew that the provision which had been made ought to be supplemented by a system of universal and compulsory old-age and invalidity insurance. As early as 1906 the Chamber of Deputies passed an elaborate measure providing, from funds to be contributed jointly by employees, employers, and the state, pensions for all industrial, commercial, and agricultural workers upon attainment of the age of sixty. By reason of the prospective cost of the proposed scheme the measure was rejected by the Senate. But in 1909 a modified draft was submitted, and on April 5, 1910, the Old-Age Pensions Act, many times amended, became law.[1]

The French Old-Age Pensions Law of 1910. The system adopted bore close resemblance to that in operation in Germany. The voluntary old-age pension arrangements previously existing were continued, but they were subordinated to a new and ambitious scheme of insurance that was in part voluntary and in part compulsory. The law was compulsory for all wage-earners of both sexes employed in industry and commerce, in agriculture, in domestic service, in the liberal professions, and in the service of the state and of departments and communes,[2] on condition that their annual remuneration did not exceed 3,000 francs.[3] It did not apply to miners, seamen, and railway employees, for whom separate compulsory systems had been established. The French system, like the German and the Belgian, but unlike the English, was contributory. All persons compulsorily insured were required to make contributions, which must be duplicated by the employer, at the rate of 9 francs a year for men, 6 francs for women, and 4½ francs for workers under eighteen years of age. Each insured person was given every year a card on which the contributions of employer and employee were recorded by means of stamps procurable at post-offices, tobacco-shops, and offices of tax-collectors. A contribution was made every pay-day, the employer withholding the appropriate amount, adding an equivalent amount

[1] An English version of the measure is printed in Bulletin of U. S. Bureau of Labour (Washington, 1910). See H. L. Rudloff, *Das Französische Altersversicherungsgesetz vom 5 April 1910, in Jahrb. f. Nat. Ock.*, Nov., 1910.

[2] Except such as derived benefits from special old-age pension funds.

[3] The provisions of the Act were not applied to persons who earned wages only incidentally and whose means of existence were derived from other sources.

on his own account, and pasting on the employee's card the violet-coloured stamp used to designate a "mixed" contribution. At the age of sixty [1] the wage-earner might demand the liquidation of his pension, although, at his option, and with a view to the increase of the rate, liquidation might be deferred until attainment of the age of sixty-five. The annuity was proportioned to the amount of the premiums that had been paid. In all cases, however, where the number of payments exceeded fifteen the annuity was increased by a subsidy from the state. When the number of payments was between fifteen and thirty this subsidy was calculated on a basis of 3 francs 33 centimes a year of complete payments. When it was not less than thirty [2] the subsidy was 100 francs. The subsidy was, further, augmented by one-tenth for every insured person of either sex who had reared at least three children to the age of sixteen. Insured persons of the compulsory group who had made payments during five years might demand, at the age of fifty-five, the anticipatory liquidation of their pensions; but in such cases the subsidy granted by the state was liquidated at the same age and proportionately reduced. When an insured person suffered from premature infirmity causing total and permanent disability (apart from cases of industrial accidents), he might, at any age, demand the anticipatory liquidation of his pension on account of invalidity. If the liquidated pension was less than 360 francs, it was increased by an annual grant from the state in accordance with a graduated scale. The state, further, granted death benefits to the heirs and assigns of persons insured under the Old-Age Pensions Act who died before receiving their pension.

Certain classes of people, whose economic status bore close resemblance to that of the lesser wage-earners, were permitted to participate in the benefits of the Act if they so desired. These included artisans, small employers of labour, and small share tenants of agricultural land, and all wage-earners whose annual earnings were more than 3,000 francs, but did not exceed 5,000 francs, a year. The conditions of optional insurance differed markedly from those of insurance under compulsion. The members of the optional group not being wage-workers, there was no

[1] Sixty-five under the original act, but changed to sixty by act of Feb. 27, 1912.

[2] Twenty-eight in the case of men who had rendered military service for two years. In the case of women, each birth was reckoned at one year's insurance and corresponding deduction from the prescribed thirty payments was made.

employer's contribution.[1] Instead, therefore, of intervening only at the time at which the pension was liquidated by increasing the amount of the annuity, as was the practice with respect to the compulsory group, the state made its contribution annually as an addition to the payments turned in by the insured person and in sums one-half the size of these payments. Members of the optional group, like those of the compulsory group, might demand the liquidation of their pension at the age of sixty or might allow it to mature at the age of sixty-five.

Old-Age Pensions Act regulations of March 25, 1911, required to be kept in every commune two lists of insured persons, one of the compulsorily insured, another of the optionally insured. The task of making and revising these lists fell to the mayor of the commune, assisted by a commission of two members appointed by the communal council, one from among employers and the other from among wage-earners. The lists were revised in April of each year, and were filed with the prefect of the department in which the commune was situated. The list of the optionally insured was kept open constantly and any person desiring to have his name added to it might make application to the mayor, who transmitted the facts in the case to the prefect. The requisite permission was granted or refused by the prefect, although appeal from his decision might be carried to the justice of the peace and eventually to the higher tribunals. The Old-Age Pensions Act went into operation July 3, 1911. At that date the total number of names on the compulsory and optional lists was 5,876,695. On January 1, 1914, it was 7,710,380. It was expected that the number would be increased to nine or ten millions. A Superior Council of Old-Age Pensions, in the Ministry of Labour, and consisting of thirty-two members chosen from the senators and deputies and from the officials of various ministries and commissions, supervised the operation of the system and co-operated with the various institutions at which the insurance payments were capitalised.[2]

[1] Except in the case of tenants working land owned by other persons. The law required that when a land-tenant made an old-age pension payment the owner of the land should contribute an equal amount, not to exceed 9 francs a year.

[2] The act of 1910 provided for the establishment or utilisation of a considerable variety of insurance institutions (all under the control of the ministry of labour), including the National Old-Age Pension Fund, mutual benefit societies or unions of such societies, departmental or regional funds, employers' old-age pension funds, and old-age pension funds of labour

Social Insurance in Austria. In point of time, the first among the nations to follow the example of Germany in establishing a system of compulsory workingmen's insurance was Austria. An accident insurance law was passed by the Austrian parliament December 28, 1887, and was followed March 30, 1888, by a measure providing insurance against sickness. Prior to 1887 there was no guarantee of compensation for occupational accidents save such as was contained in the meager common law liability of employers, and, in the case of railway employees, by an act of March 5, 1869, making employers in the railway industry liable for accidents not due to unavoidable causes or to negligence on the part of the workmen themselves. The act of 1887 followed, in general, the German model, although with some administrative differences, the organisation of the funds being not by industries but by geographical areas. The original measure applied to workingmen and supervising employees in factories, foundries, mines, wharves, quarries, building trades, and all industrial operations in which machines or explosive substances were used; and by revision of July 20, 1894, it was made to cover workingmen engaged in railway and other transportation, fire protection, street cleaning, and a variety of other pursuits, leaving unprotected only farm labourers (except such as used motor machinery), foresters, and persons engaged in small industries in which machinery was not utilised. Compensation was graduated, as in Germany, but ran somewhat lower than in that country. In the event of complete disability the pension allowed was sixty per cent. of the wages received; if the disability was but partial, the allowance was proportionately reduced. In Germany the workmen did not participate in the expenses of accident insurance, but in Austria, while the cost was borne nominally by the employers, a maximum of ten per cent. might be deducted on this account from the labourer's wages. In 1906 the number of persons covered by accident insurance was 2,918,679. If the figure seems small, it must be remembered that Austria was to only a limited extent an industrial country and that by far the larger part of her ten million wage-earners were employed in agriculture. It is interesting to observe that in 1906 21.1 per cent. of the insured were women.

The Austrian sickness insurance law of 1888 was inspired by

organisations. Insured persons might indicate the institution in which they desired to have their account opened and their payments capitalised.

the example of Germany, coupled with the recognised inadequacy of the gild sickness associations, mutual societies, and other heterogeneous sickness insurance agencies previously existing. As in Germany, use was made of these earlier organisations, and by 1914 there were no fewer than eight distinct types of societies in operation. For employees in all branches of industry, trade, and transportation, insurance was compulsory; for those in other pursuits, including agriculture and forestry, it was optional. In six of the eight groups of societies contributions of workmen and employers were fixed, as in Germany, at two-thirds and one-third respectively; in the other two, employers contributed only voluntarily or as required by special statute. The benefits extended were slightly larger than in Germany, the principal difference being that whereas in Germany the minimum sickness allowance was fifty per cent. of the wages received, in Austria it was sixty per cent. The number of sickness insurance societies in 1906 was 2,917, and the number of persons insured was 2,946,668, of whom 22.6 per cent. were women. During the first decade of the present century there was under consideration in Austria a general revision and extension of the national insurance system. On December 9, 1904, the government presented to the legislative chambers a Program for the Reform and Development of Workingmen's Insurance, comprising a series of measures which it was proposed to substitute for the several laws in force at the time. Much labour was expended in working out the details of the scheme, and final action had not yet been taken when, in 1914, the war diverted attention from the subject entirely. Features of the reform which had been agreed upon included, however, such an extension of sickness insurance as would bring up the number of the insured to 5,200,000 persons, such provisions as would render accident insurance more effective in those industries, especially mining, attended with the greatest risks, and the establishment for the first time of a comprehensive scheme of old-age and invalidity insurance modelled upon that of Germany.[1]

Social Insurance in Belgium and Holland. During the ten or twelve years immediately preceding the war social insurance spread rapidly in the countries of northern Europe. Especially noteworthy results were attained in Belgium. Public encourage-

[1] There was in 1914 no old-age and invalidity insurance in Austria, save that provided in 1854 for miners and in 1906 for clerks and other office employees.

ment of workingmen's insurance there began in 1851 with the enactment of a measure, modelled on a French law of the previous year, extending to friendly relief societies the advantages of official recognition. Other acts to stimulate the formation of such societies were passed in 1861 and 1887. The law covering the subject in 1914 was passed June 23, 1894. It made provision for the first time for a state subvention in aid of sickness insurance organisations. Of "registered" societies, which alone were entitled to share in this subvention, there were, in 1907, 3,300, with an aggregate membership of 400,000. Of unregistered societies, which were independent in their management and received no public aid, there were at the same time about 800, with a membership of 50,000. In view of the fact that the wage-earners of Belgium numbered not fewer than 1,200,000, it is apparent that there was still large room for sickness insurance extension. Since 1868 miners had been subject to compulsory insurance against accidents through special sickness insurance associations to whose funds both employers and employees contributed and the state and the provincial governments allowed subsidies. On December 24, 1903, a modern employers' liability law was enacted whose provisions were made applicable to workmen in all industries, including manufactures, trade, and agriculture, and to apprentices and foremen whose annual earnings amounted to less than 2,400 francs. In many quarters there was demand for a thoroughgoing compulsory accident insurance scheme, to be supported by employers and employees. Such a plan failed to be adopted, but under closely regulated conditions employers were held pecuniarily liable for all accidents that took place in their service, save such as could be shown to have been caused by the negligence of employees. The maximum of compensation was one-half of the wages received.

One of the principal services which the state rendered the workingman in Belgium was the creation of an extensive system of insurance against invalidity and old age. In 1850 there was established by law a State Annuity Fund (*Caisse Générale d'Épargne et de Rétraite*) into which any person over eighteen years of age might make payments for himself or others, thus procuring insurance for an immediate or a deferred life annuity. In 1865 the operation of the scheme was extended, and in 1869 the maximum amount of the annuity was fixed (where it remains)

at 1,200 francs. In 1891 the government began to grant bounties in aid of annuities, and by an important law of May 10, 1900, amended in 1903, the principle of state subvention was definitely established, and for special appropriations from year to year was substituted a definite and permanent state subscription. The object of the act of 1900 was to encourage thrift among the working-classes and to contribute in their behalf a fund from which the workingman, upon attaining the age of sixty-five, might derive an annuity reaching a maximum of 360 francs, and, in the second place, to assure to workingmen or workingwomen special grants of sixty-five francs a year when they were in need. To each franc which the worker laid by the government added three-fifths of a franc, so that the individual who laid by fifteen francs would possess at the end of the year twenty-four francs. In other words, the state subscription to payments into the Annuity Fund amounted to sixty per cent. of the workingman's deposits, up to fifteen francs a year. When the deposits were larger, the government contribution was proportionately smaller. When the depositor had to his credit a fund sufficient to constitute for him an annuity of 360 francs, premiums from the state ceased entirely. Toward the expenses of this system the provinces and many communes made grants, and the national budget carried an appropriation of 15,000,000 francs annually. The number of deposits in 1906 was 2,224,727.

In Holland sickness insurance was left to be administered exclusively by some 700 mutual societies, some of which were large, but most of which comprised simply the workingmen of a single locality or of a single trade within that locality. In 1904 a bill providing compulsory sickness insurance for workers receiving a wage of less than 1,200 guilders ($480) a year was introduced by the government, but in 1905 a change in ministries caused it to be dropped. In 1906 a new measure on the subject was presented, but it likewise was withdrawn. Through two decades the problem of state provision for insurance against invalidity and old age was almost continuously discussed. Commissions brought in reports and bills were framed, but no conclusive action was taken. The most important measure of the kind considered before the war was a project presented in 1907 for old-age and widows' insurance, stipulating compulsory insurance of workers sixteen years of age and receiving a wage of less than 1,000 guilders a

year. State provision for insurance against unemployment was agitated also, although in Holland, as in Belgium, unemployment insurance was still, in 1914, administered through the trade unions, subsidised for the purpose by the municipalities. With respect to accident insurance, prolonged effort at legislation achieved excellent results. As early as 1894 a royal commission recommended a plan for obligatory accident insurance at the expense of employers. A bill based upon this recommendation was withdrawn in consequence of a change of cabinets, and a second measure, presented in 1898, was defeated. A bill submitted in 1900, however, was passed January 2, 1901. It established compulsory accident insurance in practically all branches of industry. The benefits for which provision was made were unusually ample. They comprised free medical attendance and an allowance, in the case of both temporary and permanent disability, of seventy per cent. of the wages, with a maximum annuity for the labourer's family of sixty per cent. in the event of his death.

Social Insurance in the Scandinavian Lands. The pre-war progress of social insurance in the Scandinavian countries was noteworthy. In Denmark there was established by law of April 8, 1891, a thoroughgoing old-age pension system based on the principle that every person over sixty years of age whose income was not in excess of a stipulated amount, and who during a period of ten years (changed in 1908 to five) should not have been in receipt of poor relief, should be entitled to a pension, to be paid from funds raised by general taxation. In 1905-06 the number of pensioners was 50,000, the average amount of pensions was 152 crowns ($41), and the aggregate outlay was 7,600,000 crowns. Sickness insurance in Denmark was regulated by a law of April 12, 1892, by which official recognition, accompanied by a state subsidy, was granted to hundreds of registered mutual societies,[1] and accident insurance was provided under a statute of January 7, 1898, by which the principle of employers' liability and workingmen's compensation was extended to industries of all kinds, exclusive of agriculture, although insurance was left entirely at the employer's option. In Norway a commission was appointed in 1885 to investigate the subject of workingmen's insurance in all of its aspects. In 1890 a bill was presented providing for com-

[1] Fifteen hundred in 1907, with a membership of 514,000, or upwards of thirty per cent. of the adult population.

pulsory insurance against both sickness and accidents, but the resulting measure, put in effect July 1, 1895, applied only to accidents. Under its terms all workingmen engaged in manufacturing were required to be insured by their employers in the insurance department of the state. A second compulsory sickness insurance bill, presented by a commission appointed in 1900, failed to become law. But a measure presented in 1908 by a new commission was enacted September 18, 1909. It established obligatory sickness insurance for agricultural, as well as industrial, workers. The commission advocated, further, a plan for disability and old-age pensions, but upon this portion of the report no action was taken before the war period. The proposal was that pensions should be paid, beginning at the age of seventy, to all persons, irrespective of income, the cost to fall upon the communes, the state, and the insured.

In Sweden workingmen's insurance was first seriously investigated by a commission appointed in 1884. A bill in 1888 providing obligatory accident insurance of the German type was rejected, as also were two others presented during the ensuing decade. In 1901, however, there was passed an employers' liability measure in accordance with which the employer might or might not insure, but must in any event indemnify his employee in case of accident not due to the employee's negligence or wilful act. The state did not directly maintain a system of sickness insurance, but under act of 1891 it recognised, exempted from taxation, and subsidised some 2,300 sickness benefit societies which were required to fulfil certain simple conditions. There was likewise no state provision for invalidity and old-age insurance, although the subject had long been agitated and numerous measures relating to it had been discussed and rejected. Shortly before the war the problem was under consideration by a new commission, and it was significant that, as in Norway, the government was accumulating a fund which could be made the basis of an elaborate old-age pension system.

Social Insurance in Switzerland. To 1914, workingmen's insurance was developed less systematically in Switzerland than in some other countries, but the results attained were considerable, and plans were in hand for a co-ordination and extension of existing insurance institutions which would constitute an important forward step. A series of measures beginning in 1875 ex-

tended the principle of employers' liability to successive industries and trades, and in October, 1890, the federal constitution was amended so as to confer upon the Confederation general powers to provide by legislation for insurance against sickness and accidents. Following prolonged investigation, there was presented June 28, 1898, a bill which proposed to establish for the entire country a unified system in accordance with which all workmen should be subject to compulsory accident insurance at the expense of their employers, and all should be required to carry insurance against sickness. The bill was passed by the Federal Assembly, October 5, 1899, but on account of the way in which its provisions interfered with existing sickness insurance societies it was rejected by the people through the medium of a referendum vote. After a period of delay a new bill was presented on December 10, 1906, which made accident insurance compulsory, while insurance against sickness was to continue voluntary. This measure was adopted by the legislative chambers June 13, 1911, and on February 4, 1912, it was ratified by the people.

So far as the Confederation was concerned, sickness insurance was not, in 1914, compulsory; although, through provision for federal subsidies to recognised sickness insurance funds, effort was made to encourage it. The cantons might make such insurance compulsory, either generally or for certain classes of persons, and public funds might be established for the purpose and employers (without themselves being made to contribute) might be required to attend to the payment of the contributions of their employees compulsorily insured. Accident insurance was compulsory for all employees in transportation, the postal service, the building trades, engineering works, telegraph and telephone construction and maintenance, mines, quarries, gravel banks, and in all factories subject to the federal employers' liability law of March 27, 1877, and in all industries which produced or used explosives. As the central agency in the administration of accident insurance there was maintained a National Accident Insurance Fund, each canton being entitled to one branch and the Confederation being required to grant to the Fund a working capital of five million francs and a like sum for the creation of a reserve, as well as to bear a share of the expenses of administration. The insurance covered medical attendance, medicines, and indemnity for lost time, whether the

disability be temporary or permanent.[1] There was in Switzerland no federal old-age insurance system, but old-age annuity devices were in operation in several of the cantons.

Social Insurance in Italy. The achievement of Italy in the domain of social insurance to 1914 was more notable than that of any other Mediterranean country. In Italy, as in France and England, sickness insurance was administered through the agency of mutual societies which provided, as a rule, not only sick benefits, but also accident, old-age, and funeral benefits. In 1886 these organisations were first accorded recognition by the state, and after that date societies which were registered possessed corporate powers and in some instances received subsidies from the national treasury. In 1905 the number of societies was 6,535; that of members, approximately 1,000,000. The societies were generally very small, and the benefits conferred were meager. The requisite funds were supplied by monthly premiums, which, as a rule, were uniform for all members. In 1883 the growth of Italian industrialism prompted the establishment of a National Accident Insurance Fund, an institution conducted, with the authorisation of the government, by ten of the country's principal savings-banks. Insurance through this agency was made easy and cheap, but was not made obligatory upon either employer or employee. The number of policies taken out continued very small,[2] and in 1898 there was passed an important statute by which insurance against industrial accidents was made compulsory at the expense of employers. In 1903 the scope of this measure was broadened, and by 1914 the Italian workingmen's compensation system was one of the best in Europe. In 1898, likewise, there was enacted an invalidity and old-age insurance law which marked the culmination of twenty years of discussion. The law set up a National Old-Age and Invalidity Fund with headquarters at Rome, and with branches throughout the country in which working-people were invited to deposit their savings. These deposits, supplemented by government subventions and private and corporate contributions, afforded the basis upon which old-age annuities might be procured, beginning, according to arrangements, at the ages of fifty, sixty, or sixty-five. In 1907 the number of per-

[1] For an English version of the law of 1911 see Bulletin of U. S. Bureau of Labour, No. 103 (Washington, 1912).

[2] In 1897 the total was but 4,311, covering 162,855 workmen.

sons insured was 255,127, and the fund amounted to approximately 62,000,000 lire ($12,400,000). Contributions were received in sums as small as one-half lire (ten cents) and might not exceed 100 lire annually.

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PART V

THE WORLD WAR AND ITS AFTERMATH

CHAPTER XXVI

POPULATION, FOOD PRODUCTION, AND AGRARIAN REFORM SINCE 1914

The economic fabric of Europe was more profoundly shaken during the cataclysmic decade that opened in the fateful summer of 1914 than during any other period of like duration in all its history. Theories about the inevitability or the impossibility of wide-scale international conflict under modern industrial conditions gave way to hard facts growing out of a supreme contest of this very sort. Even at the time these supplementary chapters are written (1925), it is too soon to take an accurate measure of all the far-reaching effects of the World War upon "the Great Society" that Europe had gradually but, as it liked to think, none the less surely erected upon the foundations laid by the Industrial Revolution more than a century before. All that can be attempted is a tentative evaluation of some of the more striking and commensurable changes that have taken place during the past ten years.

Perhaps the most natural approach to such an economico-social analysis will be to consider first the effects of the war upon the strictly physical bases of European society, that is, upon the growth and movement of population and the productivity of the land. Following that, we can proceed to a study of the industrial and social developments since 1914, including the organisation and governmental regulation of business, trade, and transportation, labour organisation and legislation, recent tendencies in European radicalism, and finally to a brief examination of certain peculiarly intricate problems in public finance to which the war and its aftermath gave birth.

Human Costs of the War. The appalling toll of the World War in lives truly staggers the comprehension of the human mind. It has been estimated that the total loss of life resulting from the conflict was over twice that caused by all the wars of the nine-

teenth century put together.[1] The known dead reaches a total that has been variously calculated at from 8,500,000 up to about 10,000,000.[2] In this stupendous figure the losses to the two sets of belligerents differ in the ratio of more than two to one, the Allied Powers suffering more than twice as heavily in man-power as the Central Powers. Excluding the United States and Japan, the Allies lost between five and six and a half million lives, while the Central Powers, not counting Turkey, had direct casualties in deaths amounting to over three million. To these totals must be added the even greater toll of the wounded, which exceeded 20,000,000, and which was divided between the two groups of enemy nations roughly in the ratio of eleven to ten. Another increment under the rather vague category of "prisoners and missing" has to be taken into account: a further six million men. Even though this last figure be omitted, the grand total of known casualties hovers around the stupendous figure of 30,000,000, or three-fourths of the total population of a nation like France.

From a casual perusal of the above statistics, it will at once be seen that despite all the modern scientific devices for protecting human life in the battle area, large-scale modern wars cost lives in a proportion commensurate with the extent of operations. Not only are the casualties probably fully as heavy as in previous centuries, but the number of men drawn away from the production of goods is equally astounding. In the World War as many as 65,000,000 men were under arms at some time during the four and a half years while the conflict lasted. An average of 20,000,000 men, according to Professor Bogart, were withdrawn from productive work during the whole period of the war. As early as 1917, as many as 38,000,000 had been called to the colours. If the productive capacity of each of the twenty million men that were on an average under arms be conservatively placed at $500 a year, the aggregate loss in production to the countries involved would reach $45,000,000,000.[3] Besides these direct losses in economic productiveness, which were by no means compensated by the

[1] E. L. Bogart, *Direct and Indirect Costs of the Great World War* (Prelim. Econ. Studies of the War, Oxford and London, 1923), 269-270.

[2] Bogart's estimate is 9,998,771, to which he adds 2,991,800 "presumed dead." *Ibid.*, 272-274. A more recent as well as conservative estimate is that of Rex F. Harlow, "A New Estimate of World War Casualties," in *Current History* (New York), June, 1925. His conclusion, based upon many months of careful research, is that 8,461,595 men lost their lives.

[3] See Bogart, 292.

utilisation of women and children in industry, it must also be remembered that many types of industry could not be properly maintained, let alone expanded, on account of the absence of irreplaceable technicians and specialists; for it was not until the war was almost half over that the belligerent governments took adequate measures to exempt expert personnel from the provisions of conscription acts.

The heaviest sacrifices in human life, so far as armed forces were concerned, occurred during the first half of the conflict, when much of the fighting was in the open and effective means of defence against poisonous gases and other equally deadly methods of attack had not yet been devised. During the period down to the middle of 1917 the total dead and wounded exceeded fifteen million.[1] On the other hand, it was the later stages of the struggle that saw the greatest and most widespread suffering among the civilian populations of the warring states. It has well been said that modern warfare involves the mobilisation of entire nations; and if one remembers that wealth and labour were in some instances virtually, if not actually, conscripted, the World War of 1914-18 would seem to point to some form of complete civilian mobilisation if and when the next great international conflict occurs. Losses of civilian life in the recent contest certainly equalled, if they did not exceed, those in the field.[2] The ravages of the influenza epidemic alone took at least 6,000,000 lives; famine in the Balkans and in Russia accounted probably for 3,000,000 more. This, moreover, does not include the indirect but almost incalculable effects on future generations resulting from a marked decline in birth rates and a pronounced rise in mortality rates. According to one European scientist, to replace war casualties in male population between twenty and forty-four years of age will require ten years for the United Kingdom, twelve years for Germany, thirty-eight years for Italy, and sixty-six years for France.[3] Another investigator, Dr. Richard P. Strong, of the Harvard Medical School, estimates that it will take France seventy years to recover her former population.[4] Increases in infant mortality

[1] *Ibid.*, 271.

[2] In his final tabulation of war costs, Bogart allows equal weight to military and civilian losses of life. *Ibid.*, 299.

[3] La Franco Savorgnan, "Le Problème de la Population après la Guerre," *Scientia*, March, 1918.

[4] Quoted in Thomas H. Dickinson, *The New Old World* (New York, 1923), 47.

rates were striking in every one of the belligerent countries, ranging from twenty-five to thirty-five per cent. In 1920, for example, the head of the American Red Cross declared that there were 11,000,000 children in Europe who were fatherless because of the war, while between two and three million were without decent shelter and medical care. In that year children with only one, or with no, parent numbered three or four million in Russia, 1,500,000 in Germany, 1,500,000 in France, 1,000,000 in the former Austro-Hungarian Empire, at least 500,000 in Poland, and about 400,000 in Italy. "As an index of the place given by the new states to health and physical welfare work, it may be noticed as typical that between 1919 and 1921 the budgets of the Ministries of Public Welfare and Public Health of six Central European countries were increasing twenty-fold while the general budgets increased not more than two- or three-fold." [1] This was obviously not a normal condition of things.

With the physically fit either removed by death or weakened by disease, it is fair to say that the perpetuation of European races was left in large measure to those sections of the population that could not meet the physical requirements for military service. This tended to establish a kind of inverse selection that could not fail to cause a serious deterioration in the racial standard.[2] Furthermore, one of the striking social developments of the generation before the outbreak of the war had been a steadily declining fertility among European peoples.[3] It remains, therefore, to notice what has been the effect upon European demography since the war of the three-fold phenomenon of a pre-war normally declining birth rate, a substantial decrease in the actual number of births during the war, and a lower health standard both for parents and for children. This will necessitate a brief examination of current population and emigration statistics for the leading European countries.

Population Growth and Decline. The aggregate population of Europe during the decade 1911-21 showed strikingly little variation in size. A decrease of almost negligible proportions took

[1] *Ibid.*, 77.

[2] See Vernon Kellogg, *Military Selection and Race Deterioration* (Oxford, 1916), 178.

[3] For a careful discussion of this phenomenon see Sir William Beveridge, "The Fall of Fertility among European Races," *Economica* (London), March, 1925.

place: only one-half of one per cent.[1] In 1911 the population total stood at about 455,000,000; in 1914, the year the war came, it had fallen to 452,000,000; in 1921 it had risen again to 453,000,000; while in 1923 it was back to approximately the same total as that of 1911. The density of population, of course, changed no more than the aggregate. In 1913, the former was 46.4 per square kilometre, while in 1923 it had fallen slightly to 45.6.[2] Of the larger countries, Great Britain, Germany, and Italy had appreciably higher population densities, while European Russia, France, Belgium, and Austria had somewhat lower ones. All told, Europe, with slightly less than eight per cent. of the world's area, possessed in 1923 about twenty-five per cent. of the world's population.

An analysis of the results of the British census of 1921 shows that England and Wales increased in population during the previous ten-year period not quite two millions, or about five per cent. The total rose from about 36,000,000 to 37,800,000. If Scotland is included, the rate of increase is practically the same, giving a total increase for all Great Britain from 40,800,000 to 42,700,000.[3] The density per square mile in 1921 had reached 649 for England and Wales and 164 for Scotland. While, as the above figures show, there was an actual increase in spite of the war, it is significant to note that it was the smallest intercensal increase for more than a century. The reasons why there was any increase at all may be found, first, in that proportionally fewer soldiers were killed in England than in most belligerent countries; secondly, in that there was likewise a proportionally lower civil mortality; and thirdly, in that there was a slight augmentation in the number of marriages during the war years, with a consequent slight rise in the birth rate.[4] Within a year after the armistice of 1918 both the birth rate and the infant mortality had virtually returned to pre-war levels. In fact, the provisional returns of the Ministry of Health for 1920 revealed the highest birth rate in a decade and the lowest infant mortality rate ever recorded.[5] But by 1922, on account of the prolonged period of industrial de-

[1] *International Year Book of Agricultural Statistics* (Rome, 1909 to 1921).
[2] *Ibid.* (for 1924), 2-3.
[3] No accurate post-war statistics on Ireland are available. *Whitaker's Almanack* (London, 1925), page 552, gives the estimated population of Northern Ireland in 1922 as 1,284,000, and that of the Irish Free State as 3,165,000.
[4] *L'Economiste français* (Paris), November 26, 1921.
[5] Quoted in Dickinson, *The New Old World*, 50.

pression and unemployment after 1920, the number of births per 1,000 had fallen from 25.4 to 20.7, which was 3.4 lower than in 1913. The 1922 death rate, however, was slightly below that for 1913. With reference to the meaning of these figures, a prominent English statistician wrote in 1924 that at the rates of births, deaths, and emigration existing from 1921 to 1923, the population of Great Britain would increase to forty-five or forty-six millions about 1941 and then begin to diminish.[1]

Only two other aspects of post-war English population statistics need be noticed. One is the marked increase in the excess of females over males, which in 1921 was nearly a million and three-quarters, as against slightly more than a million ten years before. The other is the distribution of the population between urban and rural areas. Considering the unprecedented movement from farm to city that characterised the period of the war everywhere, the shift of British population city-ward from 1911 to 1921 was surprisingly slight. In 1911, 78.1 per cent. of the population was urban; in 1921, only 1.2 per cent. more was to be found in urban districts than ten years before. This small degree of urbanisation during the decade may be explained partly, as will be seen later on, by the strenuous efforts that were made during and after the war to revive British agriculture, and partly by the prevalence of unprecedented unemployment at the time the census of 1921 was taken.

In France, the principal effect of the ten-year period under survey was merely to accentuate the existing tendency toward a stationary, if not a declining, population. The census of 1921 showed a numerical decline of nearly 400,000 since 1911. But if the population of Alsace-Lorraine, which in 1921 was over 1,700,000, is taken into account, the total decrease exceeds 2,000,000. This decline is revealed, moreover, by a fall in the density of population from 189 per square mile in 1911 to 184.4 in 1921, though in the territory ceded to France by the Treaty of Versailles —5,605 square miles—there were 350 persons per square mile. During the war years the number of births per year fell from approximately 800,000 for 1913, which was about normal, to below 400,000 in each of the years 1915-18 inclusive; the number of deaths, on the other hand, was on the average, among the civilian

[1] A. L. Bowley, "Births and Population in Great Britain," *Economic Journal*, June, 1924.

population in the seventy-seven departments not directly affected by invasion, somewhat greater during the war years than during the years immediately preceding. From the standpoint of the expectancy of life, it has been calculated that from 1914 to 1918 there were about 900,000 fewer births in France than might have been reasonably expected for that period under normal conditions, while the death rate of the civilian population did not undergo any pronounced change.[1] The major portion of the falling off in French population was due, of course, to the exceedingly heavy war casualties suffered by the French armies. The military dead by the end of the war was well over 1,300,000, or 16 per cent. of the total forces in the field. Only two other countries, Rumania and Germany, lost a higher fraction of their armed forces.[2]

This extraordinarily heavy toll in men of military age and vigour largely accounts for the excess of two and a half million women over men that is revealed by the 1921 census figures. This census also shows to what extent there was a rural "exodus" during the war period. In 1911 the population of France was 55.8 per cent. rural and 44.2 per cent. urban; in 1921 it was 53.7 per cent. rural and 46.3 per cent. urban. Of the eighty-seven departments, only thirty-one had suffered no depopulation of their country districts. To-day nearly two-thirds of the families of France, whether rural or urban, have two children or less, and there is little or no indication that recent efforts on the part of the French government to stimulate the birth rate are meeting with any appreciable success. Recent years, in fact, have seen no diminution in the flood of French books and brochures warning of the menace that a declining population presents for the future of France as a Great Power.[3]

Of the leading belligerent nations, Germany suffered the greatest loss in men in proportion to the total number in her armies. This loss amounted to almost 1,750,000 and equalled 17.03 per cent. of her total military personnel. While the civilian population did not experience the direct effects of invasion to the same degree as the French, the markedly low war-standard of living in Germany, about which more will be said later, adversely affected the

[1] See Samuel Dumas and K. O. Vedel-Petersen, *Losses of Life Caused by War* (Oxford, Clarendon Press, 1923), 146-182.

[2] See Harlow, *op. cit.*

[3] For a list of some of the more important of these books, consult the references appended to this chapter.

birth rate and infant mortality. By 1917, the former, which had been 28.3 per thousand in 1913, fell to 14.4, the lowest on record since the unification of Germany, though it rose again to 26.7 in 1920, only to decline anew to 21.6 in 1923. Furthermore, the Treaty of Versailles provided that Germany surrender territory containing well over six million inhabitants. As a result of these factors, the German census of 1919 revealed a decline of 4.4 per cent. in the total population of the Republic in relation to that of the old German Empire in 1910; in other words, the population in 1919 was only 59,852,682, as against nearly 65,000,000 in 1910. This fall of 4.4 per cent. may be contrasted with a gain of 14.9 per cent. for the decade from 1901 to 1911, though it must be remembered that a comparison of the population in 1910 of the post-war area of Germany with the 1919 figures for the same area would show a slight increase, in spite of the devastating effects of the war upon both military and civilian population.[1]

Population changes in other countries may be passed over with less detailed consideration. Italy advanced from 34,671,377 in 1911 to 38,835,941 in 1921, a gain of 10.7 per cent., a small portion of which is accounted for by the addition of 5,000 square miles of territory as a result of the peace treaties of 1919 and 1920. On the other hand, European Russia declined in population, due to the ravages of war, revolution, and famine and loss of territory, to the extent of 15,000,000. In 1911 her population was 116,380,000; in 1921 it had fallen to 101,410,000, a decrease of 12.9 per cent. for the turbulent decade.[2] Up to 1916, the urban population of Russia was steadily increasing at the expense of the rural districts; but since then, with the widespread exodus of harassed city workers to the country, a process of de-urbanisation seems, temporarily at least, to have set in. Petrograd, for example, fell in population from 2,420,000 in 1917 to 705,000 in 1920. If the entire area of pre-war Russia is compared in population with the area of the Soviet Union, the decline is even more marked than in the case of European Russia, for there the decrease was from 178,378,800 in 1914 to approximately 132,000,000 in 1923. Smaller and less important countries, like Belgium and Austria, suffered declines in

[1] The provisional returns of the census of 1925 show Germany's population to be about 62,500,000, excluding the Sarre district.

[2] For an interesting if somewhat journalistic discussion of this tendency, see S. S. Masloff, *Russia after Four Years of Revolution* (London, 1923), 23-26.

population in varying degrees where they were intimately touched by the destructive forces of the war; still others, like the neutral Scandinavian states, were favored by appreciable advances in population.

Emigration and Immigration. Regardless of the kind of peace that might have been negotiated in 1919, it is safe to say that the aftermath of four and a half years of war on an unprecedented scale would have been marked by a considerable uprooting of individuals and families from their old moorings. The changing of boundaries, with the consequent transferring of national allegiance; the frightful burden of taxation; the difficult and here and there seemingly insuperable task of reconstructing devastated regions; the ravaging effects of famine upon millions of people in central and eastern Europe; the needs of certain countries, like France, for alien labour; and the prolonged period of excessive unemployment in England,—all these and other influences interacted to produce a constantly expanding movement of population across national frontiers, once the process of re-adjustment began to assert itself. By and large, the factors in the post-war European situation favouring migration were more potent than those tending to impede it. While such a generalisation would not hold true for all countries, least of all for the succession states that were created to give expression to the principle of nationality, it does present a fairly accurate picture of the tendency in the larger states, though in some cases the tendency was in the direction of a shift outward; in others, toward a decided ingress.

The following table indicates the extent of oversea emigration from the chief European countries for the period from 1913 to 1923 inclusive, war years being omitted not only because statistics on them are meagre as well as inaccurate, but because emigration during the progress of the conflict was almost negligible in quantity:

Year	*Germany*	*Great Britain*	*Italy*	*Spain*	*Poland*[1]
1913	25,745	389,394	559,566	220,400	261,812
1920	8,458	285,105	211,227	150,566	74,121
1921	23,254	199,177	194,320	62,479	87,334
1922	36,511	174,096	121,410	64,119	38,716
1923	115,416	256,284	177,798	93,246	55,401

[1] These figures are taken from the *International Labour Review* for April, 1923, and December, 1924. This *Review* has published during the last few years detailed monthly statistics on migration throughout the world.

The above figures show, first of all, that overseas European emigration underwent a general decline after 1913 which, by 1921, amounted to about two-thirds of the total volume in 1913; secondly, that by 1923 the trend was again definitely upward, without having reached, except in the case of Germany, the pre-war totals. Incomplete statistics on emigration by land, that is, within Europe (and Asia), indicate a similar but slightly smaller decline for the period from 1913 to 1921. Italy, for example, had only about one-fifth as much continental emigration after the war as before, while Czechoslovakia had half as much. Belgium was the only country during the first few post-war years which had a greater volume of emigration by land than before 1914, a phenomenon that was mainly due to the German invasion and occupation of her territory.

The relatively heavy overseas emigration from Great Britain after the war was the inevitable consequence of the trade depression which from 1920 kept from one to two millions of men constantly out of work. Not only did thousands emigrate on their own initiative, but the British government, by agreement with certain of the Dominions, particularly with Australia, began in 1924 to arrange for state-aided migration within the British Commonwealth of Nations. It was still true after the war, as before, that of all countries outside the British Commonwealth, the United States received by far the largest contingent of emigrants from the British Isles.

The sharp increase in the exodus from Germany in 1923 may be explained as a result of the prevalence of industrial and commercial chaos following the French invasion of the Ruhr valley in January, 1923. In the case of Italy, the relatively smaller oversea emigration since the war has been due partly to the effects of the percentage-restriction policy of the United States, as enacted in the law of 1921, and partly to the absorption of a large part of the Italian exodus by France and other continental countries. That Italy still regards the emigration of her own nationals as both economically necessary and desirable is attested by the action of the Mussolini government in convening an international conference at Rome, in May, 1924, to consider the general problem of emigration and immigration. This conference adopted a number of important resolutions relative to (1) the conditions of transport, (2) assistance to emigrants in embarkation and de-

barkation, (3) the means of apportioning emigration to the needs of labour, and (4) the general principles that should govern the making of emigration treaties. In general, the right to emigrate was recognised by the conference, which included delegates from most of the countries of Europe.[1] In a certain sense, the meeting and action of this conference may be regarded as a protest on the part of central and southern Europe against the curious but decidedly pronounced wave of "Nordicism" that seemed to sweep over non-European English-speaking peoples after the war and that resulted by 1924 in the adoption by the United States of a policy which frankly discriminated against Slavic and Latin countries in determining annual quotas for admission to the United States.

Turning from the question of European emigration to that of immigration, one would expect to find the influx into Europe from overseas almost insignificant in its proportions. That such was actually the situation is revealed by the statistics reported by such countries as Spain, Italy, Great Britain, and Poland. The following table gives the total overseas influx into five leading countries of immigration for each of the four years 1920 to 1923 inclusive: [2]

Year	*Spain*	*Great Britain*	*Italy*	*Poland*	*Belgium*
1920	46,534	86,055	77,599	70,000	11,839
1921	76,439	71,367	92,212	78,827	11,834
1922	51,097	68,026	54,602	11,116	2,691
1923	32,081	57,606	39,680	6,693	1,555

These figures, by no means abnormally high, have even less significance when it is remembered that a large percentage of persons admitted into these countries were their own nationals returning from a sojourn of a single season or of a few years in the New World.

The international movement of population on the Continent, however, requires some special comment, at least in so far as France is concerned. One of the most striking populational

[1] See *L'Economiste français*, for August 30, 1924, and *Current History*, for June and July, 1924, for brief reports of this conference. The best single volume for the study of post-war legislation on emigration and immigration is that published by the International Labour Office (Geneva, 1922), under the title *Emigration and Immigration: Legislation and Treaties.*

[2] *International Labour Review*, Dec., 1924.

phenomena since the war has been the influx of alien labour into France. This movement began even before the end of the war. As early as 1916 the government created an office for the recruitment of foreign labour for industry, which, by the beginning of 1919, had succeeded in bringing into France over 80,000 labourers, chiefly Greeks, Spaniards, Portuguese, and Italians. This number, moreover, does not include several thousand Belgian refugees and other labourers employed at the front. Likewise, extensive attempts were made to attract agricultural labour both from the Continental neighbours of France and from her colonies. The outcome of these efforts is indicated by the following figures: [1]

Period	*Nationality*	*Number Entering France*
1916 to January, 1919	Spanish and Portuguese	146,446
	Italians	2,225
	French colonials	140,409
1919-1920	Spanish and Portuguese	96,526
	Italians	12,284
	Belgians	20,532
	Poles	3,693

It may fairly be said that this contingent of foreign and colonial labour went far to compensate for the great loss in man-power that the war inflicted upon invaded France. But the need did not cease with the termination of hostilities. Agreements that had been negotiated with Portugal and Italy during the war became the basis for definite immigration treaties after the war. While a large part of the foreign workers in France were repatriated after the armistice, the demand for labour became so insistent in 1919 that the Government took steps to reorganise its "service du placement" to take care of incoming labourers from neighbouring countries, so that they might be assured of equality of treatment with French workmen. By 1922 as many as 180,000, and in the following year 272,000, immigrant labourers entered France, most of them being Spaniards and Italians. These men, particularly the Italians, were effectively absorbed, not only in agriculture and viticulture, but in mining and other industries. In certain departments in southwestern France, this element seemed to be

[1] These statistics are those of Arthur Fontaine, *L'Industrie française pendant la Guerre* (Paris, 1925), 67-69.

permanently settling upon the land left uncultivated by the depletion of native rural population. The Italians, along with smaller numbers of Poles, were regarded by the French government as especially desirable and easily assimilable into French nationality. Once the process of economic rehabilitation is completed, however, it may be that France will abandon her policy of open encouragement to foreign immigration and adopt a more restrictive attitude.[1]

Speaking broadly, the question of emigration will probably continue to be of capital importance for all Europe through a full generation after the war. To many students of the critical economic situation that has prevailed in Europe since 1918, a consciously developed policy of emigration to extra-European lands would appear to offer one of the most effective means of relief for overcrowded countries like Germany and Great Britain. It has been suggested, in fact, that one solution for the thorny problem of national security would be to devise and execute an international plan for financing emigration from densely populated European states to Latin-America and other unexploited regions of the globe.[2] At best, however, this would entail many difficulties from the economic and racial, as well as from the international, point of view.

Material Losses Resulting from the War. Thus far, this chapter has attempted to sketch the effect of the war upon the quantity, quality, and movement of population in Europe. It is now in order to consider the material havoc wrought by the titanic struggle. Once more, quite as truly as in the case of human losses, it is difficult for the mental processes to comprehend the magnitude of the destruction that fell upon Europe during those hectic years. When one reads that economists have reckoned the aggregate money loss to property at the stupendous sum of over $180,000,000,000, figures cease for most people to have any definite connotation. Yet the mere addition of net outlays made for war purposes by the belligerent nations gives approximately that

[1] Instructive articles dealing with this interesting development are Stephen Lausanne, "A New Invasion of France," *North Amer. Rev.*, Dec., 1924, and John G. O'Brien, "The Influx of Aliens into France," *Curr. Hist.*, March, 1925. In 1921 there were 1,550,000 aliens in France; by 1925, over 2,800,000.

[2] Cf. Helmer Key, *European Bankruptcy and Emigration* (London, 1924), Chap. IX.

result, the total being divided as follows, so far as the chief European states are concerned: [1]

Countries	*Net Expenditure*
Entente Powers	
Great Britain	$35,334,000,000
France	24,312,782,800
Russia	22,593,950,000
Italy	12,413,998,000
Central Powers	
Germany	37,775,000,000
Austria-Hungary	20,622,960,600
Turkey and Bulgaria	2,245,200,000

These figures do not include property losses to civilians on land and sea, nor do they take into account the indirect effect of the war in lessening the production of goods. If these two items are added—about $30,000,000,000 and $45,000,000,000 respectively—the grand total of material losses, not counting one or two billion dollars lost indirectly by neutrals, exceeds $255,000,000,000, or about four-fifths of the total wealth of the United States in 1922.[2] Property losses are, of course, almost impossible to calculate in monetary terms with any generally accepted degree of accuracy. This fact will become even more impressive when the ultra-complex problem of German reparations is considered in a later chapter.[3] Suffice it to say here that extensive areas in France, Belgium, Russia, eastern Germany, Rumania, Serbia, Italy, and Austria were invaded by armed forces and in large measure laid waste. In France alone, where the damage was greatest, over 2,500 communes in ten of the most prosperous French departments were occupied by the Germans, as a result of which about 8,000 square miles of territory were more or less devastated; at least half a million buildings were badly damaged, many of them being completely destroyed; nearly 1,500 schools and over 1,200 churches

[1] Bogart, *op. cit.*, gives an able discussion of the various estimates of war costs, which vary from $180,000,000 to $210,000,000. The figures quoted are from his own estimates, 265-266.

[2] According to the estimate of the Bureau of the Census, the total wealth of the United States in 1922 was $320,000,000,000.

[3] Estimates of the material destruction suffered by France vary from $4,000,000,000, by John M. Keynes, noted English economist (*Economic Consequences of the Peace*, New York, 1920, p. 130), to $13,000,000,000, by M. Dubois (Report on Behalf of the Budget Commission to the French Chamber of Deputies, in December, 1918). Professor Bogart thinks $10,000,000,000 a fair average.

were shattered; hundreds of railway stations and bridges were wrecked; while many villages were so shell-torn as to leave few if any distinguishable traces of what they once were. The loss to agriculture was enormous in arable and forest land as well as in implements. To the observer of certain sections of this dreary "No Man's Land" after hostilities had ceased, it seemed as if he were looking out over a billowy sea dotted here and there with the scarred spars of a vast wreckage. By invasion and fighting over six per cent. of the entire territory of France was rendered, for the time being, industrially and agriculturally worthless, though on this area were to be found ten per cent. of the total population of France and fourteen per cent. of the active industrial population.[1]

Although devastation from invasion was neither so extensive nor so intensive in other European states, property losses were none the less appalling. In Russia the total damage caused by the war against Germany and Austria-Hungary was estimated at more than $1,250,000,000; in the Balkans and in Poland it was even greater. Mines were destroyed, crops burned, bridges ruined, and machinery wrecked. The plight of little Belgium was in many ways the most desperate of all, for its entire area, save a small section of the western coast, was invaded and occupied by the enemy. According to average estimates, material damages there amounted to six or seven billion dollars. Even England, across the Channel, did not wholly escape direct property loss. The air raids along her eastern and southern coasts and into the interior inflicted damages estimated by Mr. Keynes at about $150,000,000. Shipping, of course, was the chief item in Britain's war bill, but that will be reserved for later treatment.[2]

Agricultural Production and Food Supply: Great Britain. It goes without saying that the war occasioned momentous changes in the status of agriculture in all the belligerent countries. Not only was it necessary to augment by every possible means the supply of food for armies and civilian populations, but the whole problem of the technique of agricultural production and of land ownership came to the fore nearly everywhere in an acute form. When it is remembered, moreover, that at least three-fourths of the aggregate enlisted personnel of the military establishments of

[1] Fontaine, *op. cit.*, 19.
[2] See Chap. XXVII.

the various warring nations was drawn from the fields, the capital importance of expedients for the maintenance of an adequate farm labour supply is at once understood. The output of food would undoubtedly have declined far more than it actually did had it not been for the patient drudgery of thousands of women, old men, and boys who tried to replace adult male workers all over Europe.

When the war broke out in 1914, the United Kingdom was producing from her own soil less than two-fifths of her food supply; in the case of wheat, indeed, it was barely one-fifth. While the landlords and farmers had arrived at a fair degree of prosperity by adjusting English agriculture to the conditions of the world's market, the rural decline that marked the previous generation showed few signs of changing for the betfer. In 1914 the arable area in England and Wales was over 4,750,000 acres less than in the seventies; the number of labourers employed on the land was fewer by hundreds of thousands. Many farmers, moreover, were viewing with great apprehension the proposed establishment of a minimum wage for agricultural workers that had appeared in the land program of 1913. The spirit of feudal paternalism still held sway over an agricultural industry that lacked modern industrial equipment and scientific knowledge. In truth, the British farmer in 1914 "was no longer the warden of the nation's food, and agriculture, far from occupying the 'lordly' position among our industries accorded to the 'loaf-provider' when the nineteenth century opened, had become a minor contributor to the food supply, and to the country's wealth." [1]

The war caused a rude awakening. Its first effects were to increase the prices of agricultural products, which, by July, 1917, were 120 per cent. above those of three years before. The demand for foodstuffs at home could not adequately be met by importation on account of increased freight rates and the utilisation of so much more shipping in the transportation of war materials. But the traditional English policy of *laissez-faire* would not in the earlier stages of the conflict give way to any effective form of state regulation for the purpose of stimulating food production. The Government refused in 1915 to guarantee a minimum price for wheat, which many people then were urgently demanding. What it did was confined to waging a campaign, by circulars and other forms of more or less direct appeals, that production be

[1] Thomas H. Middleton, *Food Production in War* (Oxford, 1923), 1.

increased, and that the arable acreage be extended. But the comparative futility of these efforts is revealed by the fact that by 1916 the total arable area was considerably less than in 1913, wheat and potatoes having markedly declined in acreage. A quarter of a million agricultural labourers had left the land for the army, while thousands of others were being attracted to munitions factories and other war industries. The outlook was indeed dark when the German submarine campaign against Allied shipping reached its intensive phase at the opening of 1917.

At this juncture, however, a policy of effectual state regulation was inaugurated. In the latter part of 1916 the Board of Agriculture had been vested with wide powers to issue orders in the interest of better supply and distribution of foodstuffs, while a Departmental Committee on Food Supply and Prices had been set up to inquire into the causes of the sharp rise in the prices of consumable commodities. Finally, an Act was passed in December, 1916, which created the office of Food Controller, at the head of a Ministry of Food. Under the Defence of the Realm Acts, the Food Controller, Lord Devonport, was granted extensive powers (1) to make orders regulating or directing the production, consumption, transportation, and storage of all articles used for nutritional purposes, including animals, alive and dead; (2) to requisition any article from its owner on the Controller's terms; (3) to take possession, if need be, of factories, and workshops where food was produced for sale; (4) to require information on the amount and prices of food supplies on hand; and (5) to encourage in every feasible way the home production of food, though this last was to be handled mainly by a Food Production Department. Under these powers orders were issued, at one time or another, fixing prices, prohibiting the exportation of certain articles, placing restrictions on the use of certain grains for human food, taking possession of certain industries, such as flour mills, and rationing the consumption of some of the more important articles of food.[1]

Effective execution of any such policy of food control by the state naturally encountered many difficulties in Britain, where the tenets of political and economic individualism still found many adherents. Moreover, too much was expected of the Ministry of

[1] This summary is substantially that given in B. H. Hibbard, *Effects of the Great War upon Agriculture in the United States and Great Britain* (New York, 1919), 193-195.

Food at the outset; and when it did not bring about immediate improvement on a wide scale, it was subjected to no little criticism from various quarters. Being mainly concerned with the realisation of economy in distribution and consumption, the Food Controller issued appeals to the nation in 1917 that every one should limit his weekly purchases of bread, meat, and sugar to definitely fixed quantities, while by the middle of the year a system of compulsory rationing was adopted which included meat, sugar, butter, margarine, and lard; bread, however, was not rationed.[1]

As a further stage in the development of state regulation of the agricultural industry, a Corn Production Act was passed in August, for two main purposes: first, to establish minimum agricultural wages, which were to be fixed by the Board of Agriculture on the basis of recommendations made by district committees consisting of representatives of the employers, the workmen, and the public; and second, to put into effect guaranteed minimum prices for wheat and oats for a period to continue until 1922. The Act also provided, among other things, that the Board of Agriculture might itself cultivate, or authorise the cultivation of, unoccupied land. The effect of this Act was virtually to subsidise agricultural production, for whenever the average price per quarter, fell below that fixed under the law, the occupier of the land was entitled to payment by the Government equal to four times the difference per acre in the case of wheat and five times in the case of oats. In terms of acreage under cultivation and the aggregate yield, the results of the application of this policy may be observed from the following table:[2]

Year	*Wheat*		*Oats*	
	Area (*1,000 acres*)	*Yield* (*1,000 bushels*)	*Area*	*Yield*
1916	2,054	59,775	4,171	170,670
1917	2,106	64,333	4,789	208,167
1918	2,796	93,144	5,631	249,568

The total increase in arable acreage was about 1,400,000 acres for the period 1916 to 1918. This result, however, fell considerably short of the goal set by the food production campaign for the two

[1] See H. Rew, *Food Supplies in Peace and War* (New York, 1920), 81-85.
[2] From John Buchan [ed.], *Great Britain* (2 vols., Boston, 1923), II, 138.

years, which aimed at an addition of at least 2,600,000 acres.[1] It was difficult to convince many farmers of the seriousness of the food situation; their equipment in tractors and fertilisers and labour, moreover, was notably deficient. In 1918, especially, the food production programme had to be abandoned on account of the withdrawal of large numbers of agricultural workers for military service to meet the German offensive launched in the spring. All things considered, however, it must be admitted that bringing the total productive acreage up to 12,399,000 in 1918 was a notable achievement in stimulating home-grown food supply. As Sir Thomas Middleton has so lucidly pointed out, a country which in 1914 had produced only enough food to feed its population 125 days out of the 365, was by 1918 growing enough to meet the requirements for 155.[2] No other country did so well.

For students of public administration in the economic sphere, the British policy of price control during the war presents instructive lessons. In its broad outlines, this policy was to set maximum wholesale and retail prices, beginning with the primary producer or importer and ending with the retailer. It followed the principle of allowing a reasonable pre-war profit to those engaged in production and distribution.[3] At times, according to Sir Henry Rew, this system of price control prevented a great rise in prices; at other times, food would probably have been cheaper without "the Government price."[4] As it turned out, the minimum prices guaranteed by the Corn Production Act of 1917 bore little or no relation to the market prices of the period during which it was in effect. For their grain, farmers received prices that approximated the maximum scale fixed by the Food Controller. Seeing that, after 1916, there was little opportunity for agriculturists to make profits on a scale like that still in evidence in many industries, the charge was brought against the Ministry of Food that it tended to favour the town at the expense of the country.[5] If one considers the broad objectives of the whole policy of price control, however, it would appear difficult to substantiate such an accusation.

[1] See R. Lennard, "English Agriculture since 1914," *Journal of Political Economy*, Oct., 1922.
[2] Cf. his *Food Production in War*, 322 ff., for a good appraisal of the results.
[3] Hibbard, *op. cit.*, 218.
[4] *Food Supplies in Peace and War*, 90-91.
[5] See, J. A. Venn, *Foundations of Agricultural Economics* (Cambridge, 1923), 182.

At the end of the war English agriculture found itself with a productive area greater by 1,340,000 acres than in 1913. During the troublous war years more than 3,000,000 acres of grass land had been broken up for growing grain.[1] In consequence of such an achievement, about an equal number of tons of cargo space had been made available for the transportation of troops and munitions; and it is certain that, but for the increased supply of home-produced food, thousands of Englishmen would have suffered from lack of essential articles of diet instead of living at fully as high a standard as before the war. It is not surprising, therefore, that after the Armistice many people in England entertained visions of making the country self-supporting in the matter of foodstuffs. For in November, 1918, British ports and warehouses held greater supplies of wheat than ever before. But this hope of making England independent rested upon the expectation that returned soldiers would flock to the land and that agricultural wages would remain sufficiently high to hold these men. Even had this expectation been realised, the technical equipment and organisation of English agriculture was not such as to lead to further increases in food production during the post-war period. Both 1920 and 1921 saw an appreciable decline in the area under cultivation; in fact, it was in 1922 only about 300,000 acres greater than in 1914. The slump in prices that occurred in 1921 affected agricultural products so as to cause, in spite of the temporary continuation of the Government's policy of guaranteed minimum prices, a substantial production in farm profits. That the average yield per acre for the four principal crops had not, except for wheat, increased over that before the war is indicated by the following table: [2]

Year	*Wheat* (*Bushels*)	*Barley* (*Bushels*)	*Potatoes* (*Tons*)	*Hay from Seeds* (*Cwt.*)
1913	31.2	32.4	6.5	31.9
1918	32.9	32.4	6.6	29.0
1920	28.5	31.0	5.8	30.9
1921	35.3	29.6	5.3	24.4

It would appear that the application of intensive methods failed to make perceptible headway in England and Wales, for which the above table applies, in spite of the stimulus of war-time de-

[1] Middleton, *op. cit.*, 63.
[2] Lennard, *Journal of Pol. Econ.*, Feb., 1923.

mands and governmental regulation. When de-control came, land went back to grass and the country reverted in the main to its pre-war agricultural policy, the result of which, according to Sir Thomas Middleton, will probably be "a rapid extension of grazing in the immediate future, a reduction in the 1909-13 output of meat, and possibly of milk, and then a slow increase of tillage because of changes in the relative values of cereals and meat."[1] Even the return of the directing hand of a Food Controller, it is contended on good authority, would not enable the country to satisfy more than forty-five or fifty per cent. of its food requirements.[2]

At the time of writing, there is general agreement that the altered commercial and industrial position of Britain, which has, at any rate for the present, restricted the external sources of food, makes it all the more imperative that the natural food resources of the British Isles be more fully used than before the war. But unless and until the public becomes convinced that British industry cannot recover its pre-war prosperity, it is not likely that attempts to achieve a maximum tillage area under intensive cultivation will be successful. By 1925, however, the food problem became so critical that a Royal Commission on Food Prices, appointed to investigate the general food situation, recommended the establishment of a permanent Food Council to maintain continuing supervision over the staple food trade.[3] If the Government should adopt such a proposal, there might develop in peace time a definite policy of state regulation.

French Agricultural Production in the War and After. Unlike Britain, France was, when the war broke out, practically self-supporting. The invasion and systematic devastation of parts of ten of her richest departments, moreover, did not affect agriculture so much as it affected industry. The main problem that arose out of the war had to do with the maintenance of an adequate farm labour supply. The rural classes furnished about five out of the eight million men that were mobilised. This meant that agriculture was deprived of from sixty to eighty per cent. of its man-power, which, in a country predominantly of small holdings, seriously affected the direction of tillage and viticulture. Not only was there a marked shortage of labour that was by no means

[1] *Op. cit.*, 337.
[2] *Op. cit.*, 324.
[3] Summary of this report may be found in *The Manchester Guardian Weekly*, May 12, 1925.

compensated by the extensive utilisation of women, old men, and children in the fields and the vineyards, but the country suffered materially from a lack of manure and other forms of fertilisers. During the war period the land was fertilised by only 250,000 tons of chemical manure, whereas before 1914 as much as 3,000,000 tons a year was ordinarily used.[1]

The effect of these conditions was to decrease the amount of arable land from 59,000,000 acres in 1913 to 52,000,000 in 1918. Food production, moreover, declined during the war years, as indicated by the following figures: [2]

Year	*Production in Thousands of Quintals*				
	Wheat	*Oats*	*Barley*	*Potatoes*	*Wine (thousands of hectolitres)*
Av. 1904-13...	88,431	48,597	9,745	134,204	53,391
1914.....	76,936	46,206	9,758	119,927	56,134
1915.....	60,630	34,626	6,921	93,990	18,101
1916.....	55,767	40,224	8,332	88,000	33,457
1917.....	39,482	34,463	8,981	120,000	37,500

It will be noted that the decline in the case of wheat was steady down through the year 1917, while the production of potatoes and of wine took an upward turn after 1916. Not only did French cultivators face the irritating fact of continual requisitions by the military authorities, but the growing competition from new countries like the United States, Australia, Canada, and Argentina caused a marked tendency towards specialisation in production, as, for example, the abandonment of wheat for the vine, the sugar beet, and the raising of cattle, the last requiring a smaller labour supply than does the tillage of the soil. During the war the Government, in the interest of stimulating food production, issued a series of restrictions on consumption, made loans without interest to farmers, and encouraged the increasing use of agricultural machinery. While these efforts did prevent the home-produced quantity of foodstuffs from falling with alarming rapidity, the importation of food in 1919, the first year after the war, was approximately fifty per cent. greater by weight than in 1912. The following table shows the results of an official inquiry into the status of French agriculture in 1918 in contrast with 1914: [3]

[1] John Buchanan [ed.], *France* (Boston, 1923), 266.
[2] *Annuaire général de France et de l'Etranger* (Paris, 1924), 252.
[3] *Annuaire général* (Paris, 1919), 510.

	1914	*1918*
Abandoned farms	54,725	103,731
Untilled holdings	145,634	598,327
Wheat		
Area in hectares	6,060,358	4,826,743
Production in quintals	76,936,065	60,000,000
Hay		
Area in hectares	3,590,680	2,924,810
Production in quintals	46,206,340	26,000,000
Sugar Beets		
Area in hectares	243,349	75,720
Production in kilograms of sugar	831,000,000	275,000,000

Since the war, French agriculture has, from the standpoint of production, experienced marked improvement. Yet by 1922 the average annual production for the period from 1904 to 1913 had not been reached in the case of any important product except wine. The wheat crop in 1921 was abnormally high, but dropped sharply in 1922. By 1923 it was practically the same size as in 1913, the area under cultivation being about half a million hectares smaller, the yield per hectare about eight per cent. higher.[1] The greatest difficulties that France has had to face since the war have been (1) the constant migration of young people from the rural districts to the cities, (2) the provision, in consequence, of an adequate agricultural labour supply, and (3) the discouragingly slow adoption by the French peasant of modern agricultural technique. In this regard, attention may be called to the fact that in 1924 over 250,000 hectares of land remained untilled on account of the lack of labour. In many communes cultivation was still being carried on by the labour of boys, old men and women.[2]

To remedy this situation various proposals have been made. The Government is undertaking measures to make rural life more attractive; "Return to the Land" Committees have been created for the purpose of assisting farmers and rural workers to find land they can cultivate and the public authorities to erect cheap dwelling houses in the villages;[3] large funds have been put at the disposition of the National Office of Agricultural Credit to be used as loans to communes, departments, and co-operative organisa-

[1] See Maurice Lair, "Le Malaise du Monde agricole en France," *Revue économique internationale*, April, 1924.

[2] A. Hobson, "Some Economic and Social Phases of French Agriculture," *Jour. of Farm Economics*, July, 1924.

[3] *International Review of Agricultural Economics*, Oct., 1922.

tions to help establish and exploit rural electrical systems.[1] One encouraging sign is that the birth rate in the rural districts is still considerably higher than in urban centers. All things considered, it is safe to say that France is fully as self-sufficing to-day as she was in 1914.

Probably the most remarkable aspect of the post-war recuperation of France has been the rapid reconstruction of the 4,000,000 acres or more that were devastated by invasion. It was predicted by numerous experts shortly after the Armistice of 1918 that a large portion of this area could not be restored to cultivation in less than a generation, if at all. But the extensive program of reconstruction inaugurated by the French soon after the termination of hostilities accomplished results little short of marvellous. Within a year nearly a quarter of the total area was handed back to its former cultivators. By 1923 practically all the good lands were restored, though most of the trenches and wire still remained on the poorer sections. The beginning of 1925 saw at least ninety-five per cent. of the entire invaded region ready for use again: almost all the barbed-wire entanglements had been removed, over 4,000,000 acres of farm land had been levelled off, and about 500,000 out of nearly 900,000 buildings had been rebuilt. Up to the end of 1924 France had expended for reconstruction the enormous sum of 74,206,000,000 francs.[2] A considerable part of this sum went to farmers in the form of government bounties at specified amounts per each hectare restored to cereal and other production. In many instances, the villagers formed co-operative building associations for the reconstruction of entire villages. In conclusion, it should be noted that an appreciable part of the immense burden of reconstruction was borne by private American and British contributions.[3]

The Central Powers and the Food Supply. In any consideration of food production during the World War, one is at once struck by the fact that the Central Powers were in a decidedly more difficult position than were any of the Entente Allies in western Europe. The imposition early in the contest of an economic maritime blockade which yearly grew more and more

[1] Lair, *op. cit.*

[2] Report of Commercial Attaché Chester Lloyd Jones to the United States Department of Commerce, quoted in the *Chicago Tribune*, July 13, 1925.

[3] Cf. notably the admirable work of the Committee headed by Miss Anne Morgan, as reported in the *New York Times*, April 12, 1925.

effective made it imperative that Germany and her Hapsburg Ally feed virtually their entire population with produce from their own soil. This meant that the food for at least one-sixth of the German people, which before the war was imported, must somehow be obtained from German agriculture. Stated more specifically, considerable quantities of grain, animal fats, dairy products, and fertilisers must be provided for within the borders of the country, though they were formerly purchased abroad.

Whether in conscious preparation for the war or not, Germany had stored up in 1914 vast supplies of foodstuffs and fodder. Moreover, the population was extremely well-fed before the war, the average daily caloric intake per man being as high as 4,020, in contrast with the United Kingdom, where it was only 3,400, and with France, where it was 3,800.[1] For these reasons there was no widespread shortage of food in Germany during the first two years of the war. It was not until the spring of 1916 that the first real pinch of hunger began to be felt. By that time the blockade had resulted in such diminution in the available supplies of proteins and fats as seriously to affect not only the quantity but the balance of the diet of the majority of the population. Bad weather conditions had reduced the potato supply to less than half what it had been in 1913, while the quantity of cereals for consumption was by 1917 almost 2,500,000 tons below the pre-war normal. As the importation of chemical manures diminished, the fertility of the soil, one hundred acres of which used to support thirty persons more than the same area of English land, fell progressively to a dangerously low level. The milk yield was reduced to one-third normal, and the number of cattle fell by the end of the war to one-fifth the pre-war supply.

To meet a situation of such gravity, the Government tried to put into effect a series of heroic measures with a view to rationing the consumption of food. After 1916 the individual ration ranged around 1,500 calories per day, as against the 3,000 required for the average male adult. In other words, according to a prominent British scientist, the ordinary German civilian during the last two years of the war had to live on a ration that contained less than two-thirds the amount of food adequate for health.[2] The conse-

[1] Most of the data used here on the German food supply is taken from the scholarly article by E. H. Starling, "The Food Supply of Germany during the War," in the *Journal of the Royal Statistical Society*, March, 1920.

[2] Starling, *op. cit.*

quences could only be a lowered vitality and a shattered morale on the part of the urban population, which naturally was hardest hit by the shortage. As a matter of fact, the agricultural classes openly defied the Government's rationing orders to the point of selling large quantities of food at exorbitantly high prices to municipalities and munitions works. While the farmers were profiteering in this manner, the middle and labouring classes in the cities were receiving scarcely enough food to keep them from starving. In the summer of 1918, for example, a person in Berlin was expected to live for a week on four pounds of bread, seven and a half pounds of potatoes, one-half pound of meat, which was not always available, and one-half pound of sugar, with minute portions of such things as butter, cheese, and jam. By August of the same year one week in every three had to be meatless.[1] It is not surprising, therefore, that when the German forces did finally give way on the Western Front, it was almost a national debacle, accompanied by great strikes and revolution.

In Austria-Hungary the food crisis was even more severe. There, agricultural production before the war was in a comparatively backward state of development. After the outbreak of hostilities, measures were somewhat haltingly taken to intensify output, to protect the labour supply, and to encourage market gardening, fruit growing, and the cultivation of the sugar beet.[2] But official incompetence and corruption tended to render ineffective most of these efforts. At best, the Government was probably too slow in assuming control over foodstuffs. While the peasants in West Galicia were enriching themselves by selling produce to speculators from Vienna and Budapest, the Government permitted Cracow virtually to starve.[3] An inflated currency served to aggravate the scarcity, while the breakdown of the Austrian transportation system left cities like Vienna and Prague with constantly diminishing food stocks. The dissolution of the old Hapsburg Empire, predicted by Franz Joseph in 1914, was naturally hastened by the collapse of its internal economic system during the summer and autumn before it passed out of the war.

[1] See H. W. V. Temperley [ed.], *A History of the Peace Conference at Paris* (6 vols., London, 1921 to date), I, 163.

[2] Herman Kallbrunner, "The Measures adopted for the Encouragement of Agriculture during the War," *Internat. Rev. Agric. Econ.*, Nov. and Dec., 1921.

[3] Temperley, *op. cit.*, I, 163.

Conditions in central Europe since the war have been so disturbed that it cannot be said that the restoration of agriculture to pre-war levels has yet been accomplished. The loss of territory imposed by the peace settlement, including a large portion of Upper Silesia following the plebiscite in 1921; the deliveries of food materials, live-stock, and coal called for by the Treaty of Versailles; and worst of all, the generally demoralising effect of the heavy burden of reparations payments which until the adoption of the Dawes plan in 1924 led to all the evils of currency inflation and a constantly soaring cost of living,—these factors, which will be discussed in more detail later, not only made it impossible for German agriculture to produce as much food as before the war, but left the population undernourished and resentful. Farming areas had been so impoverished by years of "soil-robbing" during the war that the re-establishment of sustained production would at best have been extremely difficult and drawn out. As one prominent German official in the Administration of Food and Agriculture, writing in the latter part of 1920, said: "Germany is thus in a fatal circle; lack of food causes insufficient production, and permanent increase in wages, the result of which is few and dear products from the factory, and high prices of manufactures retard agricultural production, so that prices keep on rising constantly unless this circle is broken somewhere. And this can be accomplished only with the aid of food from the other nations." [1] Since then conditions have been successively worse and better: worse during the chaotic period of the French occupation of the Ruhr, and better since the summer of 1924. While they are still somewhat indeterminate, the outlook is a more hopeful one to-day than at any time since the Armistice. The following table indicates the status of German agricultural output for five leading crops in 1921 and 1923:[2]

Crops	*Acreage*		*Production (in metric tons)*		
	1921	*1923*	*1921*	*1923*	
Wheat	3,602,600	3,695,535	2,933,820	2,819,658	
Rye	10,662,593	10,911,890	6,798,638	7,174,674	
Oats	7,905,560	8,358,940	5,004,983	5,975,515	
Potatoes	6.617,903	6,814,352	26,151,380	40,665,360	(1922)
Hay	13,619,378	13,611,850	17,197,229	19,240,696	(1922)

[1] Dr. Huber, "Food Conditions and Agricultural Production," *The Annals of the American Academy of Political and Social Science*, Nov., 1926.

[2] *Statesman's Year Book* (1924), 945.

The Food Supply of Russia as Affected by War and Revolution. It is necessary at this point to give brief notice to the conditions of Russian agricultural production as it passed through the fires of foreign war and internal revolution. Before 1914, as was explained in a previous chapter, Russia could be divided into fairly well defined regional parts so far as its economic organisation was concerned. It was in the broad valleys south of 60° latitude that grain—rye, wheat, barley, and oats—was grown in quantities sufficient not only to feed the vast peasant and village population, but to serve as an important cereal reservoir for western Europe. Yet the methods of cultivation were woefully primitive, and frequent droughts, along with an utterly inadequate transportation system, exposed large areas, especially in the Volga valley, to the desolation of famine. The coming of war accentuated these conditions. Russia was bled white by the enormous losses she suffered in man-power, as well as by the complete deterioration and eventual breakdown of her apparatus of food distribution. On account of the isolated situation in which she found herself by 1916, she could procure from without neither the rolling stock nor the agricultural machinery that was indispensable to her needs. The result was inevitable. The mobilisation of 17,000,000 men and 2,000,000 horses led to a sharp reduction in the area under cultivation, while the collapse of the railways made it impossible for the peasants to dispose of their surplus produce. On top of the havoc wrought by the war came the revolutions of 1917, soon to be followed by civil wars that ravaged the richest agricultural provinces in Russia and the Ukraine, and above all by a rigorous economic blockade by Russia's Allies. To plunder and terrorism was added a vexatious system of food requisitions imposed upon the peasants by the Bolshevik authorities from Moscow. Then in 1921 came drought and widespread famine. Altogether, one can scarcely conceive of a set of conditions more chaotic. It is not surprising that statistics such as the following should reveal a falling off in the production of corn, a typical crop, to the extent of fifty per cent. after 1916. These figures apply to Russian territory exclusive of the Caucasus and Turkestan:[1]

[1] Fridtjof Nansen, *Russia and Peace* (London, 1923), 102. Chapters VII and VIII of this well-balanced and illuminating account of Bolshevik Russia contain an excellent discussion of agricultural conditions. Dr. Nansen was the director of famine relief in Russia in 1921-22.

Year	*Area Sown (in millions of hectares)*	*Yield (in millions of tons)*
1916	90.8	65.9
1920	62.5	28.9
1921	54.0	26.9
1922	49.5	33.6

If the total area under cultivation in the spring of 1921 is compared with that tilled in 1913-14, it will be found that the former was only sixty per cent. of the latter.[1] In 1920 twenty per cent. less wheat was grown than in 1917, twenty-four per cent. less oats, and thirteen per cent. less potatoes.[2]

At last the Soviet government came to realise that economic life in Russia could not be restored by favouring industry and the cities at the expense of agriculture and the villages. As early as 1920 the Central All-Russian Executive Committee created local committees that were to try to organise village production as a unit. A compulsory sowing campaign also was inaugurated. But a year of experimentation with Soviet farms did not bring satistisfactory results. The peasants persisted in restricting their sowings to the minimum demanded by their own needs. On the other hand, the Government's plan of rationing the industrial centers brought on not only wholesale speculation in foodstuffs, but discontent among the workmen and soldiers over the poor quantity and quality of the official ration. Lenin resolved in the spring of 1921, therefore, to abandon the compulsory food levy and to re-establish the free market. In support of this "New Economic Policy," as it was called, he vigorously argued before the Communist Party Congress in December of that year that the change had been necessary in order to induce the peasants to produce more food, and that this, in turn, meant replacing the compulsory food levy with a monetary tax upon agricultural produce. It was to be, he hoped, only a temporary "strategic retreat" from the tenets of strict communism, but notwithstanding a necessary one, if a real economic alliance between industrial workers and peasants was to be achieved.[3]

[1] S. S. Masloff, *Russia after Four Years of Revolution* (London, 1923), 55.

[2] See K. Leites, *Recent Economic Developments in Russia* (London and New York, 1923), 207-214.

[3] For a brief but lucid account of the adoption of the "N. E. P.," see Kurt Wiedenfeld, *The Remaking of Russia* (English translation by Eden and Cedar Paul, London, 1924), 89-96.

The effect of this policy upon production has as yet been too slight for any satisfactory judgment. The aggregate yield of grain in the Soviet Union continued to decline in 1923 and 1924, as is shown by the following table: [1]

Year	*Gross Yield of Grain (in millions of poods) (One pood equals 36.07 lbs.)*
1916	2,829.5
1922	1,901.3
1923	1,823.4
1924	1,817.3

The decrease, since 1922, however, has been fairly small. The peasants, although the revolution has given them control of the land, are still hampered by a dire lack of modern agricultural implements and fertilisers. Until scientific methods of crop culture are adopted, no great improvement may be expected. At the present time (1925) the problem of preventing recurring crop failures is receiving serious attention from the Commissariat for Agriculture at Moscow. It is still true to-day, however, as it was in 1920, that the outstanding need for Russian agriculture is foreign help in the form of credits, machinery, and scientific specialists; but assistance of this nature depends in large measure upon the genuine reëstablishment of Russia in the diplomatic good graces of the rest of the world.

Summary of European Agricultural Production since 1914. It may be helpful to conclude this somewhat extended consideration of the conditions of food production during the last decade by attempting to present a composite cross-section, as it were, of Europe as an agricultural unit. A few brief statistical comparisons, taking the leading crops, should suffice to show the extent to which Europe retrograded, temporarily at any rate, from her pre-war position. First of all, let us notice the average area and average production of five important cereals for three different sets of years, 1909-13, 1914-18, and 1919-21, as indicated by the following table: [2]

[1] *Commercial Year-Book of the Soviet Union* (New York, 1925), 53.

[2] Except where otherwise noted, the statistical comparisons in this section are reproduced from the *Internat. Year-Book of Agricultural Statistics* for the period 1909 to 1921, which is a composite survey of a dozen years of agricultural production. Since 1921 the International Institute of Agriculture has published Year-Books annually.

Product	*Area (in millions of hectares)*			*Production (in millions of quintals)*		
	1909-13	*1914-18*	*1919-21*	*1909-13*	*1914-18*	*1919-21*
Wheat	27.3	25.3	23.8	348.6	278.6	275.0
Rye	13.6	12.3	11.4	203.6	150.2	141.9
Barley	8.7	8.4	8.6	131.4	107.4	107.0
Oats	17.2	15.5	15.5	257.2	201.4	195.4
Maize	9.4	9.0	8.9	137.0	122.1	109.0

If the average for 1909-13 is taken as an index base 100, the index numbers for 1919-21 are as follows:

	Area	*Production*
Wheat	87.2	78.9
Rye	83.8	69.7
Barley	98.9	81.4
Oats	90.1	76.0
Maize	94.7	79.6
Grand average	89.5	76.9

These two tables give objective proof of the fact that, in general, aggregate crop yields fell off to a greater degree than acreage under cultivation; in other words, there was an appreciable decline in the net yield of cereals per unit of land utilised. It was Russia, obviously, that accounted for much if not all of this decrease between 1909-13 and 1919-21. This is strikingly revealed with respect to wheat, the average yield of which per hectare was actually slightly greater after the war than before, if non-Russian Europe only be used as the basis of comparison.[1]

One other element needs to enter into our composite picture, namely, the relation between food imports and exports for this same period. The changes here offer an objective measure of the fall in European self-sufficiency as a result of war and revolution and their aftermath. The following table indicates the excess of cereal imports into Europe over exports, or vice versa:

Product	(*Minus* sign means excess of imports; *plus* sign, excess of exports—in millions of quintals *Average 1909-13*	*Average 1914-18*	*Average 1919-21*
Wheat	— 72.3	— 86.1	— 118.2
Rye	+ 3.1	— 2.5	— 10.3
Barley	— 3.7	— 7.5	— 10.7
Oats	— 7.0	— 16.9	— 8.4
Maize	— 36.0	— 29.3	— 35.9

[1] See *Internat. Year Book of Agric. Statistics* (1924), lxv.

Of the five cereals listed, maize alone fails to register a steady increase in imports in relation to exports. The next table treats the same trend in terms of percentages:

	Percentage of cereal imports into Europe in comparison with all countries			*Percentage of cereal exports from Europe in comparison with all countries*		
Product	*1909-13*	*1914-18*	*1919-21*	*1909-13*	*1914-18*	*1919-21*
Wheat ...	96.0	90.6	88.1	49.7	9.6	1.4
Rye	100.0	99.9	99.9	98.9	49.3	9.9
Barley ...	98.9	97.1	94.0	86.6	40.7	22.5
Oats	95.4	92.9	87.4	68.2	9.6	13.5
Maize ...	91.1	87.1	88.7	39.7	16.0	14.2

Here it is instructive to compare the two sets of percentages in order to ascertain the altered position of Europe in the international movement of cereal food products during and after the war. It is evident that although European countries did not import relatively quite so much as during the years immediately preceding the outbreak of hostilities, their exports in relation to the total international sales of cereals fell off precipitously. Stated more concretely, this means that a far greater portion of cereal foods grown on European soil was being consumed by European populations instead of being sold elsewhere. To the degree indicated by these comparative statistics had Europe become more dependent upon the granaries of the extra-European world,—upon the prairies of North America and the pampas of South America and the fields of India and Australia. These statistics, of course, by no means cover the whole human diet. But they are sufficiently significant of the general trend not to be seriously vitiated by the inclusion of non-cereal articles of food.

Agrarian Reforms since 1914. No well-rounded discussion of the recent progress of European agriculture should be terminated without sketching in their broad outlines the striking changes that have occurred since 1914 in the ownership of land. Not only did the war witness a decided shifting in the quantity and quality of rural labour due to the withdrawal of millions of agricultural workers into the armed forces of belligerent countries, but it also was the occasion of the emergence of a rural class consciousness, particularly in the former territories of the old Russian and Austrian Empires. One may perhaps say that of all the economic effects of the great conflict, the breaking up of great estates and

the sweeping away of nearly all the vestiges of feudalism to satisfy an age-old land-hunger sharpened by war and revolution, stand the best chance of achieving permanence. Food producers were in a position to win power as never before. The advent of European experiments in industrial communism and similar forms of radicalism was therefore matched in a number of instances by the rise of peasant democracies. Even in the larger and more highly developed nations, where feudal traces were but faint in 1914, noteworthy changes in the distribution of the ownership of agricultural land took place. After brief reference to these, attention will be turned to the more fundamental agrarian reforms in central and eastern Europe, where agricultural conditions were the key to the whole post-war situation.

In Great Britain the area of farm land owned by those living upon it increased from 10.7 per cent. in 1913 to 20 per cent. in 1921. In terms of acreage, this increase was from 2,890,559 to 5,231,847; in terms of the number of holdings, from 48,760 to 70,469.[1] In two years, 1919-21, the number of owners actually occupying this land went up about forty-five per cent. It was recounted in 1922 how one firm of auctioneers and land agents had made sales of nearly 3,000,000 acres of land, or about four per cent. of the total area of England and Wales.[2] "I note," wrote one brilliant critic of post-war conditions in England in 1923, "that sales are being announced every day in the newspapers, of an average of perhaps half a dozen of greater or lesser historic country houses, and of estates running into many thousands of acres."[3] This enormous turn-over in land was mainly from gentlemen farmers and great "feudal" families to war profiteers, to tenant farmers, and to county and rural district councils and other public bodies. The financiers and merchants who were enriched by war contracts bought up many old English estates, not, in most cases, for the purpose of becoming full-fledged agriculturists, but to satisfy their desire to own country seats and sporting properties.

In searching for the causes of this widespread transference of land, it is unnecessary to go further than to point out that taxes and local rates were so high and agricultural wages so abnormally

[1] Lennard, *Journ. of Pol. Econ.*, Feb., 1923.
[2] Harold Cox, "Changes in Land Ownership in England," *Atlantic Monthly*, April, 1922.
[3] C. F. G. Masterman, *England after War* (New York, 1923), 48.

regulated by law, as well as by the concerted action of strong workers' unions, that hundreds, if not thousands, of landlords found it no longer profitable to maintain their country places. In fact, there were more estates offered for sale, during the post-war years when British agriculture was passing through a severe slump, than there were buyers, with the result that considerable numbers of country places were converted into holiday resorts, boarding schools, and convalescent hospitals. Not a few of the beautiful parks for which the English countryside has long been noted were being menaced by this development. As shown by the number of holdings in the various groups from one acre to over three hundred acres, the tendency was by 1921 to decrease somewhat the extremely small and extremely large holdings in favour of the moderately sized holdings ranging from fifty to three hundred acres.[1]

The none too favourable economic outlook for British land tillers led the National Farmers' Union in 1921 to draw up a policy which called for relief in local rates (taxes), better credit facilities for farmers, security of tenure of land, and the safeguarding of agriculture through an amendment to the Safeguarding of Industries Act, nothing being said, however, about the maintenance of agricultural wages on a livable standard or about the improvement of rural housing. These last items, on the other hand, were to be found in the agricultural policy of the Labour party, which also urged "the development of a democratic system of agricultural councils" and "the establishment of experimental farms under public control" for the purpose of stimulating the utilisation on a wide scale of up-to-date technical methods of production. The Liberal party, moreover, advanced in 1924 a proposal for a form of land nationalisation whereby the Crown would resume possession of all land not actually being farmed by the owner and guarantee to the dispossessed landlords the annual payment of his existing net rents and security of tenure for themselves and their heirs.[2] But as yet little has been done except to pass in 1923 an act reducing the local rates that farmers have to pay. British

[1] For detailed statistics on this point, see Venn, *op. cit.*, 63. By the Law of Property Act which went into effect January 1, 1926, only two ways of holding land in England remain (from the old feudal system): absolute freehold and leasehold for a term of years.

[2] The *Manchester Guardian Weekly*, Oct. 17, 1924, contains an outline of this scheme.

agriculture continues to revert to grass and to retain most of its slovenly and crude habits of cultivation.

Like his British co-cultivator, the French tiller of the soil also scored gains at the expense of the absentee owner. Since the war, land transfers in France have been considerably more frequent than before. The taxation of land values became so heavy during and after the war that land was regarded as a relatively unprofitable form of investment by the absentee landlord. This situation naturally reacted so as to increase peasant ownership of the soil, moderately sized holdings growing in number as against small holdings and large estates. In fact, less than five per cent. of the peasant landowners of France now possess more than seventy-four acres of ground.[1] Despite the marked exodus of landless agricultural workers to the cities, the peasant owner remains firmly attached to the soil. His most difficult problem to-day is how to compete effectively with industrial methods. Unless he is led to realise the necessity of adopting co-operative marketing and purchasing on even a wider scale than before the war, he will continue to produce food under the severe handicap that is entailed by the minute subdivision of land in France. It goes without saying, however, that nowhere in Europe is there to be found less evidence of a demand for any kind of agrarian socialism than in France.

If a line be drawn across the map of Europe from Amsterdam to Venice, it would be substantially true to say that all the area to the east has been, since 1916, the scene of more or less drastic re-distributions of land ownership which in most instances approached the proportions of veritable agrarian revolutions. The one important exception is Germany, where the reform was mainly a "paper" one, as evidenced by the incorporation into the republican Constitution of 1919 of an article authorising the expropriation of landed property whenever necessary "to meet the needs of housing, for the furtherance of settlement on the land, and for the purpose of bringing it into cultivation, or for the encouragement of agriculture."[2] While this article was supplemented by various decrees and laws providing for the formation of associations of landlords for the disposal of their lands where more than ten per cent. of

[1] *New York Times*, August 4, 1925.

[2] Art. 155 of the German Constitution of 1919, English translation published by His Majesty's Stationery Office, London, 1919.

the land in a district was in the hands of large owners, there has been as yet very little actual expropriation by public authority. In the relatively sparsely populated provinces of northeastern Germany where the great Junker estates are to be found, the demand for expropriation is exceedingly slight, while in sections like Bavaria and the Rhineland, where land-hunger is acute, only two or three per cent. of the holdings exceed the statutory maximum of one hundred hectares.[1]

The breaking up of large estates by legislation was effectually begun, however, in Austria, Rumania, Yugoslavia, Czechoslovakia, Poland, Hungary, Latvia, Esthonia, Bulgaria, Lithuania, and Finland. Here the hordes of peasants who had been the backbone of the fighting armies were able upon their return home to enforce demands for the abolition of the latifundia and the creation of peasant freeholds. It was another application of the old tradition of dividing land among returned soldiers after a war. In general, the principle of compensation was recognised by this agrarian legislation of eastern Europe, though in numerous instances the basis of remuneration was fixed considerably below the market value of the land: in Poland, it was put at one-half the market price; in Rumania and Austria, it was limited to a certain multiple of the annual rent of the land; while in Bulgaria it was based on the average value of the land from 1905 to 1915, reduced by amounts ranging from ten to fifty per cent. The purpose of expropriation, it should be noted, was not merely to provide landless peasants with holdings, but to equalise somewhat the sizes of the peasant holdings that already existed, and particularly to consolidate holdings from scattered strips where the strip system still prevailed. If a peasant owned a plot of land insufficient to maintain a household, he would, according to the law, receive an additional area so as to bring about the most efficient utilisation of his labour and of whatever capital he might possess. The maximum area an individual owner might hold under the law varied in the different states undertaking statutory land redistribution: in Rumania, it was 500 hectares; in Czechoslovakia, from 150 to 250 hectares, depending upon how much of the land was arable; in Poland, from 60 to 180 hectares; in Latvia, only 80 hectares;

[1] See Charles A. Beard, *Cross Currents in Europe To-day* (Boston, 1922), 192-194, and Helen Douglas-Irvine, *The Making of Rural Europe* (London, 1923), 205-209.

while in Bulgaria, it was the smallest of all, the right to property in land being limited in that country to 30 hectares per family.

Notwithstanding the fact that none of these agrarian laws was enacted until 1919, and some of them as late as 1921 (Bulgaria) and 1922 (Lithuania and Finland), substantial progress has already been made in the execution of the reforms.[1] Rumania has probably made the greatest headway. By the middle of 1922 it had become virtually a country of small holdings, more than 5,000,000 hectares of arable land having passed from large owners to approximately 1,800,000 peasant families. When the reform is completed, it is estimated that twelve out of the thirteen million hectares of arable land will be in the hands of some four million peasants, with holdings varying from one to five hectares.[2] In Czechoslovakia land reform is being carried out more gradually, so that "the experiences gained in the early stages of the work may be utilised and the economic and social effects of the reform studied."[3] In the two years 1920-22, however, almost 80,000 hectares were expropriated and allotted. The fact that the greater part of the land in the re-united Republic of Poland was already in the possession of the peasantry accounts for the proportionately less substantial changes under the Polish land law of 1920. Over the whole territory of the new Poland, only about 1,700 estates, with an approximate area of 265,000 hectares, had been parcelled out by the beginning of 1922.[4] As for Bulgaria, it may be said that the predominance of a powerful agrarian party, in control of the government until the summer of 1923, facilitated the execution of land reform; but accurate information as to its progress in terms of land area is difficult to procure. Bulgaria stood out, moreover, as the home of what was probably the most strongly organised agrarian movement in the entire Balkan region during the years immediately following the war,—a movement that has been picturesquely and not inappropriately denominated "Green Communism" in contrast with the "Red" of Bolshevik Russia.

Turning to the home of the Soviets, one finds that the poignant force of land-hunger was able, during the course of a revolution that was theoretically communist in character, to assert itself

[1] Satisfactory statistics as to the progress of land reform since 1922 are not available as yet for most countries.
[2] *Internat. Rev. of Agric. Econ.*, June, 1922.
[3] Josef Gruber [ed.], *Czechoslovakia* (New York, 1924), 64.
[4] *Internat. Rev. of Agric. Econ.*, October, 1922.

with such success that the vast mass of Russian peasants are today in possession of the land. In the earlier stages of the Bolshevik régime, the peasants accepted communism because, while it nominally nationalised all the land, only the estates of the great landlords were nationalised in actual practice. No attempt was made to carry out a genuine nationalisation. What really happened was that the peasants took possession of the estates of the larger landlords, resorting to violence wherever necessary, and nothing the Soviet authorities might do could force them to surrender what they had seized. They became a bulwark of conservatism, wanting only to be let alone. "The Bolshevik leaders very soon recognised how hopeless was the endeavour to impose communism upon the Russian peasantry. Even in the spring of 1919 Lenin very wisely and very decidedly uttered a warning against it, and finally, at the communist assembly in March, 1921, he declared that the interests of the State rendered it imperative that its economic administration should be settled in accordance with the economic views of the peasant middle class, 'which we have not succeeded in altering in the course of three years.'" [1] Thus in 1921, as has already been pointed out, the peasant producer was granted the right to dispose freely of the fruits of his labour. The land remains legally the property of the State, and as such it cannot be sold or mortgaged. The peasant occupier is therefore still more or less tied to the soil, but he does not concern himself much about legal restrictions so long as he is free to cultivate his bit of land and so long as his children have prior rights in it. While it is true that the land legislation adopted after the ushering in of the New Economic Policy gives to the Russian municipalities (villages) the right to decide between the old system of periodical division of the land and that of allowing to the individual peasant families permanent control over its cultivation, the tendency has been to adopt the latter to the exclusion of the former. Passably well satisfied with the economic status he has gradually but surely won from the Soviet government, the Russian peasant in 1925 appears to be concentrating his attention on the acquisition of greater political privileges. In order to attach the peasantry more firmly to the existing régime, it is significant that the Russian government in April, 1925, issued a decree permitting farmers to employ hired labour on the land and author-

[1] Nansen, *Russia and Peace*, 113.

ising in certain contingencies the lengthening of the working day to more than eight hours.[1]

From this review of agrarian reforms in Europe during and since the war, it may safely be concluded that there is little likelihood that the millions of peasants will give up the land they have won. For the peasantry seems to be the only important economic group that has emerged from the chaos of war and revolution indubitably stronger than before. The number of peasant holdings has been and will be enormously increased. Obviously, the immediate effect upon production has varied with local conditions. In Russia the division of large estates has tended to reduce agricultural output where the landlords were accustomed to use more scientific methods of cultivation than the peasants can possibly use without machinery and fertilisers. The decline, Dr. Nansen believes, will probably be only temporary.[2] Competent authority in Czechoslovakia is to the effect that the results of land reform as it has thus far been achieved are highly satisfactory. It is said that the "individual interest in farming has been intensified, for the ownership of land which had been but an aspiration and a pious wish to many is an inspiration to the new owners."[3] Almost everywhere in central and eastern Europe, however, there is the pressing problem of supplying the new holdings with adequate buildings and stocks. The remedy for this is being partially found in the development of co-operative societies, about which more will be said in a later chapter.[4] In Yugoslavia there has already been a decrease in the wheat acreage, accompanied by an increase in the production of corn. Broadly speaking, it is probable that a marked increase in subsistence farming will take place, and that this, in turn, will both improve the standard of living for the peasantry and reduce agricultural exports from some of the countries that have instituted land reform.

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[1] *New York Times*, April 23, 1925.
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[3] Gruber, *Czechoslovakia*, 66.
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CHAPTER XXVII

INDUSTRY AND OCEANIC SHIPPING IN WAR-TIME

It will readily be understood that the impact of the World War upon the industrial life of Europe inevitably worked even more far-reaching and varied changes than most of those noted in the preceding chapter. Not only in the sphere of the production of commodities, the organisation and technical methods employed by capital, and the extension of the facilities of transportation, but especially in the relations of industry to government, was the war period marked by gigantic experiments. For a time at least, there developed in nearly all the nations engaged in the conflict a remarkable corporate consciousness that seemed to thrust into the background the traditionally powerful motive of individual interest and profit and to create in its place an equally potent willingness to adhere, in economic activities, to the more social criterion of public service. Each set of belligerents, in fact, tended, as the war went on, to evolve into a great co-operative, international unit, organised to achieve the all-important objective of winning the war. This led to developments in international economic administration that many students of international affairs have come to regard as fruitfully significant of the possibilities of world economic co-operation in the future. With these matters—all of them relating to the "miracles" achieved in the war "behind the lines," in factory, shop, mine, and government department—this chapter will attempt briefly to deal.

At the outset, it is essential to observe that most of European industry in 1914 was concentrated in a rather narrow geographical zone stretching from Wales to Silesia, including within its limits Wales, central and southern England, Belgium, the Netherlands, some fourteen departments of northern and eastern France, the Rhineland, Bohemia, Moravia, and Silesia. This area contained less than one-sixteenth of the total extent of Europe, but in it were produced three-fourths of the total European output of pig iron and four-fifths of that of coal, the two key products

in the operation of machine industry.[1] All countries in this zone save the Netherlands were directly affected by the war, two of them, Belgium and France, suffering the devastation of armed invasion. It is not surprising, therefore, that the nations were forced, regardless of the traditional views of their people against excessive interference by the political community in the domain of trade and manufacturing, to resort in the end to more or less drastic measures of direct governmental control over the production, distribution, and consumption of food supplies, raw materials, and fuel. If this had not been done, it is probable that either combination of states in the contest, or perhaps both, might have been compelled to seek peace by compromise as early as the year 1917. Conflicting private interests, left to themselves, could never have solved the problem. What they did do, however, was to effect in Great Britain, France, Germany, and Italy a noticeable "vertical" expansion and concentration of industrial organisation, both *intra*-national and *inter*-national. In Great Britain and Germany, especially, this tendency was encouraged by the governments, in order that the economies of fusion might compensate, in part at least, for the dearth of raw materials, higher labour costs, and the general wastes of industrial competition. Thus the formation of huge cartels and trusts made it easier for the governments engaged in war to place and carry out enormous contracts for military supplies.

British Industry under War Conditions. The experience of Great Britain illustrates perhaps better than that of any other nation the inescapable fact that modern war is a state enterprise. After three years of fighting, it was indeed difficult to differentiate government and industrial organisation in the British Isles. In the preceding chapter certain aspects of the problem of regulating the food supply of the country were touched upon. Now it is necessary to consider it as a whole.

More than six months passed before the Government undertook effective measures of regulation. At first, the slogan was "Business as usual," which meant that it was thought private business could and would successfully meet the tremendous demands for munitions and food supplies that the war created. The idea that an industry like coal mining or iron and steel manufacturing

[1] See *Trade Information Bulletin*, No. 298. U. S. Dept. of Commerce (1924), p. 12.

would have to be organised deliberately for war purposes "encountered subconscious resistance in a Government committed to the doctrines of free trade and individualism." [1] It was not until May, 1915, that a Ministry of Munitions was set up, though the railways had been taken over from the start in order to guarantee pre-war dividends and expedite mobilisation of troops and supplies. But this opening wedge of direct governmental regulation was gradually followed by the creation of other agencies of control: the Ministries of Food, Shipping, Pensions, and Labour, established at the end of 1916; the Wool Control Department, under the War Office; the Control Departments for Coal, Timber, Petroleum, and other vitally important commodities under the Board of Trade; the War Trade Department; and the Departments of National Service and Reconstruction in 1917. As the policy of government control broadened in scope and intensity, business men were themselves increasingly called upon by the State to act as expert agents and advisers to these new administrative agencies in the economic sphere. The legal basis of control was contained in the famous "Defence of the Realm Acts" which, as early as August, 1914, gave to the Government wide, and in some instances undefined, power to make regulations of all sorts for maintaining "the public safety and the defence of the Realm." Regulations issued under these Acts, popularly known as "D.O.R.A.," embodied in the second year of the war an elaborate system of price control and centralised purchase of commodities extending from the finished article back to the primary materials. The War Office found it necessary, moreover, to assume control over the purchase, importation, and shipping of such articles as Russian flax, jute, and wool. In fact, the entire domestic wool clip was requisitioned in June, 1916, and annually thereafter, and in the following year the Government undertook to purchase the whole Australasian wool output. By that time the food situation had become so critical on account of the progress of the German submarine campaign that the State was impelled to put into effect a heroic programme of control over the distribution of supplies for the civilian population and to restrict as never before the importation of non-essential commodities.

The situation of the coal-mining industry may be studied as

[1] E. M. H. Lloyd, *Experiments in State Control at the War Office and the Ministry of Food* (London and New York, 1924), 22.

one of the most important examples of the application of this policy of government control. At the very time when coal production was most urgently needed in order to meet the tremendous demands of the Allies, it fell off so that by 1916 the yearly output was as much as 30,000,000 tons less than in 1913-14. Out of more than 1,000,000 men working in the collieries, nearly 300,000 had been taken by the army by March, 1916; coal prices rose with alarming rapidity; and a serious shortage in mining materials appeared imminent. For almost three years, however, the Government, largely on account of the stiff resistance offered by British coal operators and business men generally, followed a temporising policy that was confined to the setting up of a Coal-Mining Organisation Committee in February, 1915, to establish, if possible, harmonious relations between owners and mine employees, and to the creation of a Coal Exports Committee and a Coke Distribution Committee. While the work of these three committees doubtless justified their establishment, what they did was mainly investigational and advisory. It required the occurrence of an ominous mine strike in South Wales to bring the country to the realisation that more drastic steps must be taken. In February, 1917, the Government assumed complete control over the mining industry, the work of the three committees being placed under the direction of a Controller of Coal-Mines, assisted by an advisory board of seven representatives of the mine owners and seven of the mine workers. Under the terms of an agreement made between the Controller and the mine operators, the latter were guaranteed profits at least equal to those made during the year preceding the war, but were allowed to keep only five per cent. of any excess, eighty per cent. being taken in the form of an excess profits tax and fifteen per cent. going into a fund to be used in meeting any deficiencies that might occur in relation to guaranteed profits. So long as the war lasted, this system of government control brought industrial peace to coal-mining; wage advances were worked out after many months of negotiation; and exorbitant home prices of coal were prevented by the fixing of maximum pithead prices for inland consumption. The Coal Controller initiated campaigns to reduce consumption by preventing waste and eventually tried to enforce saving by a system of rationing. Despite all the State could do, however, the production of coal fell steadily during the course of the war to approximately

227,000,000 tons in 1918, which was 60,000,000 tons below the output in 1913.

During the last two years of the war, substantial co-ordination in the operation of the various public administrative agencies of control was achieved. Manufacturers were relieved of their individual responsibility for buying and selling, although they retained it in so far as the technical processes of production were concerned. The fixing of the price of meat grown at home evolved finally into a complete governmental organisation of the whole meat supply. A Sugar Commission, appointed during the first year of the war, held a monopoly on the purchase and importation of sugar on the Government's account and bought large supplies of sugar from Cuba, Java, and South America. "A Director-General of National Service was appointed to facilitate the release of men for the Army, to restrict employment in non-essential trades, and to secure the transfer of labour where it was most required." [1] If the war had gone on for another six months beyond November, 1918, the British programme of industrial direction and control would doubtless have been rounded out to provide comprehensively for economy of man-power, finance, transport, production, and consumption.[2] The principal reason why no such fully comprehensive system was actually carried into effect before the Armistice was that each successive measure of state interference had to be preceded by some immediate disaster to the national life. When hostilities ceased, there were four main governmental agencies handling industrial functions: the Ministry of Munitions, responsible for the engineering and munitions industries; the War Office, for the textile and leather industries; the Board of Agriculture and Food Controller, for the agricultural and food trades; and the Board of Trade, for the control over supplies for essentially civilian requirements.[3] Alongside these was the Ministry of Food, which in the last year of the war purchased about eighty-five per cent. of all the food consumed in Great Britain and controlled the prices of ninety-four per cent. of the food and drink.

The war period was notable not only for the elaborate system of state industrial regulation that has just been sketched, but for a marked voluntary tendency on the part of British business towards industrial consolidation, somewhat after the German and American pattern. Before 1914 Great Britain was far behind

[1] Lloyd, *op. cit.*, 265. [2] *Ibid.*, 266-269. [3] *Ibid.*, 278.

either of her two chief industrial rivals in this regard. But the abnormal conditions created by the mobilisation of the country as a fighting machine led to amalgamation on a hitherto unprecedented scale, much of it, of course, being stimulated by the Government's own economic policy. In the pig iron industry, for instance, five large associations were formed for regulating output; and the manufacture of sewing cotton fell under the virtually monopolistic control of one firm in Glasgow.[1] The soap industry, to take another example, came to be dominated by one combination controlling over seventy per cent. of the total British output. In 1916 the powerful Federation of British Industries, representing some 15,000 manufacturing firms in all the important branches of British industry, came into existence. This Federation a little later, established, in conjunction with the British Empire Producers' Organisation and the British Imperial Council of Commerce, a Joint Council, which amounted to a huge trade association of manufacturers, producers, and merchants throughout the British Empire. It was in the banking world, however, that amalgamation was most accentuated. By 1920 the so-called "Big Five" banking houses held roughly eighty-three per cent. of the total deposits in British joint stock banks.[2] Thus a Government committee reporting in 1918 thought it necessary to emphasise the danger of a "money trust" in England, and recommended that Government approval be required before further amalgamations were permitted.[3] But after the Armistice the tendency toward "vertical" consolidation remained so strong that it could fairly be said in 1921 that British industry was under the "paramount control of large combines, governed and directed by the large money and banking trusts whose power over public deposits, over drafts and loans is so great as to give them in all cases control of the levers that set trade in motion."[4] As will be seen later, these powerful business combinations had much to do with inducing the Government after the war to make substantial concessions to the principle of a protective tariff.[5]

Turning from questions of organisation and control to industrial

[1] J. M. Rees, *Trusts in British Industry, 1914-1921* (London, 1922), 104.

[2] Rees, *op. cit.*, 262. The "Big Five" were Barclay's, Lloyd's, London County Westminster and Parr's, London Joint City and Midland, and National Provincial and Union.

[3] *Report of Treasury Committee on Bank Amalgamations* (Cd. 9052, 1918).

[4] Rees, *op. cit.*, 245.

[5] See pp. 695-98.

output under the stress of war, it will suffice to notice merely the two outstanding branches of British industry, namely, iron and steel, and textiles. Decreased importation of foreign iron ore early in the war necessitated the substitution of a phosphoric fire-stone found in British ore. While this led to sweeping changes in plant operation and utilisation of labour, steel production was raised to a higher point than ever before. It reached by 1917 the record figure of nearly 10,000,000 tons. The output of iron showed a fairly steady decline until 1917, but two years later it had climbed again to over 12,000,000 tons, or less than twenty-five per cent. under the total production in 1913. Standing second to iron and steel on the basis of the value of their product, came the textiles group, which, on account of enormous sales to England's Allies, enjoyed an abnormal boom during the war years. After 1916, however, the War Office was forced to purchase the entire British wool clip in its heroic effort to prevent wastage in the manufacture of khaki cloth for the army. Production in general "was hampered by the scarcity of raw materials, the difficulties of export, and the closing of important foreign markets, or deflected from its due course of development by artificial control."[1] The following table shows the annual average weight of cotton, wool, and flax consumed in Great Britain from 1914 to 1921:[2]

Period	*Cotton*	*Wool*	*Flax*
	(*In millions of pounds*)		
1914-1916	1,854	816	225
1917-1919	1,623	835	121
1920-1921	1,305	711	63

French Industry and the War. In contrast with Great Britain, France suffered direct as well as indirect industrial dislocation from the war. Her invaded regions constituted the very heart, so to speak, of her industrial strength. Seven of the ten devastated departments ranked before 1914 among the first fifteen of all France from the standpoint of the concentration of labour in industry, that is, of the number of establishments employing more than a hundred workmen. The industries located principally in the north of France, be it noted, were precisely those that were most essential for the effective conduct of the war: fuel, metallurgy, glass, sugar, and commercial alcohol, and it was these

[1] Buchan, *Great Britain*, II, 160.

[2] *Ibid.*, II, 158.

industries that were most severely damaged by invasion. The Department of the Nord was accustomed to utilise over fourteen per cent. of the total horse-power of France. This was more than that used by any other department, while the Departments of Pas-de-Calais and Meurthe-et-Moselle, likewise in the invaded district, stood third and fourth respectively in the consumption of industrial motive force. If the ten invaded departments be taken as a unit, one finds that over forty per cent. of the total steam power of France was concentrated within their boundaries. No more convincing idea of the vital industrial importance of this area can be formed than that suggested by a careful perusal of the following figures on French production in 1913, the year before the outbreak of hostilities:[1]

Product	*Total French Production*	*Production in Invaded Zone*
	(*Tons*)	(*Tons*)
Coal	40,844,000	30,224,560
Steel	5,093,000	3,717,890
Textiles:	(*Spindles*)	(*Spindles*)
Cotton	7,500,000	2,225,000
Wool	2,700,000	2,225,000
Food supplies:	(*Tons*)	(*Tons*)
Sugar	786,000	601,000
	(*Hectolitres*)	(*Hectolitres*)
Alcohol	2,954,000	1,500,000
Beer	16,000,000	5,000,000

In terms of percentages, it appears that the invaded area furnished 29 per cent. of the total in the case of cotton; 59 per cent. in the case of alcohol; 63 in that of steel; 74 in that of coal; 76 in that of sugar; and 81 in that of wool.

In the face of a collapse of organised production of these dimensions, the remarkable industrial effort of France during the war attests to the great qualities of courage and self-sacrifice displayed by her people. Yet the reduced means of production and sources of raw materials made it impossible adequately to meet the greatly inflated demands of her military establishment plus the rationed needs of her civilian population. The output of coal declined from 41,000,000 tons in 1913 to less than 20,000,000 in

[1] These figures, as well as most of the other statistical material on French industry during the war, are reproduced from the comprehensive and authoritative study by Arthur Fontaine, *L'Industrie française pendant la Guerre* (Paris, 1925). See pp. 40-43 for more detailed tables than the above.

1915, while in 1917 it was back only to 30,000,000, followed by new declines in 1918 and 1919. This progression was matched by corresponding declines in the home consumption of coal; but at no time during the war was the latter more than sixty-five per cent. covered by home production, the difference being met partly by British and American importation of coal, and partly by a greater utilisation of hydro-electric power.[1] The falling off in iron was much greater than for coal, partly, to be sure, on account of the reduced supply of fuel for manufacturing and transportation. From nearly 22,000,000 tons in 1913, iron production shrank almost one-half in 1914, and then to extraordinarily low totals during the succeeding four years, when at no time was the annual output much more than 2,000,000 tons. Again, French consumption suffered proportionate declines. Here the largest single source of loss resulted from the occupation by the Germans of the highly productive Briey region.

To turn to textiles, the wool industry was virtually paralysed for several years on account of the fact, already noted, that it was so highly concentrated in the northeastern section of France. It could not by any means supply the needs of the French army, which had to resort to extensive purchases from abroad. Civilian requirements were even less adequately met. Although efforts were made to augment the manufacture of woollen goods in the non-invaded sections of the country, they led to but slight improvement because of the difficulty of procuring necessary mechanical equipment, of finding properly trained personnel for new factories, and of getting sufficient supplies of raw wool towards the end of the war. Cotton manufactures were not so hard hit as those of wool, but even they felt the effects of losing two million or more spindles in the north of France. Of all the textiles, silk alone could maintain a heavy export trade throughout the war. It lost some looms in the Departments of the Somme, the Nord, and the Marne; but aside from that, its chief difficulties were of another sort, to wit, the maintenance of an adequate labour supply and the marketing during war-time of a product that was largely *de luxe* in composition. By 1918 France was buying about 1,000,000 francs' worth of silk products in excess of her

[1] On this point see Raoul Blanchard, *Les Forces hydro-électriques pendant la Guerre* (Paris, 1925). Cf. also pp. 685-86 of Chapter XXVIII of the present book.

sales abroad, as against an excess of exports over imports in 1913 to the extent of 174,000,000 francs.[1]

The war-time operation of French industry gave rise to a number of interesting developments on its technical side. These may not improperly be summarised under the caption of the application of machinery and scientific method to production. War needs not only brought into use more up-to-date machinery, but greatly accentuated existing tendencies toward standardisation of output. Under the influence of the French Ministry of Commerce, scientific laboratories and technical institutes were set up with a view to maximising production and minimising its costs in labour and primary materials. A government decree issued in June, 1918, established a "Permanent Commission on Standardisation." New chemical products, such as sulphuric acid, dye-stuffs, aspirin, artificial silk, and photographic articles, were turned out in large quantities to replace imported products cut off by the war. Finally, mention should be made of the adoption of scientific management, called "Taylorism" by French economists, in a number of French industries, particularly in some of the large shipyards.[2]

The movement towards the formation of huge industrial agglomerations that we noticed with reference to British industry was paralleled, though on a somewhat smaller scale, across the Channel. Among the outstanding developments of this kind, only two can be mentioned here: first, the Confederation of French Production, set up through the initiative of the Minister of Commerce, and second, the well-known "Comité des Forges," whose object was, and still is, the study and defence of the interests of French metallurgy. In fact, it was especially in the metal industry that trade organisations had their greatest growth during the war. Most of these associations, it should be explained, were not full-fledged industrial consolidations directing the whole process of manufacturing, but were rather instrumentalities for unity on

[1] For able accounts of the French textile industry during the war, consult Charles Gide [ed.], *Effects of the War on French Economic Life* (London, 1923), 44-71, and especially Albert Aftalion, *L'Industrie textile en France pendant la Guerre* (Paris, 1925).

[2] Fontaine, *op. cit.*, 171-183, gives an admirable résumé of these developments. "Taylorism" is a system of scientific management originated by an American, Mr. Frederick Taylor; it purports to reduce labour costs by the elimination of all unnecessary movements in the operation of machinery, *et cetera*

the commercial side for the purpose of avoiding ruinous competition in the local market and of securing foreign markets for disposing of surplus output.

While space does not permit a detailed description of the intervention of the State in the economic life of France during the war years—an intervention marked by requisitions, priority orders, government purchasing, food rationing, and restrictions on imports and exports, similar in many respects to what took place in England—one aspect of the matter merits special attention. Stated briefly, the war was the occasion for the emergence in France, a country highly centralised politically, of an interesting movement toward regional decentralisation in the economic sphere. This movement consisted, in the first place, in the creation by the Government of a number of consultative committees beginning in 1915, the function of which was to facilitate and co-ordinate agricultural, industrial, and commercial activities of some twenty so-called "economic regions" into which France was divided.[1] For each of these regional divisions there was one main committee, with a number of sub-committees, the membership of which included not only military and civil administrative officials, but two representatives (per department) of commerce, industry, and agriculture, chosen by chambers of commerce, manufacturers' associations, and agricultural organisations. To be sure, these committees had only advisory powers, but it is clear that they were able to perform highly useful services in recruiting labour, opening up new factories, expediting the installation of machinery, and working out generally a unified programme of production for each region. They could handle certain questions of an administrative character by direct consultation with other regions without reference to the central administration at Paris.

The second phase of this regionalist movement began with the proposal of the Minister of Commerce in 1917 to group local chambers of commerce, of which there were then nearly 150 throughout the country, into regional units, intended to become permanent cadres of economic regionalism after the war. Little by little, though with certain modifications in regional boundaries, this was accomplished; so that by 1921 a definite regional organ-

[1] These regions corresponded originally with districts already existing for military purposes, centering around Lille, Amiens, Rouen, Le Mans, Orleans, Chalons, Besançon, Bourges, Tours, Rennes, Nantes, Limoges, Clermont, Grenoble, Marseilles, Montpellier, Toulouse, Bordeaux, Nancy, and Epinal.

isation for the handling of inter-departmental matters of economic interest was actively functioning.[1] That such an experiment in economic regionalism, bringing governmental administrative officials and leading business men into close voluntary co-operation, holds much promise for the future industrial development of France, is the view of many competent observers. It may eventually prove to be not only a feasible solution for excessive centralisation in the political sphere, but the means of re-vitalising the economic and civic life of the old French provinces.[2]

The German Industrial Machine in War-time. No European country, as was explained in a previous chapter, had gone so far as Germany in the direction of specialisation of labour and industrial consolidation when the blight of war fell upon the Continent in 1914. There, factory and laboratory worked hand in hand with the State to make the Reich an increasingly powerful economic unit. By means of state subsidies to certain industries, a highly integrated system of protection by way of customs duties, and comprehensive efforts to win and hold foreign markets, German politics and economics had combined to make the German nation the most feared rival of England, France, and the United States in the field of world commerce. Cartel and syndicate flourished without any effective opposition from the Imperial government, if not with its tacit encouragement. Then came the war, and a little later the blockade. Export trade underwent a tremendous shrinkage; imported food supplies were correspondingly reduced in quantity; the normal pre-war surplus of coal was turned into a shortage; and the equipment of railway transportation rapidly deteriorated. Many industries were cut off from their necessary supplies of primary materials, such as cotton, wool, jute, rubber, silk, and certain metals. During the years 1916-18, for instance, it has been estimated that not more than two per cent. of the normal importation of cotton entered Germany.[3] This situation forced the use of various textile substitutes

[1] The economic districts, as they were formed in 1921, are eighteen in number, centering around the following cities: Lille, Amiens, Rouen, Caen, Nantes, Rennes, Limoges, Bordeaux, Toulouse, Montpellier, Marseilles, Grenoble, Lyons, Nancy, Paris, Parisian suburbs, Clermont-Ferrand, and Dijon.

[2] The best and most complete evaluation of this whole development is that of Henri Hauser, *Le Problème du Régionalisme* (Paris, 1925). For a shorter discussion see Huntly Carter, "An Enquiry into Economic Regionalism in France," *Sociological Review*, Nov., 1919.

[3] Vernon Kellogg, *Germany in the War and After* (New York, 1919), 52.

like nettle and wood fibre. Notwithstanding, the production of textile fabrics decreased heavily during the war period. The clothing and household needs of the civilian population were so far from being adequately provided for as to lead the City Union of Hotel Keepers at the time of the Leipzig Fairs in 1918 to request their guests to bring their own towels and bed linen.[1] In the fall of 1918 there were over 7,000 substitutes for food and clothing in use. Two of the great branches of German industry, however, maintained a fair degree of prosperity throughout the war. One of these was chemicals, which was compensated for the loss of its export business by the enormously expanded demand for explosives used by the military establishment. The other was steel, which, for obvious reasons, enjoyed larger profits during the war than ever before. The Krupp Works, for example, was able in 1916-17 to declare a dividend of ten per cent. after setting aside over 88,000,000 marks for depreciation.[2]

In its organisation, German industry under war conditions presents several developments worthy of notice. In addition to the fact that, as in England and France, certain industries were governmentally controlled and rationed, the Government took action to prevent a curious tendency towards decentralisation from making substantial headway. This is illustrated by the way in which it compelled the renewal in 1915 of the agreement out of which had developed the Rhenish-Westphalian Coal Syndicate. At other times, it took similar action in the case of the steel and cement industries, where a growing disinclination to co-operate was asserting itself. There were also a number of important voluntary consolidations in the electrical and dye industries that grew, it would seem, out of the fear of strong post-war competition and the scarcity of raw materials. The linking of coal and iron interests with shipping, shown by the affiliation of the German-Luxemburg Mining Company, controlled by Hugo Stinnes, with the Hamburg-American Line, the North German Lloyd Line, and the German-American Petroleum Company, offers a still more striking example of this trend towards "vertical" combination.[3]

[1] W. S. Culbertson, *Commercial Policy in Wartime and After* (New York, 1919), 84.

[2] *Ibid.*, 87. The metal supply, nevertheless, had to be supplemented by molten-down church bells and door knobs; and by the end of 1917 at least 250 factories were turning out "paper" iron.

[3] See W. Notz, "Cartels during the War," *Journal of Political Economy*, Jan., 1919.

Banking fusions, while not so numerous as in England, occurred in the form of the absorption of provincial banks by great metropolitan houses. And when the war ended, export cartels were being formed with Government sanction. Furthermore, as the forces that were to culminate in the Revolution of November, 1918, gathered strength, demands were publicly voiced in Germany for the nationalisation of industries, like coal and electrical power, which were public utilities in character. This was to be the background for the organised pressure exerted upon the new Republican Government for "socialising" all industry after the Armistice.

War-time Industrial Conditions in Other Continental Countries. Since the bulk of Europe's industrial establishment before 1914 was to be found in England, Germany, and France, changes that occurred in other countries may be dismissed with scant attention. In Italy, an outstanding development of the war period was a more or less general reorganisation of industrial administrative machinery growing out of the elimination of German commercial and manufacturing interests after Italy entered the war in the spring of 1915. As elsewhere, metallurgical and chemical production enjoyed a boom, while industries devoted to non-war commodities suffered from the various causes we have already examined in connection with France. The war proved, by and large, that Italy's resources were not being fully exploited and that her capacity for industrial production had by no means been developed up to the limit of its potential. As for little Belgium, it goes without saying that the German occupation, with its heavy war contributions levied upon the country, resulted in an almost complete paralysis of manufacturing until after the victory of the Allies and the evacuation of the Germans.[1] Switzerland, though a neutral, was so hemmed in by belligerents on all sides that she felt many of the same industrial and commercial effects that countries participating in the fighting had to face. For general commercial prosperity during the war years, one has to turn to the Scandinavian states, which, by reason of their favourable geographical situation, were able to carry on a lucrative trade with the Central Powers in spite of constant effort on the part of the Allies to stop shipments, from America especially, in excess of

[1] For an interesting account of the way in which Belgium was provisioned during the German occupation, see Albert Henry, *Le Ravitaillement de la Belgique pendant l'Occupation allemande* (Paris, 1924).

the normal civilian needs of Sweden, Norway, Denmark, and Holland. A rapid accumulation of capital and its concentration through the absorption of small business enterprises, such as we have noticed in larger countries, were two of the most notable economic phenomena in Scandinavian countries from 1914 to 1918.

Prior to the revolutions of 1917, economic and political disintegration marched hand in hand in Russia to undermine the tottering Tsarist régime. It is difficult to say which was cause and which was effect; for the two forces interacted constantly during those terrible years. The stoppage of exports was a hard blow to Russian agriculture, as we have already seen, while the cutting off of essential supplies from the outside world reduced industrial production materially. Relatively ineffective efforts were taken by the distracted Government at Petrograd to check the forces of disruption. A Central War Industries Committee was formed at the capital and government subsidies were granted to a large number of factories. Such actions as these, along with certain other projects that need not be mentioned, did serve to stave off collapse. Some new industries, even, were started and old ones extended, but nothing that the old régime could do could make up for the shortage of machinery and raw materials or restore the morale of thousands of disillusioned and embittered industrial workers. The hopes of industrial leaders for better times were in vain, while the corrupt and inefficient bureaucracy that held political sway was too blind to see the handwriting on the wall. The first Revolution of March, 1917, which was intended to be constitutional in character, was followed by the Bolshevist *coup d'état* in November. By that time total industrial disorganisation was an inescapable fact with which the nationalisation decrees of the Soviet leaders could not cope. When the Armistice brought hostilities to an end in Western Europe, Russia was already in the throes of economic chaos, brought on as much, however, by four years of devastating foreign war as by violent internal revolution.

The Problem of Oceanic Transportation in the War. In many respects, the most baffling problem growing out of the war was that of merchant shipping. In order to hold out against the Central Powers on the Western Front, the Allies had to depend in ever increasing measure upon shipments of munitions and clothing and food from overseas. But the German submarine campaign had as its supreme objective the prevention of overseas trade between

the Entente nations and America. In 1914, out of approximately 49,000,000 gross tons in the world's merchant fleet, over forty per cent. was registered in the United Kingdom. By the end of 1917, the losses of merchant tonnage from enemy action, chiefly submarine disasters, and marine risk amounted to almost 12,000,000 tons, of which about 7,000,000 were British owned. Though losses during 1918 were relatively smaller than during 1917, the cessation of fighting in November left Europe and the world, not counting replacements since 1914, over 15,000,000 gross tons poorer than five years before. This enormous loss, translated into monetary terms, has been estimated at from three to seven billion dollars.[1] The following summary indicates how the losses in gross tonnage were distributed among the two sets of European belligerents: [2]

	Total Losses	*From Enemy Action*	*From Marine Risk*
World Total	15,398,392	13,007,650	2,390,742
Allies and Neutrals	15,027,718	12,743,674	2,284,044
Great Britain ...	8,899,659	7,756,659	1,143,000
France	888,783	.....	.....
Italy	846,333	.....	.....
Greece	345,516	.....	.....
Central Powers ...	370,674	263,970	106,698
Germany	273,605	187,340	86,265
Austria-Hungary	35,599	15,166	20,433

It will at once be recognised from these figures that shipping from the standpoint of the Allies, was mainly a British problem, at least until the entrance of the United States into the conflict, when it became an Anglo-American problem. New constructions by Great Britain, United States, and Japan reached by the end of 1918 about 12,000,000 gross tons, compensating for eighty per cent. of the total losses sustained by the Allies and neutrals; and by the middle of 1919, due to the rapidly effective building programme of the United States, the world's total steam tonnage was actually about two million tons greater than in 1914. If, however, the element of assumed normal growth, had there been no war, be taken into account, it would appear, according to a prominent American authority, that "the net result of the war on the world's merchant steam tonnage was a loss of 7,473,000 gross tons." [3]

[1] See Bogart, *op. cit.*, 291.

[2] This table is condensed from statistics given in Bogart, *op. cit.*, 289 ff., and based largely upon the estimates of the British Admiralty Office.

[3] A. Berglund, "The War and the World's Merchant Marine," *American*

Moreover, it must be remembered that during the progress of the conflict a large portion of Allied tonnage was utilised for the purely military services of patrol and transport and was therefore not available for the transportation of goods.

At the outbreak of the war, the British government immediately began a policy of requisitioning ships on a huge scale for use as transports and supply vessels. About twenty per cent. of the entire British tonnage was taken over, compensation being fixed by arbitral boards at rates which later were known as "blue book" rates. Ships that were not requisitioned were given special protection by the establishment of a government scheme of marine insurance. Further than this British authorities did not go during the first year of the war. But the fact that German and Austrian vessels, representing about fourteen per cent. of the world's total, were lying idle in neutral ports, that some half million tons of shipping had been sunk by November, 1914, and that marine labour was becoming alarmingly scarce, led not only to an astonishing rise in ocean freight rates, but to frightful congestion in western European ports. The British Labour Party urged the Government early in 1915 to commandeer the entire merchant marine and to set maximum freight rates.[1] In response to demands of this kind, the Government by the end of the year extended its control to the point of requisitioning all refrigerated space in vessels for the importation of meat, especially from Australasia and South America. One committee was appointed and authorised to commandeer such ships and cargo as might be necessary to provide the monthly supply quotas prescribed by the Cabinet Committee on Food Supplies; another, to control by licensing the employment of such British ships as were not requisitioned.

In the main, all the measures outlined in the preceding paragraph were beneficial; but they did not get at the root of the problem, which, by the year 1916, was becoming more and more acute. Accordingly, the British policy of shipping control entered a second stage: that of restricting imports. "Certain imports were prohibited altogether; others were admitted only under license,

Economic Review, June, 1920. Including iron and steel vessels and motor vessels of 100 gross tons or over, the world's seagoing merchant tonnage was 35.2 per cent. higher in 1924 than a decade earlier. See *Trade Inf. Bull.*, No. 298, U. S. Dept. of Commerce (1924).

[1] See H. L. Gray, *War Time Control of Industry* (New York, 1918), Chap. VII.

and when the imports reached certain limits, licenses were refused."[1] This restrictive scheme was at first (February, 1916) applied only to paper for periodicals, tobacco, furniture woods, building stone and slate, but it was gradually extended to many other commodities during 1916 and 1917. It was soon seen, however, that this method had certain inherent defects and limitations, among which was the very great difficulty of determining just what commodities were not essential to the economic life of the country. For instance, when in 1916 "the Shipping Control Committee suggested meeting the reduction in tonnage by prohibiting imports at the rate of 13,000,000 tons per annum, the maximum plan of prohibition thought possible was 4,000,000 tons and the actual amount reduced under this plan less than 2,000,000 tons."[2] More radical measures became necessary. A Shipping Controller was created and intensive efforts undertaken to stimulate shipping construction, which had fallen from 2,000,000 tons in 1913 to less than 600,000 tons in 1916. The Transport Department expanded by the end of 1916 into a Ministry of Shipping, whose responsibility it was to allocate shipping in accordance with the needs of the four great central supply departments of the British government—the War Office, the Ministry of Munitions, the Ministry of Food, and the Board of Trade, which among themselves directly controlled, by that time, the acquisition and distribution of the principal articles of food and raw materials for the whole country. Furthermore, the inflated profits made by British shipping firms during the first two years of the war—ranging from twenty to fifty per cent.—caused so many insistent protests that in the winter of 1917 the Controller of Shipping assumed complete control over all merchant shipping by which all profits in excess of the "blue book" rates were to revert to the Government.[3]

The year 1917 was the crucial period. Up to that time the problem of shipping control had remained essentially a national one; from then on it assumed an international complexion. The

[1] J. A. Salter, *Allied Shipping Control* (London and New York, 1921), 25. This book is indispensable for an adequate understanding of the whole complex problem of shipping during the war. It is a really fascinating study based upon all the reliable sources of information available to one who directly participated in administering the operation of inter-Allied control.

[2] Salter, *op. cit.*, 28.

[3] This extension of control did not include the four or five thousand small coasting vessels. See C. W. Baker, *Government Control and Operation of Industry in Great Britain and the United States during the World War* (New York, 1921), 75.

launching by Germany of the intensive submarine campaign, based upon the principle of sinking without warning, resulted in such heavy destruction of Allied tonnage that France and Italy became clearly unable to transport their own war supplies in the tonnage at their disposal. In fact, three-fourths of French exports had been carried in foreign bottoms before the war, while during the course of the struggle total losses in gross tonnage sustained by the French merchant marine reached approximately 1,000,000 tons, as against less than half that amount in replacements by construction and purchase from foreign owners.[1] Like England, France and Italy had pursued a policy of governmental requisition and regulation of freight rates, but by 1917 the available tonnage was far below minimum needs, even under the import licensing system that had then been set up. "Moreover, as the very disasters of the war made Allied unity at once more necessary and more possible, it became apparent that the essential competition for inadequate shipping was not between British supplies as a whole, and French and Italian supplies as a whole, but between Allied munitions and Allied food."[2] This fact became all the more striking when the United States entered the war and became the greatest single source of Allied supply.

Inter-Allied Administration of Shipping and Supply. Joint action among the Allied Governments for economic purposes had begun, as a matter of fact, as early as August, 1914, when there was set up in London a "Commission internationale de Ravitaillement," a consultative body that acted as a co-ordinating agency in receiving and distributing orders from various national purchasing agencies. It performed highly useful service in preventing the Allies from being exploited and in saving them from making costly separate purchases at excessive prices. Allied economic co-operation was thereby expedited by the establishment of direct contact among the governmental agencies actually doing the buying. The Commission, however, was mainly a British organisation under British management, in that most of the purchases had to be made with British credits. During 1915 and 1916 occasional emergency allotments of British shipping were made to France and Italy, but on a rather precarious basis. What was really needed was a more permanent kind of machinery. As a tentative,

[1] See Gide [ed.], *Effects of the War upon French Economic Life*, 15-17.
[2] Salter, *op. cit.*, 35.

but on the whole unsatisfactory, attempt to meet this need, an inter-Allied Shipping Committee was set up in London in January, 1917, for the purpose of working out a general plan for the allocation of tonnage among the several co-belligerents. This project failed, according to Mr. Salter, because "it included neither Ministers with power to speak on behalf of their several Governments on questions of policy, nor officials responsible for the current work of arranging ships and supplies."[1] In April another step was taken in requisitioning without the consent of their owners neutral shipping in Allied ports, though, to be sure, with compensation. It was seen by the end of the year that shipping and its allocation was at the bottom of the whole economic problem of Allied supply, if it was not the most important element of all in any program that might be expected to hasten military success. Consequently, after considerable preliminary negotiation, machinery for effective, continuous inter-Allied economic co-operation was created by the conference of Allied representatives that met in Paris late in November, 1917. This machinery took the form of an Allied Maritime Transport Council with a permanent Executive.

It is impossible to recount in any full sense the exceedingly valuable functions performed by this organisation through the year 1918. The barest statement, however, would have to include such services as the following: (1) allocation of coal to Italy and France whereby substantial economies of transport were achieved by shipping coal from mines in southern France to Italy and replacing it with British coal from across the Channel; (2) the establishment of some twenty so-called Programme Committees "with a view to scrutinising the whole area of import requirements" of food, munitions, and raw materials; (3) the provision of the necessary tonnage for the importation of food for the population of the occupied sections of Belgium and northern France; and (4) the development of two equally important supplementary bodies—the inter-Allied Food Council, to co-ordinate the work of the Programme Committees for cereals, oil seeds, sugar, meats, and fats, and the inter-Allied Munitions Council, to do likewise for nitrates, chemicals, explosives, non-ferrous metals, mechanical transport, and steel. The Maritime Transport Council itself held only four meetings before the Armistice, its main work being done

[1] *Op. cit.*, 140.

by the permanent Executive with headquarters in London. This Executive consisted of representatives of the British, French, Italian, and American Governments. The ultimate basis of the operation of the whole organisation consisted in its "influencing the policy of national Governments, co-ordinating their action, and supplementing the deficiencies in their resources." Perhaps its greatest, as well as most difficult, performance was in successfully handling the problem created by the need of enormous tonnage for transporting American troops to France, which so seriously diminished the amount available for meeting the food and munitions requirements of the Entente states. The coming of the Armistice only a few months after the organisation got under way abruptly interrupted what would probably have been its most successful accomplishment, namely, the carrying out for 1919 of a complete programme of food and munitions supply for the vast Allied and American military establishments in France and Italy, as well as providing for the economic needs of civilian populations. After the Armistice, the power of the Council and its adjacent bodies was reduced to a mere shadow of what it had been in the autumn of 1918, and the respective member governments—Great Britain, France, Italy, and the United States—proceeded to decontrol shipping, so far as requisition was concerned, early in 1919.[1]

Certain conclusions seem to emerge from the working of this practical experiment in international economic co-operation. As a leading American student of economic affairs wrote in 1919, "the inter-Allied control of food, munitions, raw materials, and shipping has demonstrated that nations can act jointly to solve a common problem which no one alone could solve separately."[2] This solution, moreover, was arrived at, not by setting up any supernational administrative agency with executive authority to compel action by national governments, but by the institution of a set of advisory and co-ordinating councils containing as members ministers and other officials responsible in their respective countries for whatever execution might be required. It was, so to speak, not a replacement of national administrations, but a penetration of them by establishing direct contact so that national and

[1] For documentary and statistical material on the organisation and work of Allied shipping control, see Salter, *op. cit.*, Part VI.

[2] Culbertson, *Commercial Policy in Wartime and After*, 261.

international points of view could be nicely reconciled. It is possible that exploration along precisely these lines may contain the seeds of a feasible kind of world economic administration in peacetime. But here one enters the field of speculation.[1]

Suffice it to say that by the spring of 1919 most of the inter-Allied machinery of economic co-operation was scrapped, though the Supreme Economic Council continued to function until after the Paris Peace Conference. Shipping difficulties multiplied after the Maritime Transport Council passed out of existence; congestion in large ports assumed alarming proportions; and there were serious labour disturbances among dock workers and other classes of maritime employees. In consequence of the immense shipbuilding programme of the United States, however, available merchant tonnage steadily increased through the year.[2]

[1] Part V of Salter's *Allied Shipping Control* is devoted to an exceedingly suggestive discussion of this whole matter.

[2] A list of selected references dealing with the subject-matter of this chapter is appended to Chapter XXVIII.

CHAPTER XXVIII

INDUSTRIAL AND COMMERCIAL RECOVERY SINCE 1918

The Economic Outlook after the War. Vanquished and victorious nations alike found themselves facing an economic predicament of baffling complexity during the first years of readjustment to peace conditions. Hundreds of books and brochures have been written since 1918 on the subject of European post-war rehabilitation, some of them attempting to prove that a less drastic peace than that made at Paris would have permitted the restoration of industrial and commercial prosperity without waiting through long years of misery and stress, others pointing out that regardless of the nature of the political peace settlement, the economic aftermath of a gigantic struggle like the World War would inevitably have been of long and disastrous duration. Into the controversial aspects of this question it is not our intention to go, but we will attempt to sketch as clearly as possible Europe's slow, painful, but steady, progress toward economic reconstruction.

The war created, or entailed, first of all, the complicated problem of converting industrial apparatus from production for military purposes to production for peace purposes. Millions of returned soldiers, moreover, had to be reabsorbed into factory and mine and shop and farm. The effects of altered currents of trade needed to be reckoned with, especially by the pre-eminently industrial nations, like Great Britain and Germany. The latter, along with the so-called "succession" states of central and eastern Europe, was obliged virtually to undertake a wholesale re-ordering of its general economic life. Germany, the great pre-war industrial supply house for all central Europe, could not easily resume its position as the directing centre of a network of economic ties with smaller nations which, during the war, had been variously her allies, her enemies, and neutrals. The heavy burden of making reparations was, to be sure, one of the primary reasons for this; but there were other factors that will appear as our analysis proceeds, among them being the interference of new international

frontiers, huge foreign debts, higher tariff walls, and the temporary collapse of Russia both as a reservoir of food for western Europe and as one of the chief purchasers of industrial products from the factories of Germany and England. "Nationalist rivalries and revolutionary fevers" plagued European psychology, and above all, perhaps, was the puzzling instability of prices and international exchange rates which robbed business men of all confidence and left them bewildered as to what would come next. The delicate mechanism of trade and production under the capitalist system and in the absence of effective international economic cooperation was strained almost to the breaking point, with the consequence that millions of Europeans found themselves on the verge of starvation, or at least without employment, during a period in some instances as prolonged as the fighting itself had been. But to understand the interplay of these perplexing factors we must turn to individual nations, especially to the Great Powers, each of which was somehow caught in the vice of "economic determinism" after the war.

Britain's Uphill Struggle toward Economic Rehabilitation. In England, as we have already noticed, the war-time experiment of state control gave way in the course of a year or two after the Armistice, to general decontrol, but not without doing violence to the firm conviction of thousands of Britishers that the war had shown that a better ordering of industrial life was possible by scientific planning under state control. As Mr. and Mrs. Sidney Webb have so lucidly pointed out, what had been discovered was that "the aggregate output of commodities could be very greatly increased, their average cost of production considerably lowered, and a valuable saving in the expense of transport and distribution effected if only each industry were organised as a whole, in relation to its function in supplying the community with what was required—by collective purchase and importation of the raw materials; by concerted allocation of production to the establishments best suited to each part; by further standardisation and specialisation; by elaborate comparative costing of each component and every item of expense, and the relentless application of the knowledge thus gained in the effecting of improvements wherever required; by concerted distribution of the product so as to lessen the aggregate of handling and transport; by collective selling and the elimination of unnecessary advertisement and expenses of distri-

bution."[1] But the motives of service for the general welfare of the community engendered by the idealism of war days steadily waned as disillusionment over "England as a place fit for heroes to live in" deepened. The "moral equivalent for war" remained a fundamental not yet realised. The contrary view that interference by the State in business should be limited to measures for strengthening national economic self-sufficiency prevailed, and the agencies of control over the purchase and distribution, the importation and exportation of commodities were scrapped in the face of the vigorous protest of organised labour and social reformers.

Here, again, the situation in the coal-mining industry best epitomises what took place during the transitional period. In 1919 the Government set up a Coal Industry Commission, headed by Mr. Justice Sankey and containing three representatives of the coal-owners, three of the miners, three economic experts chosen by the Government, and three by the miners. This Commission was to inquire into the prevalent state of unrest in the industry—disputes over wages and hours had been growing more and more serious after the Armistice—and to make recommendations for its reorganisation. It held hearings while a national coal strike was pending and made in all one interim and four final reports. The gist of its definitive recommendations was that the State should acquire coal royalties by paying fair and just compensation to the owners, and that the principle of State ownership of coal mines should be accepted. "For the first time," observed Mr. R. H. Tawney, "*all* the business men on a Commission, not directly concerned in the industry under investigation, have affirmed that 'the present system of ownership and working . . . stands condemned, and some other system must be substituted for it.'"[2] The members of the Commission differed, however, as to the details of the administration of the industry, the Chairman favouring a system of local and district councils presided over by a Minister of Mines, in which the mine workers would have effective voice in determining conditions of employment and industrial policy. With this proposal the miners' representatives on the Commission were

[1] *A Constitution for the Socialist Commonwealth of Great Britain* (London, 1920), 326.

[2] *The Nationalisation of the Coal Industry* (London, The Labour Party, 1919), 3. Mr. Tawney was one of the miners' economists on the Commission. Cf. also F. Hodges, *Nationalisation of the Coal Mines* (London, 1920), and Lord Haldane, *The Problem of Nationalisation* (London, 1921).

in substantial agreement, though the Miners' Federation insisted on bringing forward a bill of its own.[1] The owners and the other experts were opposed to thoroughgoing nationalisation, but favoured some form of unification.

The Lloyd George Government accepted the principle of state acquisition of mineral rights and procured legislation embodying substantially the recommendations of the Sankey Commission with reference to wage increases and reduction of the working day to seven hours.[2] But it refused to accept nationalisation and proposed instead a scheme of unification of collieries, along with a certain measure of representation for the employees. The latter, in turn, rejected this as an unsatisfactory half-way solution of the problem. In the end, the mining industry was decontrolled by the Government at the end of March, 1921, and war-time legislation limiting coal prices was repealed. A month later a great national coal-mining strike occurred which stopped production for eighty-eight days. The industry, in fact, had been turned back on itself at a time of acute depression in a "completely artificial and disorganised state." About 3,129 mines were being operated under at least 1,500 separate ownerships in 1921.[3] Output did not begin to climb until 1922; since then it has increased from 163,000,000 tons, its lowest ebb in 1921, to 267,000,000 tons in 1924, though it was then still 20,000,000 tons below that of 1913, the record year. Production at present (1925) is increasing most promisingly in the eastern fields in Yorkshire, Derbyshire, Nottinghamshire, and Leicestershire. The old question, however, of the relation of the industry to the state has reappeared, the Baldwin Government temporarily meeting a menacing situation caused by a threatened national strike by granting in August, 1925, a special subvention of approximately $50,000,000, which was characterised by Mr. Lloyd George as "nationalisation in its worst form." Sooner or later, it would seem as if a drastic reorganisation of the entire industry would be necessary in order to win, if possible, the wholehearted co-operation of the workers and to realise the obvious economies of unified operation.[4]

[1] This same bill was sponsored by the Labour Party under Ramsay MacDonald in May, 1924, but was rejected in Parliament by the combined votes of Liberals and Conservatives.

[2] These recommendations were contained in the Majority Interim Report of the Commission.

[3] Redmayne, *The British Coal-Mining Industry during the War*, 270.

[4] Another Royal Commission, appointed in 1925 to investigate the coal in-

The year 1921 was, all in all, a gloomy one for British trade and industry generally. According to Mr. J. A. Hobson, the economic machinery of the country was "bumping along the bottom of a long and deep depression."[1] The total industrial output was at least twenty per cent. lower than the pre-war normal. This was true of all the staple industries, extractive and manufacturing, as well as of the trades handling luxury and semi-luxury commodities. Iron production dropped to 3,500,000 tons in contrast with nearly 16,000,000 tons in 1913; in the textile industry the short-lived boom after the Armistice had led to a temporary over-production of goods which could not be sold, after the boom collapsed in 1921, because of the loss of important foreign markets. The year 1922, however, brought a distinct trend upward, though unemployment, as we shall see in a later chapter, continued serious.[2] Recovery was probably more rapid in textile production than in any other industry. In 1922 the exportation of manufactured wool was fifty per cent. higher than the pre-war average, while the production of iron reached almost 7,000,000 tons, more than twice the low output of the preceding year.

The vicissitudes of this stormy period in Britain's industrial and commercial life are revealed by statistics of exports and imports. The war undoubtedly left the country considerably more dependent upon foreign trade than it had been in 1913. Its trade balance in 1920 shows a marked shrinkage in "invisible export" items, the net income from foreign investments having fallen to £120,000,000, shipping earnings to £340,000,000, the excess of coin and bullion exports to £43,000,000, and net proceeds from banking, insurance, and other sources to £40,000,000. The sum of these items is £543,000,000, against which must be offset an excess of merchandise imports amounting to £378,000,000, leaving a net general balance of only £165,000,000. Writing in 1922, Mr. J. A. Hobson estimated that it would be necessary for Britain to increase exported manufactures by £100,000,000 in order to pay for the imported goods required to restore commercial prosperity.[3] In terms of 1913 values, in other words, merchandise imports in 1920 were twelve per cent. less than seven years earlier and merchandise exports

dustry and propose, if possible, a solution, had not reported when these lines were written.

[1] *Journ. of Pol. Econ.*, Aug., 1922.

[2] See p. 737.

[3] "Britain's Economic Outlook on Europe," *Journ. Pol. Econ.*, Aug., 1922.

thirty-six per cent. less. Countries that could afford to purchase British goods did not need them, while those that needed them could not afford to buy. The years 1922-23 brought a gradual, though not a striking, improvement in British foreign trade balances. But the total volume was still about fifteen per cent. less than that of 1913, and the decline in total value on the basis of 1913 prices was as much as twelve per cent. It is significant to note, moreover, that this decline in value was divided unevenly between imports and exports, the former having fallen only four per cent., the latter twenty-three per cent.[1]

Before the war Germany was Britain's largest European customer, consuming about a quarter of the latter's sales to the Continent. In 1923, France ranked almost alongside Germany, as is shown by the following table: [2]

Geographical Distribution of British Trade 1923-24

(*In Percentages*)

	Imports	*Exports*
British Empire	26.75	36.91
India	6.34	11.74
United States	19.83	7.33
Germany	2.92	6.09
France	5.70	5.83
Netherlands	3.63	3.61
Belgium	2.90	3.25
Italy	1.38	2.34
Russia	1.07	0.25
All Europe	33.42	34.02
All North America	27.51	13.20
All South America	9.46	7.68

Trade with Russia, be it noted, was still negligible in its proportions. The other outstanding fact is that Britain continued to buy more than twice as much goods from the United States as were sold to it. Within the limitations imposed by political and monetary instability, it may be said, however, that since the Armistice British trade has tended to swing back toward pre-war channels.

Whether or not Great Britain can soon regain her former industrial prosperity depends upon developments that reach beyond our province. There are indeed many handicaps: (1) the extraor-

[1] Computed from figures given in *Whitaker's Almanack* (1925), 513.
[2] *Ibid.*, 518.

dinarily heavy burden of internal taxation, still over twice as great as in 1913; (2) a progressive reduction in capital available for foreign investment; (3) greatly increased expenditures for social services, like unemployment relief; and (4) repayment of the tremendous war debt to the United States, which took in 1923 as much as a quarter of Britain's net income from overseas investments.[1] Some of these factors may be only temporary; others are likely to be of relatively long duration. Many leading students of the situation are inclined to think greatly increased productivity in British industry cannot come until there is more adequate use of modern technology and labour-saving devices; others suggest that an improved distribution of wealth is prerequisite. In any event, it is not likely that the fundamentally altered world conditions of to-day will permit Britain to regain her nineteenth century economic supremacy.

Industrial and Commercial Reconstruction in France. Notwithstanding the fact that physical destruction entailed by the war was infinitely greater in France than across the Channel, the main obstacle to the recovery of French prosperity has been fiscal rather than industrial.[2] In the main, France's resources in land and raw materials for industrial purposes are greater, in proportion to her needs as a consumer, than are those of Great Britain. France, as we have already seen, made considerable progress during the conflict in the matter of more efficient production. Furthermore, she got by the peace settlement with Germany the exceedingly valuable mineral resources of Alsace-Lorraine, the right to exploit the Saar coal mines for fifteen years, and the promise of Germany to make good the difference in the production of the ruined mines of northern France before and after the war for a maximum period of ten years, besides an additional annual delivery of 7,000,000 tons of German coal on reparations account. These advantages, of course, could become effective only gradually, but they are nevertheless important considerations. Also, France was able to increase her available hydro-electric power ninety-four per cent. during the five years following the summer of 1914, so that to-day she leads all the states of western Europe in the exploitation of "white coal," with more than a million

[1] Cf. the review of Britain's commercial situation by the Federation of British Industries, summarised in the *New York Times*, July 10, 1925.

[2] See pp. 837-39 for a discussion of French public finance since the war.

kilowatts at the annual disposition of her industrial establishment.[1] Water-power, fortunately, is widely distributed over her territory from the Alps to the Pyrenees, including an increasingly important region in the "Massif Central." Her absolute output of manufactured goods in war-time had exceeded her pre-war record, though after the war she was relatively somewhat more dependent upon the outside world for manufactured commodities. Her imports from the United States had increased eleven times from 1913 to 1917, from Great Britain six times, and from Italy three times; and her adverse balance of trade assumed gigantic proportions.[2] But the following table will show how great the recovery has been since 1918: [3]

Year	*French Imports (in tons)* (*Fractions of a million disregarded*)	*French Exports (in tons)*
1913	44,000,000	22,000,000
1917	35,000,000	3,000,000
1918	29,000,000	4,000,000
1919	38,000,000	6,000,000
1920	51,000,000	13,000,000
1921	38,000,000	16,000,000
1923	55,000,000	25,000,000
1924	56,000,000	29,000,000

Based upon value, the comparison is much more favourable, for by 1924 merchandise exports exceeded merchandise imports by more than a million francs. France was sending abroad fifty-five per cent. more manufactured articles than before the war, the greatest increases being in silks, woollen goods, wines, and precious stones.

Geographically, French exports in 1924 were distributed among Great Britain, Belgium, the United States, Germany, and Italy in the order named; imports were greatest from the United States, with Great Britain, Belgium, Germany, Argentina, and Italy following in order, though during the war itself the United States was far in the lead both in purchases from and sales to France. Trade between France and her colonies continued to hold approximately the same relative place in 1921 as in 1913, with 13 per

[1] Cf. Blanchard, *Les Forces hydro-electriques pendant la Guerre*, 109-112.

[2] E. M. Friedman, *International Commerce and Reconstruction* (New York, 1920), 238-240.

[3] Figures compiled from Fontaine, *op. cit.*, through 1921; from the *Statesman's Year Book* (1925) for 1923-24.

cent. of her total imports coming from the colonies, and 12.5 per cent. of her total exports going to them.[1] Since the war France has been trying, with considerable success, to promote foreign trade by establishing trade associations, such as the "Association nationale d'Expansion économique," a semi-official organisation, and branches of chambers of commerce abroad. Since 1916 annual fairs for the exposition of commercial and industrial products have been held at Lyons and at Bordeaux, the latter having as its main purpose the display of French colonial products.[2]

Economic Rehabilitation in Central and Eastern Europe. The post-war experience of the victorious Allied nations of western Europe in their efforts to recover commercial prosperity has been beset with relatively few difficulties in comparison with the chaotic conditions that have prevailed in most of the defeated and "succession" states and in Soviet Russia. All the woes of economic and financial disorder have at one time or another afflicted the social organism of these distracted countries. Exception may perhaps be made of Czechoslovakia, whose economic life since 1919 has been singularly healthful, partly because of the wise statesmanship of its political leaders, and partly because the territory awarded it by the peace treaties contained almost seventy-five per cent. of the manufacturing industries of the old Austro-Hungarian Empire from which it broke off.[3] Germany, Russia, and the new Republics of Austria and Hungary, on the other hand, have had the hardest struggles of all.

The case of Germany presents so many special aspects arising from the complicated controversy over reparations payments and currency stabilisation that we may confine ourselves at this point to a brief résumé of post-war tendencies in the organisation and control of industry and in the course of foreign trade.[4] Coming on the heels of the collapse of the war régime, the German Revolution of November, 1918, brought into power political parties that had long urged the adoption of socialism of one kind or another. Hence, the new Government formed after the Revolution

[1] Fontaine, *op. cit.*, 164.

[2] For an interesting account of the Lyons fair, see Edouard Hérriot, *Lyon pendant la Guerre* (Paris, 1925), 71-75. Other fairs were held elsewhere, including several at Paris.

[3] Cf. Gruber [ed.], *Czechoslovakia*, Chaps. V-VIII inc.

[4] The fiscal and international aspects of post-war German recuperation are treated in Chapter XXXI.

was expected to inaugurate without delay practical measures of socialisation. But for reasons that will be analysed later, it failed in this regard, much to the chagrin of the more radical socialist elements. After the elections of January, 1919, the composition of the Government became less predominantly socialist, so that the National Assembly went no further than to pass in March (1) an act authorising the taking over of industries suitable for socialisation, like natural resources, and the regulation by the state of the production and distribution of necessities, and (2) measures providing for a diluted form of socialisation for the coal, potash, and electrical industries. The German mines were combined into eleven syndicates for regulating production and sales, with a National Coal Association to supervise these syndicates, and a National Coal Council at the top of the hierarchy. On this Council there were to be representatives of the various German states, the mine owners, the employees, the coal dealers, coal-consuming industries, co-operative societies, railways, and inland and oceanic navigation. But it would appear that in practice the Coal Council has exercised little effective control over the industry. Despite nominal participation by the workers in its management, important decisions seem to emanate from the employers because of their superiority in numbers, unity, and financial technique. To date (1925) there are few evidences that genuine nationalisation of industry is in the offing in Germany. On the contrary, the trend toward industrial "trustification" through the formation of great commercial and financial combines seems stronger than ever. The favourable position of the working-classes immediately after the Armistice appears to have been undermined by the enervating effects of a lowering standard of living and constantly soaring prices—at any rate up to the spring of 1924.

The war virtually wiped out Germany's foreign trade, while the peace settlement, as has already been pointed out, took from her the ore fields of Alsace-Lorraine, which produced three-fourths her pre-war supply, the coal fields of the Saar, and the mineral and industrial resources of a large part of Upper Silesia. Approximately 60,000,000 tons of coal per year could no longer be counted upon to turn the wheels of her industry. Mr. Keynes estimated in 1920 that Germany would be left with "78,000,000 tons for her own use as against a pre-war consumption of 139,000,000 tons."[1]

[1] *Economic Consequences of the Peace*, 89.

Consequently, it is not surprising that recent statistics of German imports show that she has become a buyer of coal to a considerable degree. Cotton spindles decreased in number from over 12,000,000 in 1914 to about 9,500,000 in 1924; wool spindles from 5,000,000 in 1907 to 4,500,000 in 1920.[1] The production of beer has fallen from nearly 60,000 hectolitres to less than 30,000 during the decade opened by the war. The following figures indicate how great the adverse balance of trade has become since the war: [2]

Year	*Imports (in double cwts.)*	*Exports (in double cwts.)*
1913	728,317,966	737,142,752
1921	256,632,662	138,042,809
1922	458,676,464	215,647,647
1923	465,725,150	127,266,180
1924	388,104,462	190,909,107

While the increase in the volume of trade since 1921 has been appreciable, it is still far below what it was in 1913. In fact, Germany's share in the total international trade of the world fell from fourteen per cent. in 1913 to only six per cent. in 1922. As would be expected, moreover, the war and its aftermath effected notable changes in the distribution of German trade among the principal countries buying from and selling to her. This will be recognised if the following tables are compared with those given on page 299:

German Exports in 1922 (metric tons)

Netherlands	5,579,432
Austria	1,999,592
Czechoslovakia	1,117,682
United States	900,153
Belgium	798,346
United Kingdom	655,017
France	536,467

German Imports in 1922 (metric tons)

United Kingdom	8,474,678
Sweden	5,353,004
United States	3,952,799
Czechoslovakia	3,820,320
France	2,503,322

[1] *Statesman's Year Book* (1925), 958.
[2] *Ibid.*

Germany's purchases from Scandivanian countries were strikingly greater than ten years before, as were her sales to her little neighbour, the Netherlands. Except that Germany imports more coal than formerly, there has not been any marked change in the nature of the commodities exported and imported. In recent years, however, she appears to be selling greater and greater quantities of knit goods, worsted yarn, potash salts, and porcelain ware.

Though facing greater obstacles, trade promotion in Germany, as in France, has become intensive since the Armistice. Societies for trade information have been formed; export associations and syndicates have made their appearance. An important example of the latter type of organisation is the Association of German Ironmasters. But as yet these efforts have not been crowned with brilliant success on account of the heavy restrictions laid upon German exports by the Reparations Commission, together with the demoralising effects of a constantly depreciating currency as reflected on the international market.

The economic life of Russia under Soviet rule has been marked by vicissitudes that provide the setting for an illuminating study of the possibilities of large-scale communism. Many Russian Bolshevists, it is true, now deny that communism has ever functioned at all under the Soviet régime; but they cannot escape admitting the fact that they made a strenuous attempt, though against tremendous odds, to set up both political and economic communism after 1917. At this point, however, we are concerned only with the effect of the Bolshevik system upon industrial and commercial progress. Down to the year 1921 this effect was obviously in the direction of greatly reduced production, growing inefficiency, and general disintegration. Decrees beginning in January, 1918, had nationalised all industrial and commercial enterprises, large and small, and declared them state property. They were to be administered by a Supreme Council of National Economy, working through a hierarchical structure of workers' soviets. Banks, warehouses, factories, shops, and mines were consolidated into enormous organisations that were expected to operate for the State, that is, for the whole community. By the middle of 1918 over 300 big enterprises were nationalised and about 150 sequestered.[1] This

[1] Leites, *Recent Economic Developments in Russia*, 93. By the end of 1919, according to President Rykov of the Supreme Council of National Economy, the number of nationalised factories had reached 4,000. Cf. E. A. Ross, *The Russian Soviet Republic* (New York, 1923), chap. XXX.

was the anarchic period of civil war and foreign intervention, when the principal concern of the Soviet leaders was that the nationalised industries should turn out sufficient clothing and munitions for the Red Army. This object seems to have been fairly well attained, but at the expense of sound industrial development. Mineral production declined most disconcertingly, while the output of manufacturing establishments, under Trotsky's system of forced labour, fell to record-breaking low quantities. It is not fair to assign all the blame for this industrial impoverishment to the evils of communistic administration; for seven years of foreign war, three of civil war, two of blockade, and two of famine really left Russia without the means of carrying on unless she got help from the capitalist world outside. So long as Russia held to the tenets of communism, which the western world then regarded as nothing short of barbarism, she could not expect this aid. Thus was paved the way for the reluctant inauguration by Lenin of the "New Economic Policy," designed to organise industry on a commercial basis and to release some of the prohibitions against private trade.

It is not too much to say that Russia has experienced a decided industrial revival since the adoption of this retreat from orthodox communism toward state capitalism. Not only were the peasants induced to grow more food and sell their surplus, but every citizen was conceded the right to trade in agricultural and industrial products. From being an exclusive state monopoly before 1921, foreign trade under the operation of "NEP" was permitted to a number of private trade organisations, including co-operatives. "The smaller industries were handed over to private traders, while industries of medium size remained partially nationalised and were leased in part to co-operative societies and private individuals. The State retained control of the large industries, which were grouped in *trusts*, including a certain number of similar undertakings, textile factories for instance, or forming a combine of different branches of industry complementary to each other (e.g., coal, chemical products and glass). These trusts are subordinated to the Council of National Economy, which, however, has learnt by repeated experience the necessity of conferring on the management the widest possible financial and administrative powers." [1] Up to March, 1924, the total number of industrial enterprises

[1] Nansen, *Russia and Peace*, 125.

leased to private capitalists exceeded 6,400, though most of them employed less than twenty workers, and import and export concessions had been granted to more than sixty private concerns.[1]

The favourable consequences of this semi-capitalistic programme are revealed in the following statistics of imports and exports for the period 1918-24: [2]

Year	*Imports*		*Exports*	
	In 1,000 poods	*In 1,000 rubles (at 1913 prices)*	*In 1,000 poods*	*In 1,000 rubles (at 1913 prices)*
1918	11,383	57,274	1,823	7,534
1919	38	605		
1920	5,207	29,311	675	1,397
1921	55,111	232,429	12,960	20,195
1922	165,792	458,360	56,346	81,621
1923	56,800	179,143	228,503	205,818
1924 (Jan. to Sept.)	31,159	162,529	248,954	232,433

In further explanation of these figures, it should be pointed out that the aggregate imports for 1922 included over 184,000,000 rubles' worth of goods contributed by western Europe and America for famine relief. Accordingly, it was not until 1923 that Soviet foreign trade may be said to have become normal. In that year, it will be noted, there was a comfortable excess of exports over imports amounting to over 25,000,000 rubles. The following year shows a still pronounced tendency in that direction. By that time Russia was buying very little food, her purchases being confined almost entirely to machinery, tractors, motor-cars, locomotives, iron and steel products, cotton, and similar materials. Grain and timber are the two most important articles of export. Geographically, Russian foreign trade was distributed as follows in 1923: [3]

Imports (*Valued at 1913 prices*)		*Exports*	
Country	*Per cent*	*Country*	*Per cent*
Germany	34.5	Germany	29.8
Great Britain	25.4	Great Britain	16.3
United States	13.0	Latvia	11.6
Poland	5.4	Gibraltar	8.0
Finland	4.1	Holland	5.7
Sweden	4.0	Esthonia	5.5
Other countries	13.6	Other countries	23.1

[1] *Commercial Year-Book of the Soviet Union* (1925), 78-79.
[2] *Ibid.*, 211.
[3] *Ibid.*, 217-218.

As in 1913, Germany and Great Britain stood at the head of the list, but the United States was (in 1925) selling relatively more to Russia than ten years earlier, when the former's share in Russia's imports was only 5.7 per cent. On the other hand, France, holding fifth and fourth place respectively in 1913, had lost practically all her former trade with Russia.

Russian production in 1924 averaged forty-six per cent. of the pre-war normal. This represented a notable recovery from the turbulent years of famine and civil war. In specific terms, it meant that the output of petroleum was back to 65 per cent. of what it had been before the war; coal, 50 per cent.; flax, 72 per cent.; wool, 89 per cent.; leather, 49 per cent.; chemicals, 59 per cent.; rubber, 68 per cent.; and paper, 47 per cent.[1] Metals seemed to have experienced the greatest difficulty of all in efforts to recuperate. In 1921-22, for instance, cast iron production was only 3.9 per cent. of the pre-war output, though in the years following there was appreciable improvement.

In the spring of 1925 the Soviet Government, in its endeavours to stimulate industry and encourage the investment of private capital in commercial enterprises, announced further concessions to private traders. This "newest economic policy" appears to have arisen out of the failure of state and co-operative trading "to effect a junction between town and village without the participation of private capital in the general trade of the country."[2] Henceforth, promised the Government, individual merchants were to enjoy the same credit and tax privileges that had previously been enjoyed by the state trusts and co-operative societies.[3] No longer were the hand-workers and small retail shopmen to be financially harassed, as they were during 1924, when as a result thousands of these "nepmen" were forced out of business and the number of unemployed in Russia rose to more than a million men.[4] Almost simultaneously with the pronouncement of this new extension of private commerce within the orbit of Bolshevik economics, came the granting of strikingly liberal mineral concessions to foreign capital, among which was the right to exploit for fifty years

[1] *Commercial Year-Book*, 79.

[2] See the statement of Ivan Smilga, Vice-Chairman of the Russian State Planning Commission, *New York Times*, April 2, 1925.

[3] W. H. Chamberlin, "What is Happening in Russia?" *New Republic*, July 29, 1925.

[4] See *New York Times*, July 6, 1924.

the important gold fields of the Lena River in Siberia obtained by a group of British and American capitalists. This was the largest concession ever granted by the Soviet government to outside investors.[1] It may possibly herald the beginning of a steady flow of foreign capital into Russia in the immediate future, in spite of thorny political and financial questions yet unsettled with reference to *de jure* recognition of the Soviet government and the liquidation, in part at least, of over four billion dollars' worth of pre-war Russian bonds held in western countries.[2] In any event, however, it is difficult to believe that Russia will be able to make rapid progress toward complete economic prosperity without substantial help from foreign capital and foreign technicians. Unless present signs fail, additional deviations from "the straight line of orthodox theoretical socialism" may be anticipated.

The story of post-war rehabilitation in the smaller states that fell heir to portions of the old German, Russian, and Austrian Empires would present, on a markedly smaller scale, to be sure, most of the characteristic features of the sketch of Republican Germany and Soviet Russia that we have just made. In part, too, the economic woes of these "succession" states since the war have been born of budgetary and currency disorders, particularly in Austria and Hungary, the financial reconstruction of which will be noted in a later chapter.[3] In general, it may be said that the external trade of all these countries appears to be passing through a transitional phase,—a phase produced partly by the material stress and storm of the war, partly by the re-drawing of the map of central Europe on a more closely nationalistic basis than ever before. The combined international commerce of Germany, Russia, Holland, and the several "succession" states was by 1923 only sixty per cent. by value and thirty-eight and four tenths per cent. by volume what it was in the last pre-war year. Expressed in terms of dollars, the aggregate foreign trade of the nine republics equivalent to the three shattered empires amounted to approximately $5,150,000,000. Ten years earlier it was almost $9,000,000,000.[4] This discrepancy is in fact greater than it would

[1] *New York Times*, May 1, 1925.

[2] In 1925 the United States was the only Great Power that had not accorded legal recognition to the Russian Government.

[3] See pp. 833-34.

[4] *Trade Information Bulletin* No. 298, U. S. Dept. of Commerce (Dec., 1924).

appear from these two totals, for a considerable portion of the former figure would have been domestic commerce in 1923 had the old Empires remained territorially intact. This simple comparison attests to the long road central Europe must yet travel before it can get back to the plane of industrial and commercial activity enjoyed during the first decade of the twentieth century.

Post-war Tendencies in Tariff-making and Commercial Policy. The decade we have been surveying has witnessed a distinct trend toward intensified protectionism in Europe. During the course of the war this development took the form of extensive restrictions on imports and exports for reasons that have already been examined, that is to say, in order to conserve mercantile tonnage and utilise national resources for purposes essential to the successful prosecution of the war. These measures, operating under an elaborate licensing system, were, in effect, protective in character, and as such, they stimulated the advocates of higher tariffs to more zealous efforts than ever before. In England, where the reaction in favour of "tariff reform" has been the most pronounced, legislation was enacted as early as 1915 imposing heavy import duties on manufactured products like clocks, watches, musical instruments, motion picture films, and motor vehicles.[1] While the original purpose of these duties was to discourage home consumption of foreign-made goods not designed for military uses, they came to be regarded as a necessary part of the protective armour that was gradually constructed around British industry toward the end of the war and afterward. At the Imperial Conference held in 1917, furthermore, the Dominions were requested to enact legislation for the development of intra-Imperial trade and to cooperate with the Imperial Government in building up the British dye industry. After 1919 colonial products were granted preferential reductions from the regular customs duties fixed by the British revenue acts. These duties, it should be explained, were repeatedly increased during the later years of the war, though in part for fiscal reasons. By the Armistice there were relatively high rates on imported food products, such as coffee, chicory, cocoa, sugar, dried fruits, tobacco, molasses, and alcoholic beverages.

Beginning in 1916 the French government likewise put into effect a comprehensive policy of import restrictions. As prices

[1] These were the so-called "McKenna Duties."

rose, the *specific* duties of the French tariff decreased in value and French exchange depreciated. Hence, the necessity of adopting higher rates and prohibiting the importation of luxury articles. Eventually, associations of merchants and manufacturers for the joint purchase and distribution of foreign goods entered into agreements with the Government authorities whereby the former received the exclusive authorisation to import certain classes of commodities in quantities determined in accordance with the economic needs of the country. These agreements, known as "consortiums," were established for cotton goods, jute, petroleum, paper pulp, and fatty materials. For the acquisition of raw materials later to be transformed into military products for the Government, other joint-purchase groups, called "comptoirs," were established. By far the greater part of aggregate French imports during the war consisted of orders placed either by Government departments or by these consortiums and comptoirs.[1]

France also negotiated commercial agreements with certain countries during 1917 and 1918 in order to improve her balance of trade. One with Great Britain, concluded in August, 1917, provided reciprocally for the free importation of French goods into England and of English goods into France, with the qualification that in the latter case the free list contained more numerous exceptions than in the former. Subsequent agreements with Italy, Switzerland, and Spain were designed either to stimulate certain classes of exports, as in the case of sales of wines, fruits, and silks to Italy, or to obtain credits for France in neutral countries, as in Switzerland and Spain, by suspending the prohibitions on imported goods from those countries.

Following the termination of hostilities, disturbed currency and commercial conditions all over Europe gave rise to a great deal of experimentation in tariff-making. But almost without exception revisions in rates were upward. Every country desired to protect its domestic industries as they faced the trying years of reconstruction; many wanted to make permanent various industries that had been initiated or expanded during the abnormal conditions of the war; while all of the ex-belligerent states saw in a high customs tariff the means of materially increasing their national revenue. One or more of these motives were always present.

[1] See Gide, *op. cit.*, 100-120, for a good discussion of the working of this policy.

In central Europe and the Balkans, particularly, aroused political nationalism naturally gave birth to an intensified demand for national economic self-sufficiency.

In some ways, the most significant aspect of this protectionist wave has been the adoption of "anti-dumping" duties. In 1921, Great Britain sharply reflected this widespread desire to shield home industries from an influx of low-priced foreign goods by passing a Safeguarding of Industries Act, which provided for a surtax of thirty-three per cent. ad valorem on foreign goods, excepting food and drink, whenever the Board of Trade should decide that the entry of goods at prices below those at which the same goods could be produced in Great Britain would be likely seriously to affect either employment in British industries or the production of similar commodities at home.[1] This Act also stipulated that for a period of five years a duty of thirty-three per cent. must be paid on imported products turned out by certain "key" industries, such as optical instruments, laboratory porcelain, magnetos, tungsten, and specially designated chemicals and compounds of rare earths, though all such products from the Dominions and other parts of the Empire were to be exempt from this extra duty. In applying the Act down to 1923, the Board of Trade recommended that the "anti-dumping" duty should be imposed upon fabric gloves, glassware, and domestic hollow ware if manufactured in Germany.

On the Continent, France, after continuing through most of 1919 the policy of import licensing already outlined, returned progressively to a protective system based upon specific duties, which could be multiplied by a so-called "coefficient" of two or three as determined at frequent periodic intervals by an interministerial commission. This provided a flexible arrangement for expeditiously levying higher rates upon German and Austrian goods without recourse to a parliamentary overhauling of the tariff. The Belgian emergency tariff of November, 1921, contained a similar arrangement for protection against certain German manufactured goods competing against Belgian. Italy and Greece attempted to compensate for existing abnormal currency conditions by periodic conversions of "basic" duties (in paper currency) into rates in gold, the ratio of conversion being known

[1] This Act followed substantially the recommendations of a Committee on Commercial and Industrial Policy after the war, appointed by the Government in July, 1916, and headed by the Earl of (then Mr.) Balfour.

as the coefficient. In like manner, Spain imposed a surtax upon products from countries with depreciated currencies.

For a considerable time after the peace settlement, most of the countries of central Europe maintained a system of permits to prevent themselves from being denuded of foodstuffs, raw materials, and other essential commodities. Rapidly declining currencies made such an arrangement almost inevitable in Germany, Austria, Hungary, and to a less degree in Czechoslovakia, Rumania, and Jugoslavia. By 1922-23, however, this restrictive plan of foreign trade control was being relaxed in many of these countries, in fact, it was abolished in Germany and Czechoslovakia. A sharp fall in the exchange value of the franc early in 1924, however, was the occasion of a temporary reappearance in France of export restrictions on certain commodities.

A third tendency in commercial policy after the war consisted in a general denunciation of commercial treaties and trade agreements, followed about 1922 by renewed attempts to effect reciprocal concessions and establish closer trade relations through international action. Tariff bargaining became general on the Continent as market levels and exchange rates approached relative stability. The result of two years or more of negotiations was the conclusion of a score or more commercial treaties for the purpose of reinaugurating the "most-favoured-nation" type of conventional tariff. During the first six months of 1924, moreover, the United States offered most-favoured-nation treaties to at least ten different European countries. Among the more important commercial agreements of the past few years may be mentioned (1) the Russo-German agreement of Rapallo, concluded at the time of the Genoa Conference in the spring of 1922; (2) the Czechoslovakian most-favoured-nation treaties of 1921-22 with France, Italy, Poland, Rumania, Latvia, and Spain; and (3) the German-American commercial treaty of 1925 based, with certain qualifications, upon the most-favoured-nation principle.

At the present time, one can detect no tendency to moderate basic tariff rates in Europe. The German Reichstag, in August, 1925, enacted a new high tariff on foodstuffs and certain categories of industrial products like motor-cars. Italy and Czechoslovakia are reported to have adopted higher schedules on agricultural products;[1] while Great Britain, after having decisively

[1] See *New York Times*, August 11, 1925.

rejected, in the elections of December, 1923, Premier Baldwin's proposals for further Imperial preference and protection, and then having had a taste of the "free breakfast" policy brought in by the Labor Government's budget of 1924, seems again to be veering toward "camouflaged" protectionism. For the strongly Conservative Government that came into power in November, 1924, not only quickly restored the "McKenna duties," but announced the preparation of a new safeguarding of industries bill.[1]

European Merchant Shipping since the War. By the Peace Treaties of 1919 Germany and Austria were obliged to cede to the Allies all their mercantile craft over 1,600 tons and one-half those between 1,000 and 1,600 tons, besides agreeing to build up to 200,000 tons for replacements. In all, this meant roughly four million tons, of which somewhat over a million had been delivered by the middle of 1919. After a brief period of full-time activity, the British ship-building industry experienced almost complete stagnation throughout 1921. Since then, there has been considerable improvement, the total net tonnage of British and foreign vessels entering and clearing at British ports in 1922 being almost equal to that in 1913. The supremacy of the British shipping industry, however, is being seriously challenged by that of the United States, which to-day is strongly entrenched in second place among the world's ship-producing nations. France, in fifth position in 1914, has undertaken since the war to build up her mercantile marine to a strength appropriate to her status as a great colonial power. Her policy of granting subventions to French steamship companies was in effect extended by legislation passed in 1921, so that the grants voted in that and the following year averaged more than those allowed before the war.[2] From the strictly commercial standpoint, it is difficult to justify the feeling that France should have a merchant marine of 5,000,000 tons, which was the goal set by the Government soon after the peace settlement. But it is argued by advocates of the policy of encouraging ship-building that France should develop closer commercial and cultural relations with Latin America and that a strong merchant marine is necessary to achieve such a result. However that may be, in total gross tonnage, French mercantile shipping in 1924 held fourth place, following

[1] Cf. R. L. Schuyler, "Intra-Imperial and Foreign Relations," in *Supplement* to the *Political Science Quarterly*, March, 1925.

[2] See *The Annalist* (New York), Oct. 16, 1922, for a brief discussion of the post-war French ship subsidy policy.

closely after Japanese. Italy and Germany possess approximately equal strength, the latter holding a slight advantage in gross tonnage. Despite the fact that German shipping sank in 1919, following the surrender of most of her mercantile fleet to the Allies, to about 400,000 tons, recovery has been both steady and rapid, from 134,000 to 575,000 tons (in vessels exceeding 100 gross tons) being constructed each year down to 1924.[1] Traffic in the chief German ports was actually greater in 1924 than in 1913. The following figures show the total strength in gross tonnage of the steamers and sailing vessels of 100 tons and over owned by the six leading countries of the world: [2]

United Kingdom	19,105,838
United States	15,956,967
Japan	3,842,707
France	3,498,233
Germany	2,953,671
Italy	2,832,212

The ten-year period since 1914 has seen no marked development in inland waterways. A large number of canals were destroyed in northern France, though in other countries most of the interior waterways remained intact. Inland navigation was disorganised after the war, not so much because of physical damage and deterioration, as because of the making of new international boundaries necessitating changes in the political regulation of the use of some of the most important river systems of Europe. Thus the Treaty of Versailles provided for the administration of the Elbe, the Oder, the Danube, and the Rhine rivers by International Commissions on which the chief Allied Powers and Germany were to have representation. Germany, it should be added, was required to cede to the Allies twenty per cent. of her inland navigation tonnage and "such proportion of her river craft upon the Elbe, the Oder, the Niemen, and the Danube as an American arbitrator may determine." [3] In general, it may be said that inland waterways, on account of the extraordinary progress of commercial transportation by motor truck and airplane, are becoming rela-

[1] *Whitaker's Almanack* (London, 1925), 790.

[2] These statistics are those of Lloyd's Register Book for 1924-25, as quoted in *Whitaker's* (1925), 91. They include, of course, inland and coastwise shipping as well as trans-oceanic.

[3] Keynes, *The Economic Consequences of the Peace*, 111. See also Articles 331-363 of the Treaty of Versailles.

tively less and less important in the communication system of Europe.[1]

Railway Transportation during and after the War. Not only were whole railway systems methodically destroyed by military action in the battles areas, but the inability of most European countries to carry out repairs led to a progressive deterioration of equipment and rolling stock. Locomotives had in many instances to be operated with inferior grades of fuel, and the road beds of most continental systems were subjected to terrific wear and tear by the hauling of thousands of tons of heavy war materials and machinery over them. On the other hand, one of the outstanding engineering feats of the war was the construction of hundreds of miles of military railways by the American troops in France and to a somewhat less degree by the Germans in Russia.

In line with the accelerated tendency toward state industrial control and operation during the war, the railway plants of the majority of belligerent countries were taken over by the respective governments and operated as state enterprises for the duration of the conflict. This occurred in Great Britain, where, on the day after war was declared, a committee of railway managers, with the President of the Board of Trade as chairman, was constituted to administer the lines as a unit. As in most cases, the paramount reason for this action was military necessity, though for a generation before the war there had been considerable public discussion of the intrinsic merits of government ownership of railways.

Compensation to the companies was to be determined by the difference between the proceeds under government control and the net receipts for the corresponding period in 1913. Railway competition was eliminated by the pooling of traffic and in large measure of rolling stock as well. The military aspect of the problem was handled by state control with remarkable efficiency, though it became necessary, as in France and elsewhere, to restrict the speed of passenger trains, to reduce certain classes of traffic, like passengers' luggage, and materially to increase passenger fares. While the relations of organised labour with the companies taken over threatened to cause trouble at various times, it was averted by the granting of successive war bonuses to the employees

[1] A bill was passed by the French Chamber of Deputies in 1921, however, to canalise the Rhone so as to make it navigable for 1,200-ton vessels from Switzerland to the sea; a link in this ambitious project—the Marseilles-Arles Canal—was completed by the summer of 1925.

and by the Government's promise in 1917, when a strike over the eight-hour day was impending, to attempt to reduce hours of labour in so far as possible after the war. One of the most notable economies achieved by state control of railways was the scheme put into effect in 1917 for dividing Great Britain into twenty transportation areas, whereby coal could pass from one area to another by following the main trunk lines in certain well-defined directions.

After the Armistice, what to do with the railroads became until 1921 an acute political as well as economic issue in Great Britain. From the Labour party came a powerful demand that a full-fledged plan of nationalisation be adopted, and it must be admitted that a large element of British opinion outside the ranks of organised labour favoured that solution. But in the end the contrary view gained the ascendency and in 1921 British railways were returned to their private owners. The legislation of decontrol, however, provided a number of important changes in railroad organisation and operation, the purport of which was to extend state regulation to lengths considerably greater than before 1914. The railway lines, by this Act of 1921, were grouped into four large systems as follows: [1]

System	*Constituent Cos. (amalgamated)*	*Subsidiary Cos. (absorbed)*	*Mileage*
London, Midland and Scottish...	8	27	7,750
London and Northeastern	6	27	7,750
Southern	5	14	2,150
Great Western	7	26	3,750

The rate structure was simplified and new machinery for handling labour controversies was set up. Wage disputes were to be settled by final appeal, if necessary, to a National Wages Board, consisting of six representatives of the railway owners, six of the employees, four of the public, and an independent chairman, though any award it might make was not to be legally binding. By the summer of 1923 British railroads had regained their pre-war standard of efficiency. However, there had been only negligible extensions in mileage since 1913, and the railways were facing an increasingly dangerous competition from motor trans-

[1] The amalgamation went into effect on July 1, 1923. See C. E. R. Sherrington, "Some Economic Results of the British Railways Act of 1921," *Amer. Econ. Rev.*, June, 1924.

port companies, which numbered as many as 3,000 in 1923, and from coastwise shipping. It was largely on this account that the Government felt it necessary to adopt the principle that the Rates Tribunal set up by the Act of 1921 should adjust and fix rates so as to yield to each amalgamated company an annual net revenue equal to the aggregate net revenue of its constituent and subsidiary companies in 1913. On the average, rates were fifty per cent. higher than ten years before. It is futile to hazard a prediction as to how long this system of regulation and guaranteed earnings will suffice to meet the needs of what is at best an ever-increasingly difficult situation in railway operation and investment. When the growing Labour party comes into power as a majority Government, as would appear probable within the present generation, railway nationalisation with democratic operation may once more be turned to as the best way out of the impasse.

In France, railway operation before the war was facing mounting deficits. In 1913, for example, only two of the trunk line systems, the Nord and the Paris-Lyons-Mediterranean, were able to make expenses. The existing arrangement whereby the Government guaranteed interest on railway securities was arousing a storm of protest. Under direct Government control during the war, deficits increased to several times what they had been previously, and it became necessary to adopt a policy of propping up the weaker systems by assuming a large share of the burden of purchasing new equipment abroad. Freight and passenger rates, it goes without saying, had to be materially raised, and a fund of 600,000,000 francs was created to pay indemnities to operatives and restore damaged equipment. Following the Armistice, as in England, there developed a strong movement for genuine nationalisation, led by prominent socialists and syndicalists and a few orthodox economists. In fact, M. Albert Thomas, who had been Minister of Munitions during the war, introduced into the Chamber of Deputies in April, 1919, a bill to this effect; but it never got beyond the committee stage of discussion. A year later the newly organised Economic Council of the *Conféderation Générale du Travail* proposed a more radical plan calling for the expropriation of railroad property, the stockholders to be paid merely for the physical value of rolling stock and other equipment, and the nationalised system to be administered by a central council representing the Government, the railway personnel, and the pub-

lic. But after the strike of May, 1920, conducted to demonstrate the strength of those favouring nationalisation, the French Parliament decisively rejected the plan, and finally, by October of the following year, after the Senate had held up the project for ten months, passed legislation which was intended to "liquidate" what had taken place since 1914. In other words, the state effaced the war-time debt from the railways, and they in turn renounced all claims for damages occasioned by war-time operation. A so-called "superior council" was created by the Act of 1921 to settle the general lines of railway policy and to arbitrate labour disputes. The concessions to the six great companies were continued to run until dates ranging from 1950 to 1960, with the Government still guaranteeing interest and the redemption of capital and loans. One novel feature of the new agreement provides that current charges shall include not only periodic dividends, but a bonus, one-third of which is to go to the operating personnel and two-thirds for the development of traffic and administrative economies.[1]

In 1924, the total extent of French railways was slightly more than 25,000 miles, of which approximately 5,600 were state-owned. Freight traffic has, since 1920, been somewhat greater than before the war, and reconstruction of the great systems wrecked by the war was terminated by the end of 1921. In recent years, moreover, French railways have taken the initiative in various efforts to improve their service to the public, among which may be mentioned unification of tariffs and the establishment of a *Compagnie française du Tourisme,* with representatives at New York, London, and Barcelona. Extensive electrification projects are also under way.

Authoritative reports from Germany unite in pronouncing that the railways of the *Reich* performed yeoman service in moving troops and war materials during the struggle with the Entente Powers. Despite a reduction of one-third in operating personnel and other difficulties of gigantic proportions, equipment and rolling stock were maintained in a relatively high state of efficiency until the latter part of 1918. Thousands of miles of railroad were constructed outside the boundaries of Germany by military engineers. "There were German railroads as far as the Gulf of

[1] For an excellent discussion of recent French railway developments see H. J. Bresler, "The French Railway Problem," *Political Science Quarterly,* June, 1922. A longer and more detailed treatment is G. Lafon, *Les Chemins de Fer français pendant la Guerre* (Paris, 1923).

Finland in the north, the Black Sea, in the Caucasus, in Bagdad and Palestine in the east, on the Adriatic in the south, and at Ostend, and 60 kilometres from Paris in the west."[1] With the Armistice, however, German railway efficiency crashed. First, the demands upon transportation for the repatriation of troops were so tremendous that rolling stock precipitously depreciated, and second, the conditions of the Armistice required Germany to deliver up 5,000 locomotives, 150,000 freight cars, and 5,000 motor trucks.[2] Simultaneously, almost, was felt the disintegrating effect of the Revolution. Railway freight and passenger rates had to be raised time after time until by March, 1920, they were around 600 per cent higher than before the war. The marked increase in the strength and prestige of the Central Government in relation to the German states led to the incorporation of provisions in the Weimar Constitution for nationalising the railroads at a fixed valuation, the state governments having the right to decide, within narrow alternative limits, what standard of evaluation should be the basis of the price by which the transfer of their roads to the nation was to be made.[3] Financially, the result of this operation was decidedly unfavourable. In 1920 the total deficit from nationalised management of the combined system exceeded 15,000,000,000 marks, partly, to be sure, on account of the heavy burden of debt payments to the states for the lines they were compelled to transfer. It proved impossible for the railroads to maintain the fiscal autonomy intended by Article 92 of the Constitution of 1919, despite the fact that substantial economies were achieved from unification of operation. The lines were apparently enormously overstaffed and the introduction of the eight-hour day materially added to labour costs.

The situation of German railway transportation since 1924 is so interwoven with recent developments in the Reparations tangle, which is to be treated in another place, that it will be sufficient at this point merely to indicate that under the Dawes plan, as put into effect in the autumn of 1924, the state-owned system was converted into a joint stock company, though the lines remain the property of the state. This company is managed by a board

[1] Von Völcker, "German Transportation and Communication," *Annals of Amer. Acad.*, Nov., 1920.

[2] Approximately one-sixth of Germany's railway mileage was lost to her as a result of territorial transfers made by the Treaty of Versailles.

[3] See Articles 89-96 inclusive.

of eighteen directors, nine chosen by the German Government and private shareholders, and nine by the trustees of first mortgage bonds in the sum of 11,000,000,000 gold marks, the revenue from which is to be paid into the reparations fund. It is as yet too early to tell what effect this reorganisation will have upon the efficiency or extension of the German railway system. At present, the German Railroad Company set up in September, 1924, and capitalised at 26,000,000,000 gold marks, is satisfactorily operating 33,000 miles of line.[1]

In Russia the war brought on a complete breakdown of internal transportation facilities both by rail and by water. To whole groups of provinces which had been without railways in 1914 were added large stretches of more or less desolated territory with badly damaged or completely demolished railroad lines after four years of war and revolution. Only forty out of every hundred locomotives were in working order by 1920. "The immediate result of the gratis system, which was to be introduced in all the public services, was that the railways were inundated by hordes of soldiers, prisoners and refugees, who got themselves transported free from one end of Russia to the other after Brest-Litovsk."[2] In a frantic effort to restore railway operation to a semblance of its former efficiency, Trotsky tried out a scheme of virtual military management, using forced labour, but without much success. Finally, the railroads were reorganised when the "New Economic Policy" was adopted in 1921. Considerable improvement has already resulted from the abandonment of the gratis system and the establishment of operation on a commercial basis. Much of the worn-out material has been replaced by large purchases of locomotives and other equipment from Germany; fairly rapid passenger trains, with sleeping and dining cars, have been resumed; and thousands of miles of roadbed and nearly all the bridges have been repaired. But it is still true, unfortunately, that the 63,700 miles of railways that are being passably well operated to-day are by no means adequate for the tremendous needs of Russia for interior communication facilities. In 1921 and 1922, the quantity of goods hauled over Russian lines was only twenty-two per cent. as great as that in 1913.

[1] See "The Dawes Plan in Operation," *World Peace Foundation Pamphlets* (Boston, 1925), Vol. VIII, Nos. 5-6.

[2] Nansen, *Russia and Peace*, 58.

Taking the Continent of Europe as a transportation unit, it is necessary to call attention to certain effects of the readjustment of international frontiers since 1919. Not only have the currents of traffic been diverted in some instances, as in former Austria-Hungary, where the new states lie generally east to west, contrary to the preference before the war for railway lines running north and south, but many new frontier stations have had to be built. In order to eliminate customs and passport formalities as much as possible, various international conferences, largely European in make-up, have been held since the peace settlement of 1919. One of these, meeting at Barcelona in March, 1921, adopted (1) a convention on "freedom of transit" to prevent interruptions and hindrances to goods shipped across a country, and (2) an agreement governing the use of navigable international waterways. At the Genoa Conference in the spring of 1922, a Transport Commission, created to consider questions germane to the improvement of inland communications, passed a resolution that all states restore or improve the organisation of their railways, ports, and waterways, and that they ratify the Barcelona conventions referred to above. Again, in November, 1923, a Second General Conference on Freedom of Communications and Transit met at Geneva and adopted four conventions dealing with matters of international concern. Most of these conferences were held under the auspices of the League of Nations, which, under Article 23 of the Covenant, was to "make provision to secure and maintain freedom of communications and of transit and equitable treatment for the commerce of all Members of the League." In this connection, the League maintains an administrative section in its Secretariat, as well as an advisory and technical committee on communications and transit.[1]

Development of Motor and Aerial Transportation. The rigorous necessities of war marvellously stimulated technical and commercial progress in the motor-car and airplane industries. When railroad systems broke down, armies had to depend upon transportation by motor trucks. The French military motor service alone transported 23,500,000 troops and 27,500,000 tons of materials.[2] As the conflict went on, this distinctly twentieth cen-

[1] See "Handbook of the League of Nations," *World Peace Foundation Pamphlets*, Vol. VII, Nos. 3-4, section on communications and transit.

[2] Fontaine, *op. cit.*, 455.

tury type of quick transportation became highly organised in all the leading belligerent countries, though, to be sure, in varying degrees. "The Allies," it was picturesquely proclaimed by Lord Curzon at a dinner to the inter-Allied Petroleum Council in London shortly after the Armistice, "floated to victory on a wave of oil." This new fuel was utilised, of course, for ocean liners and transports as well as for automobiles and airplanes. Motor-car production in Europe, however, has not yet developed to a point at all comparable with the almost miraculous strides made in America since 1914. The explanation for this fact is that the lack of capital and raw materials, and the general commercial disorganisation that prevailed in Europe for so long after the Armistice, were not favourable conditions for new industries. In 1924 it was estimated by the National Automobile Chamber of Commerce of New York that the total number of passenger motor vehicles in the world was distributed as follows: [1]

Country	*Number*	*Persons Per Car*
United States	13,464,608	7
Canada	554,874	13
United Kingdom	469,490	74
France	352,259	93
Australia	109,157	44
Germany	100,329	453
Argentina	85,000	99
Italy	45,000	490
Other countries	667,105	...
Total	15,847,832	

These figures indicate roughly the extent to which motor vehicle production in Europe is behind that in the New World, though the difference is really greater than this table seems to show, on account of the fact that more automobiles are imported into European countries from America than are sold to it by Europe. But since 1922 the motor industry has been making steady progress in England, France, and Germany.[2] With western Europe's system of highways now steadily being restored to their pre-war excellence, a marked increase in the use of motor vehicles for commercial purposes may be anticipated.

[1] *Whitaker's Almanack* (1925), 520.

[2] Many American automobile manufacturers, notably Henry Ford, have branch production or assembling plants in western Europe.

It is in the domain of the air that Europe has forged ahead of the United States since the war, for the years since 1917 have seen a surprising multiplication of air routes, especially in England, France, and Germany.[1] By 1923 the total length of the French routes alone exceeded 6,000 miles, while in Germany the principal lines covered slightly more than 2,500 miles. The most important of these routes of commercial aviation include the following: Paris to London, Paris to Brussels and Amsterdam, Paris to Prague and Warsaw, Prague to Budapest and Constantinople, Paris to Marseilles, Berlin and Hamburg to London, Geneva and Munich to Vienna, and Berlin to Moscow. In 1924, one could travel from London practically all the way to Moscow in about thirty-six hours. For a period of three years from 1919 to 1922, British commercial aviation companies conducted over 80,000 flights in the British Isles and 4,000 flights to the Continent, carrying approximately 150,000 passengers and 400,000 pounds of merchandise. French freight traffic for the same period was much greater, over 1,000,000 pounds of goods being carried in 1922 alone. The French government has been generous in granting subsidies to stimulate the development of a network of aërial transportation lines, not only for commercial purposes, but for military reasons as well. At present one of the impediments to more rapid progress in European commercial aviation is the survival of national animosities tending to hinder the satisfactory operation of international regulation of aërial transportation and communication.[2]

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[1] Most of the statistics on European air transportation are taken from an article by Julius Klein, of the U. S. Dept. of Commerce, in *These Eventful Years* (2 vols., London and New York, 1924), II, Chap. LXXXII. Cf. also T. H. Kennedy, *The Economics of Air Transportation* (New York, 1924), Chaps. IX-XII, inc.

[2] A convention for the Regulation of Air Navigation, concluded at Paris in October, 1919, has been ratified by most of the Allied and Associated Powers; but its effective enforcement is difficult.

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CHAPTER XXIX

LABOUR ECONOMICS IN THE PAST DECADE

Thus far our study of European economic development since 1914 has been concerned mainly with matters pertaining to the production and distribution of goods. But the momentous years under survey are equally notable for striking developments in what may broadly be called labour economics and social politics. If it is true that the World War had its roots in the soil of economic imperialism and international anarchy, it may likewise be asserted that the growing tendency toward acute industrial conflict that marked the first years of the twentieth century sprang, in the last analysis, from the existence of a perverted economic individualism and social anarchy within nations. As one English writer has dramatically expressed it, "the race was between the vertical and horizontal divisions. The vertical just won—only I think by a few years. The nations fought with all classes of one united against all classes of the other. But it was doubtful whether they might not have fought with the dispossessed of all nations fighting against those who had monopolised the instruments of production, as, in old Rome, the slaves rose against their masters." [1] Whatever one may think of this somewhat sweeping diagnosis of European society as it was in 1914, it is certain that the international war that fell upon Europe in that year generated forces which have seriously, and in some respects fundamentally, modified the strength, scope, organisation, methods of action, legal status, and political aspirations of labour movements in nearly every European country. For purposes of convenience, these changes may be studied from two more or less distinct points of view. The first we may designate as economic, the second, as socio-political. The present chapter and the one following it will sketch the story successively from these two angles.

[1] Masterman, *England after War*, xii.

War-time Labour Supply and its Regulation in Great Britain. It is needless at this point to reiterate that just as the belligerent states had to reorganise and regulate industry and transportation as never before, so was it necessary to evolve effective means of maintaining an adequate supply of labour with which to operate farm and factory and shipyard and locomotive and motor truck. But at the outset not many of the statesmen in power realised this seemingly obvious fact. In certain countries, men were recruited promiscuously for the military establishment during the early years of the conflict without any evident regard for the special needs of industry for skilled and semi-skilled labour of all kinds. Only gradually was it brought home to those in authority that skilled workers must not be wasted on the firing line while munitions plants and other equally vital industrial establishments were suffering from the scarcity of technical experts. Even after this came to be clearly understood, governments still had to meet kindred difficulties,—how to eliminate wasteful industrial disputes, how to "dilute" skilled with semi-skilled and unskilled labour, including thousands of women and children, how to insure proper living conditions for the workers, how to prevent them from being exploited by their employers, and how to win the co-operation of trade-unionism for the achievement of maximum output all along the industrial front. No one of the warring states was able to solve all of these problems to its entire satisfaction, but by the end of the conflict matters had reached a point where it could be said that the labour supply was, for all practical purposes, nationalised. Let us briefly notice the way in which this was accomplished in England.

The first immediate effect of the outbreak of war upon the British labour market was to create temporary unemployment and to cause an almost complete cessation of labour disputes. But by the end of the first year of fighting, unemployment, in all but certain de luxe industries, had disappeared and a serious labour shortage had developed. Moreover, the year 1915 brought a recrudescence of strikes. In the engineering trades, especially, conditions were rapidly approaching a critical stage. The four hundred or more employment exchanges that had been created by the Act of 1909 did excellent service in transferring labourers from commercial employment to the munitions industries. Women and children were induced by patriotic appeals to go into factories and

shops where they were practically unknown before the war. But the problem was too immense to be adequately handled on the basis of voluntary action. For more than three million workers, as a conservative estimate, had to be replaced if the apparatus of production was to be manned up, even, to pre-war numerical strength, not counting losses in knowledge, experience, and special skill.[1] As a matter of fact, reinforcements to the available labour supply were insufficient to cover the net loss from enlistment: approximately 1,659,000 women, some 70,000 men chosen from the Dominions and foreign countries, and about 700,000 men released from the colours constituted the aggregate replacement of labour during the four years of hostilities. This left British industry to carry on with a "net deficit of 791,000 of its best units" of labour.[2]

The efforts of the British Government to meet this shortage gave rise to two distinct types of regulation. The first consisted in the progressive adoption of various limitations on recruiting, with the result that by the middle of 1916 the voluntary principle was definitely abandoned. These limitations were designed not only to "protect labour engaged in the production of munitions from the recruiting officer," but to make available for military service every worker who was not clearly indispensable to industrial production. A system of "badging" was instituted in 1915 to carry out this process of industrial exemption. It was thought advisable by July to register the whole adult population between the ages of fifteen and sixty-five who were not in the military or naval service, along with a record of their marital status, number of dependents, and occupational qualifications. Then followed the Military Service Acts of 1916, which armed the Government with powers of military conscription. Acting in consultation with the Army Council, it granted exemption to dock and wharf workers, engineering labourers, and others in war industries. But by the end of the year the demand for men in the military service became so critical that "de-badging" had to be resorted to in many special cases. Finally, the Lloyd George Coalition Government put into effect what was called a National Service scheme, headed by a Director General of National Service whereby labourers were

[1] Humbert Wolfe, *Labour Supply and Regulation* (London and New York, 1923), 72 ff. This is the best book on the subject of British labour supply in war-time.

[2] *Ibid.*, 98.

requested to enroll for work in industries as they were ranked on the basis of their war utility.[1] Though this plan met with only fair success at first, it was eventually reconstructed in the late summer of 1917 to provide for central man-power control, and wherever and whenever necessary, for bulk releases of men in certain trades and industries, all of which were by that time graded from the standpoint of war priority. It may almost be said that limited industrial conscription had then become a reality in Great Britain, though the resistance of organised labour never permitted its full-fledged adoption.

The second aspect of the British Government's policy was related to effective regulation of the available labour supply. What was needed was a definite plan whereby the most intensive use could be made of the workers not taken by the army and navy. Such a plan was carefully elaborated and applied through a munitions code, based originally upon the Munitions of War Act passed in 1915. In sum, this code provided (1) that both strikes and lock-outs in establishments where munitions work was carried on should be illegal, industrial disputes being settled by compulsory arbitration; (2) that trade-union restrictions on output should be, not definitely abolished, but suspended for the period of the war; (3) that it should be an offense punishable by law for any employee to quit work in a "controlled" establishment without the consent of the Minister of Munitions or for any employer to dissuade a workman from entering into an agreement to work in a munitions plant under the terms of the Munitions Act; and (4) that offenses and grievances under the Munitions Act should be heard by special Munitions Tribunals set up by it. It is at once recognised that such a drastically restrictive code as this could not and did not bring complete tranquillity to the relations of employer and employee. But in the main, it acted to reduce serious labour disturbances, at any rate until the last year or two of the war, to relative insignificance, as the following figures clearly indicate: [2]

[1] A Ministry of National Service was created by Parliament in March, 1917.

[2] Compiled from British Ministry of Labour records, as quoted in *Trade Information Bulletin* No. 247, U. S. Dept. of Commerce, 1924.

Year	*Number of Disputes*	*Workers Directly Involved*	*Working Days Lost*
1913	1,459	497,000	9,805,000
1914	972	326,000	10,076,000
1915	672	401,000	2,920,000
1916	532	236,000	2,475,000
1917	730	575,000	5,732,000
1918	1,165	923,000	5,856,000

Though the Government was frequently embarrassed by strikes among munitions workers on the Clyde during 1915 and the early part of 1916, the latter year was one of comparative industrial peace. But unrest reappeared in 1917 when war weariness, poor housing, and rising living costs caused thousands of workers to wonder whether the whole "patriotic business" was really worth while. Labour was becoming apprehensive lest the Government's pledge to restore pre-war working conditions should not be redeemed. It was not until after the Armistice, however, that the country was caught in a veritable epidemic of strikes involving the loss of nearly 35,000,000 working days in 1919, 26,500,000 in 1920, and 85,800,000 in 1921.

It is necessary at this juncture to observe what was done to maintain an adequate supply of labour for agriculture. In the main, the same principles were applied to agriculture as to munitions establishments: (1) the retention of certain classes of farm labour by exempting it from military service, and (2) the replacement of mobilised labour by securing additional contingents from the outside. Not only were women and children drawn upon heavily, but war prisoners, Belgian refugees, and foreign immigrants were pressed into service in considerable numbers. The fixation of a minimum wage by the Government early in 1917, while it was too low to evoke much enthusiasm among farm workers, served to minimise exploitation by landlords and tenant farmers. The natural resentment of agricultural labour at the high wages being paid to workers turning out destructive devices greatly stimulated rural unionism, so that by the end of the war it was a "disciplined army" of nearly 200,000. The fact that representatives of farm labour were given a place on the various agricultural wages boards that the war period brought into use resulted in increased mutual knowledge and respect among employing farmers and their workers.

Labour Regulation in France and Germany during the War. France and most of the Continental belligerent states where compulsory military service was in operation at the outbreak of the war were able to develop more quickly than England systems of classifying and protecting industrial labour. In fact, the French system long served as a model for other countries. Shortly after hostilities opened, a census was taken of all workers in every army corps and division both at the front and in the interior. A catalogue of some 700,000 names was thereby obtained, giving data as to the age, family status, and occupation of each man. Each month a table was drawn up showing the number of workers available for each industry. Thus the Government could not only grant or refuse demands of employers for labour, but stipulate what their wages and other conditions of work should be. By this arrangement men of military age who were assigned to work in munitions establishments were subject to military discipline during non-working hours, but were treated as civilians while they were at work. The labourer, of course, could not quit his job without permission from the authorities. A board of supervision was created to safeguard the workers against exploitation by conscienceless employers, to hear complaints, and to maintain direct relations with the labour unions. The outcome of this system was that "more than 500,000 men of military age were deemed more useful in the factory than in the army." [1] The number of workers in munitions plants increased from approximately 245,000 in January, 1915, to over 525,000 three years later. Minimum wages for labour in war industries were determined by the Minister of Munitions, supplemented by numerous local and regional agreements between employers and workers. The minimum fixed consisted in a basic wage for all work of one kind, with a bonus for the more skilled labourers in proportion as their output surpassed the basic standard set by the governing regulations.

Speaking generally, the policy of regulating the distribution and remuneration of labour by governmental authority gave successful results. Strikes, however, did not entirely cease, though during the middle years of the war they were of little consequence, as the following figures show:[2]

[1] Gide, *Effects of the War on French Economic Life*, 156.
[2] Fontaine, *L'Industrie française pendant la Guerre*, 122.

Year	*Number of Strikes*	*Number of Workers Involved*
1913	1,073	220,448
1914	672	160,566
1915	98	9,344
1916	314	41,409
1917	696	293,810
1918	499	176,187

That the percentage of successful strikes was considerably greater during each of the war years than in either 1913 or 1914 was due, in part, to the urgent necessity that war work should not be interrupted. The year 1917 brought in an atmosphere of unrest not unlike that in England. Strikes occurred in the munitions trades to the extent of involving 58,000 employees and a loss of 142,000 working days. To meet the critical situation thus engendered, the Government established permanent arbitration and conciliation commissions. The violation of a labour contract prior to an attempted settlement of differences by these joint regional committees was prohibited by law. If conciliation failed, the decision of the joint committee became binding. Then, upon the refusal either of employer or of employee to accept it, the state could requisition the factory for military reasons. Through the year 1917 this scheme, it would seem, operated to adjust as well as prevent a great number of labour disputes. All the while, however, latent forces were developing which were to cause a violent outburst of industrial restlessness after France was surprised by the Armistice.

Thanks to these measures of state regulation, to a marked influx of women workers into the industries of national defence, and to the increasing utilisation of immigrant labour referred to in a previous chapter, the aggregate industrial labour supply of France, once the early period of confusion was passed, steadily increased up to the last few months of the war. This fact is clearly revealed by figures giving the ratio of the personnel employed in the eleven industrial regions of France during the war to that employed in July, 1914:[1]

July, 1914	100	Jan., 1917	97
Aug., 1914	34	July, 1917	100
Oct., 1914	44	Jan., 1918	100
Jan., 1915	57	July, 1918	95
Jan., 1916	80	Jan., 1919	87

[1] Fontaine, *op. cit.*, 91.

As a further inference from these percentages, it may be observed that after the early months of 1916, there was substantially no unemployment in France. The great development of public employment bureaus that took place during the first year of the war made it possible to refit thousands of soldiers in industrial positions in 1919-20, the departmental and municipal offices proving remarkably proficient in the complicated process of demobilisation.

Naturally, the heaviest loss in man-power in France was borne by agriculture. The peasants furnished over 45 per cent. of the 7,900,000 men that were mobilised, while industry and commerce together were providing only 40 per cent. This fact throws more light upon the seriousness of the crisis that drew thousands of women and old men and children to the fields throughout the length and breadth of France; it likewise explains more fully the *raison d'être* of the Government's policy of encouraging the influx and utilisation of immigrant rural labourers. When the casualties of the battlefield were counted, it was found that nearly 675,000 men from the fields had paid for defending *la patrie* with their lives. The toll from industry and commerce was smaller by over 200,000.

In Germany efforts to maintain a sufficient labour supply had necessarily a more drastic character than either in England or in France. Here was a nation where "the social protection of the state gave way before the feverishly increased need of production. Many regulations designed to protect workingmen were suspended. The working capacity of women and children was exploited to the utmost, the working day was lengthened intolerably."[1] In spite of this, enormous military losses and the constantly deteriorating food ration worked together to push the celebrated efficiency of the German industrial machine to the brink of the precipice of exhaustion and to pave the way for far-reaching social transformations after the Revolution of 1918.

During the course of the conflict, between 3,250,000 and 3,500,000 German agricultural workers were called into military service. If to the 2,000,000 left in the army at the Armistice those killed and taken prisoner are added, it would appear that nearly 2,700,000 men were definitively lost to agricultural production. As in other countries, all kinds of expedients were resorted to in order

[1] H. Sinzheimer, "The Development of Labour Legislation in Germany," *The Annals of Amer. Acad.*, Nov., 1920.

to bolster up the farm labour supply: an elaborate system of granting military leave to those in the service for helping with the crops was instituted; at one time, more than 1,500,000 war prisoners were compelled to work in the fields; and considerable assistance was obtained from female and juvenile labour. But both the quantity and the quality of this substitute labour was so deficient that the foundations of German agriculture were undermined before the end of the war.

Women in Industry. One of the most important social by-products of the conditions under which economic life was conducted during the war was the great influx of women into industry. Though we have had occasion to refer to this phenomenon hitherto, it deserves more than incidental consideration. "Without the work of the women the war could not have gone on," declared representatives of the British Ministry of Munitions while in New York in November, 1917.[1] Without exception, all belligerent countries were forced to dilute their regular skilled labour supply with the work of previously untrained women and children. In Great Britain there were in 1913 less than 500,000 women workers in industry; by 1920 the number had grown to 1,340,000; and two years later, in spite of the return of hundreds of thousands of demobilised soldiers to industrial work and the general business depression then prevailing, the number was still well over 800,000. During the war, women entered industrial pursuits as follows:[2]

July, 1914-15	383,000	July, 1916-17	511,000
July, 1915-16	563,000	July, 1917-18	203,000

In France, likewise, the proportion of female to male workers increased materially. In munitions plants the increase was from 11.25 per cent. in July, 1915, to 23 per cent. in January, 1918. French women by the thousands abandoned domestic service for the shop and tramway and factory. For reasons already analysed, this movement was probably more extensive in Germany than anywhere else. The following table compares the proportion of feminine workers in industry and commerce in three representative sections of the country, taking the years 1913 and 1918:[3]

[1] Irene O. Andrews, *Economic Effects of the War upon Women and Children in Great Britain* (New York, 1918), 1.
[2] Wolfe, *op. cit.*, 169.
[3] *Monthly Labour Review*, U. S. Dept. of Labour (Nov., 1920).

Geographical Section	*1913*	*1918 (in percentages)*
Prussia	20.5	37.9
Bavaria	22.6	39.2
Berlin	36.6	54.6

Not only was there a great increase in the number of women labourers, but the diversity of occupations which they entered was surprisingly wide. An exhibition held at Bristol in 1917 displayed literally hundreds of specimens of women's work, including photographic appliances, aircraft engines, motor-car engines, small arms, cutters, drawing dies and punches, projectiles, and optical and glass work.[1] Most of these products, to be sure, were a part of the greatly expanded munitions industry, into which the advent of women was most pronounced. But women also operated tram cars and buses, served as clerks in government offices and commercial establishments, acted as inspectors in automobile plants—in the Fiat factory at Tunis as many as one-third of the employees were women by the end of the war—and performed various kinds of labour in laundries, bakeries, army canteens, and hospitals. In fact, there was scarcely an occupation in which some degree of substitution of women for men did not take place during the later years of the war.

Under what conditions and how efficiently did they work? The answer to the first query is that those employed in the so-called industries of national defence, which in most countries of western Europe were controlled by the state, received wage increases roughly paralleling those obtained by men. In England, especially, where most of the women become members of the same trade unions as men, the latter insisted that women's wages be adjusted so as not to injure their own. Under the Munitions Code the Government permitted a somewhat "arbitrary division of women's wages into wages payable in respect of men's work and wages payable in respect of women's work," which meant that it was more urgent to meet the demands of women labourers for "equal pay for equal work" in the munitions industry than elsewhere.[2] The smallest wage advances, therefore, occurred in the unregulated trades, though even they were obliged by the

[1] Cf. M. Beer, *The History of British Socialism* (2 vols., London, 1921), II, 350.

[2] Wolfe, *op. cit.*, 275. Cf. Chap. XIV of this book for an excellent discussion of women's wages in Great Britain during the war.

Board of Trade to grant a number of substantial increases. While the relative economic position of women in industrial work undoubtedly improved during the war, it is safe to conclude that a plane of equality with men was not in any general sense attained. Furthermore, in some countries, notably France, Italy, and Germany, war conditions caused a decided relaxation in previously enacted protective regulations as to hours of work, night work, and rest periods. In April, 1918, an investigation of 784 French establishments producing materials for military defence revealed that 191 were requiring women employees to work beyond the legal limit of ten hours daily.[1] It came to be fairly well recognised by the latter part of the war, however, that special welfare regulations to safeguard the health and comfort and maintain the morale of women workers must be put into effect. This was done in England by a law passed in August, 1916, which gave the Home Office power to make special regulations for additional "welfare" provisions in factories.[2] Nevertheless, overcrowding, inadequate housing, relatively long hours, and the unaccustomed strain and monotony that accompany machine labour could not help adversely affecting the health of women workers in many of the war industries.

Competent opinion differs as to whether women were as efficient as men in performing the same kinds of work. The majority of British, French, and German employers held that the women were generally inferior in strength, assiduity, and regularity. On the other hand, factory inspectors reported repeatedly during the war in commendation of the quality and quantity of female labour. In the operation of automatic machinery women often proved themselves more efficient than men. In Germany, however, it was pointed out that the former tended to change jobs more frequently than the latter. A fair balance of these and similar views would seem to point to the conclusion that where the work was not beyond woman's physical strength, she showed herself almost as proficient as man. Certainly a high tribute was rightly deserved by the thousands of patriotic and courageous mothers and wives and sisters who sustained the burden of taking over the conduct

[1] See Gide, *op. cit.*, 156-160.

[2] Andrews, *op. cit.*, 8. In France the recommendations of a committee on female labour, appointed by the Minister of Munitions in April, 1916, called for better factory hygiene: lunch rooms, toilets, medical service, and recreational facilities. Most of the recommendations were adopted.

of businesses left headless by the call of fathers and husbands and brothers to the colours.

Finally, what was perhaps the most striking effect of the wholesale recruitment of women for men's work was the feeling of self-reliance and economic strength that was everywhere aroused in women workers. The war experience showed that the difficulties of organising women trade unionism had often been exaggerated. In Great Britain, "the National Federation of Women Workers—the largest exclusively feminine Union—rose from 11,000 in 1914 to over 60,000 in 1919. A small number of new Trade Unions exclusively for women were established in particular sections, such as the interesting little society of Women Acetylene Welders. The bulk of the women, however, continued to be organised in Trade Unions admitting both sexes." [1] After the war, separate women's organisations rapidly tended either to disappear or to amalgamate with men's unions, the National Federation of Women Workers, for example, becoming a special section in the National Union of General Workers. Sex-exclusiveness in British trade unionism, according to Mr. G. D. H. Cole, received a severe jolt from the developments of the war years.[2] Women representatives before the various Government boards and departments so ably handled their case during the war that the public was led as never before to respect the importance of organised feminine labour. "For the first time a woman was elected in 1919 by the Trade Union Congress to its Parliamentary Committee, Miss Margaret Bondfield, of the National Federation of Women Workers, receiving over three million votes." [3] After due account is taken of all these advances in the numerical strength and economic status of women workers, however, it was still true in 1920 that the total feminine membership in British trade unions represented only thirty per cent. of the total number of women wage-earners [4] then employed in gainful occupations.

Somewhat in contrast with the tendencies of British women in industry, German women are mainly organised in associations distinct from the men's unions. This is especially true of non-

[1] Sidney and Beatrice Webb, *The History of Trade Unionism* (Revised ed., New York, 1920), 495.

[2] *Organised Labour* (London, 1924), 96.

[3] S. and B. Webb, *op. cit.*, 496. Miss Bondfield later became Parliamentary Secretary for Labour in the Labour Government of 1924.

[4] S. and B. Webb, *op. cit.*, 495.

factory workers. In most cases, these associations pursue an independent policy, which, during the years before the Revolution of 1918, often led to sharp antagonism with the policies of the men's organisations. More recently, however, a conciliatory tendency has been in evidence. The association of office clerks, secretaries, salespeople, trade employees, and shop assistants stands out as one of the strongest of the women's unions in Germany.[1] Suffice it to say that, as in England, the war and its immediate aftermath have greatly improved the relative economic as well as political status of women in Germany.[2]

Recent Trends in Real Wages in Great Britain and France. In order to analyse the standard of living enjoyed by the labouring classes of Europe during the past decade it is necessary to notice at least three fundamental elements in the general labour situation. These factors are (1) the relation of money wages to the price level, (2) the housing crisis precipitated by the war, and (3) unemployment. If one is primarily interested in the fluctuations in the amount of consumable commodities at the disposal of individual wage-earners and specific but relatively small groups of labourers, the most reliable single criterion, obviously, is the movement of wage rates in terms of their purchasing power. But if knowledge of the aggregate income of the entire labour population of a country is desired, the other two elements, both of them vitally significant in most European states since the war, must be taken into account. Let us briefly examine each of these elements.

At various junctures, the observation has already been made that prices rose sharply during the latter part of the war. There were but two main causes for this disturbing phenomenon. The first was the urgent demand for goods and apparatus in relation to the interruption of the means of supply; the second was the unprecedented degree to which all the warring states inflated their currency. With the year 1913 as the basis of comparison, wholesale prices in Great Britain, France, and Italy fluctuated as follows: [3]

[1] A. Solomon, "Women in German Trade Unions," *The Forum*, Feb., 1922.

[2] Space does not permit special treatment of industrial labour for women in France, where, owing to the comparatively smaller importance of industry, changes were somewhat less fundamental.

[3] From the U. S. Federal Reserve Bulletin, quoted by J. L. Laughlin, in *These Eventful Years*, I, 415.

Year	*Great Britain*	*France*	*Italy*
1913	100	100	100
1914	101	101	95
1915	126	137	133
1916	159	187	202
1917	206	262	299
1918	226	339	413
1919	242	357	364
1920	295	510	624
1921	188	345	578
1922	155	327	562

Retail prices, of course, roughly followed the same course. How closely did the increases in money wages keep pace with these constantly soaring prices down to the year 1921? Comparative studies of the ratio of wage scales to price levels have recently been made by the International Labour Office.[1] They would seem to indicate that during the first two or three years of the war there was a distinct decline in real wages in most of the Entente countries, but that by 1918 a distinct improvement set in. For central Europe statistics are so meagre that it is almost impossible to make a reliable comparison. Further conclusions from these investigations are (1) that the wages of unskilled workers, until falling prices set in in 1921, rose proportionately more than those of skilled; (2) that, in general, salaries of professional workers and civil servants had a lower real value after the war than before; (3) that there were greater proportionate increases in wages in the smaller towns than in the large cities; (4) that women received relatively greater wage advances than men; and (5) that there was a general tendency for real wages to fall during periods of rising prices and to rise when prices fell, in view of the "time lag."

Real wages in Great Britain appear to have reached their highest value in the latter part of 1920.[2] Then family earnings were considerably higher than in 1914, not only because of high monetary wage rates, but as a consequence of the supplements to the family budget accruing from the labour of women and children still employed in commerce and industry. But as the dark

[1] Cf. *Studies and Reports of the International Labour Office*, Series D, Nos. 2 and 10 (Geneva, 1922-23).

[2] The best study of the British aspect of this question is A. L. Bowley, *Prices and Wages in the United Kingdom, 1914-1920* (London and New York, 1921).

cloud of business depression moved across England's economic sky, the purchasing power of wages fell rapidly until the autumn of 1922. Then came an appreciable upward trend which restored the value of wages approximately to the standard of ten years before. The workman, however, enjoyed a shorter working day than he did in 1913. Furthermore, the ranking of the several economic strata on the basis of income was markedly different in post-war England from what it was before the upheaval caused by the war. Then, as Mr. Masterman points out, it was somewhat as follows: [1]

1. Better-paid professional men.
2. Better-paid clerks, accountants, etc.
3. Lower-paid professional classes—clergy, teachers, etc.
4. Skilled laborers and artisans.
5. Lower-paid clerks and small shopkeepers.
6. Lower-paid unskilled laborers.

But in 1922 the order of these six groups was significantly altered:

1. Better-paid professional men.
2. Skilled laborers and artisans.
3. Better-paid clerks, etc.
4. Lower-paid professional classes.
5. Lower-paid unskilled laborers.
6. Lower-paid clerks and small shopkeepers.
7. Lowest-paid professional men—clergy, schoolmasters, civil servants.

The seventh group in the second list is that part of the "white-collared" class living on fixed incomes which the kaleidoscopic economics of the past decade has virtually "bled white." Without question, it was the lower middle class that was pushed further down the social ladder than any other section of British population; these people, says Mr. Masterman, constitute the "New Poor," with their saving reduced one-half, their living expenses doubled, and all but the simplest pleasures abandoned as luxuries. The frantic efforts of thousands of these bourgeois and salaried employés in the English suburbs to keep up accustomed social appearances would afford material for a truly pathetic story. Literally squeezed, they seemed to be, between the manual labourer and the wage profiteer. "I go in the gallery to the cinema," wistfully said one country doctor's wife. "My charwoman goes in the stalls." [2]

The English rural worker, however, did not share equally with

[1] *England after War*, 103-104. [2] Masterman, *op. cit.*, 105.

his city brother in the levelling up of wages. In the spring of 1917, for instance, when the cost of living had increased 87 per cent, agricultural wages had gone up only 42 per cent. How they failed to keep pace with advances of wages generally is indicated by a few simple index numbers: [1]

	1914	*1918*	*1920*	*1922*	*1923*
Agricultural wages	100	189	227	192	168
General average of wages	100	175–180	260	197	176
Cost of living	100	205	252	184	169

It was not until three years after the close of the war that the lag of farm wage rates behind the cost of living disappeared. Even then, however, the rural labourer's position was appreciably inferior to the wage-earning class as a whole. Here we have another sidelight on the difficulty of bringing about any immediate amelioration of English agriculture.

The relation between wages and prices in France during the decade shows tendencies similar to those we have just analysed for England. Rises in the cost of living usually preceded wage increases. Again, manual labourers, unskilled as well as skilled, gained at the expense of the salaried sections of the population. In the munitions trades, wages proper were supplemented by a "high cost of living bonus" which few other workers received. Geographically, the wage advances were not uniform, the smallest being in north-eastern France and the largest in the western part of the country. By 1919, the average purchasing power of wages throughout France was slightly above the pre-war level. Sky-rocketing prices the following year caused money wage rates once more to fall below this level, but an equally great decline in the cost of living in 1921 left real wages from ten to twenty per cent above the 1913 standard. Since then, there have been minor oscillations, but no marked change. In other words, France, along with Great Britain and Belgium, seems to be a country where labour's pay envelope will buy at least as much as, if not slightly more than, ten years ago.[2]

Wage Fluctuations in Central Europe. A second group of countries, consisting mainly of states that were defeated in the

[1] A. L. Bowley, "Have Real Wages Gone Up?" in *These Eventful Years*, I, 467.

[2] Sweden, Norway, Denmark, and Holland constitute a group of neutral states where, for obvious reasons, real wages are considerably higher than before the war.

war, presents a different situation. The wage-earning and salaried classes in Germany, Austria, Poland, and Bulgaria found themselves in extraordinarily critical straits after the war passed the mid-way point. Later, when currency inflation rose to utterly fantastic heights during the post-Armistice years, their standard of life became the plaything, so to speak, of currency printing presses and kaleidoscopic monetary phenomena. Taking the 1913 level as the base, the official index numbers of wholesale prices in Germany shot dizzily upward after 1919, as shown by the following more or less comprehensible figures: [1]

1913	100	1921	1,911
1918	217	1922	34,182
1919	415	1923	16,619,000 million
1920	1,486		

In 1913, the volume of Reichsbank notes in circulation was 2,593 million marks; ten years later (November, 1923) it amounted to the fantastic total of 400,267,640,302,000 million marks! The monetary value of the mark scarcely equalled the paper upon which it was printed.

Even if there had not been a definite shrinkage in the aggregate national income, real wages could not have kept fully abreast of such an unprecedented monetary depreciation. As it was, the intrinsic value of wages for skilled workers was only 55 to 70 per cent of the pre-war value, and that for unskilled, from 70 to 80 per cent. The second half of 1921 brought some improvement, but during 1922 and up to November, 1923, when the currency was stabilised by the issue of the Rentenmark, the situation for the wage-earner grew steadily worse. By that time the per capita consumption of food in Germany was little more than one-half what it had been in 1913, as follows: [2]

	1913	*1923*
	(*In kilograms*)	
Meat	43.15	21.80
Cocoa	0.78	0.80
Coffee	2.50	0.61
Tea	0.06	0.04
	(*In litres*)	
Beer	102.10	50.00
Milk	106.90	62.90

[1] Quoted from "The Workers' Standard of Life in Countries with Depreciated Currency," Series D, No. 15, *Internat. Lab. Office* (Geneva, 1925), 58.
[2] *Op. cit., Internat. Lab. Office Studies and Reports.*

Speaking generally, the poorly organised manual workers and small salaried classes suffered most from this enormous quantitative as well as qualitative decline in available consumable commodities; on the other hand, labour in the mining, chemical, and textile industries suffered least.

During this chaotic period, one especially interesting aspect of the effort to adjust money wages to the soaring price level was the great extension in the use of the collective wage agreement to cover large regional or industrial areas, or even the entire country. In 1921, over 14,000,000 labourers in commerce, industry, and agriculture had their wages determined by this sort of agreements, whereas before the war only 1,500,000 workers were covered by them. They came to constitute almost a real code of labour. The more rapidly the price level moved upward, however, the shorter became the maximum period of validity for these collective agreements. Their average duration ran from three to six months in 1921, fell to one to three months in 1922, and was only a week or fortnight by the middle of 1923.

The effects of currency stabilisation, which took place at the end of 1922 in Austria, in November, 1923, in Germany, and in February, 1924, in Poland, were two-fold. On the one hand, the value of wages in terms of consumable commodities was somewhat improved; on the other hand, the working class as a whole suffered from a marked increase in unemployment.[1] The resultant fall in prices was not precipitous, but by April, 1924, the general level of prices in Germany, on a gold basis, was only about twenty-two per cent. above the pre-war level. Wages were better, but still considerably below their pre-war purchasing power, skilled workers receiving less than eighty per cent. of what they got in 1913 and unskilled getting slightly over ninety. During the transition from inflation to stabilisation, it became a fairly general practice in German and Polish industry to fix wages on a so-called gold basis, though payment would be made in the existing depreciated paper currency at the current exchange value of the mark or zloty on some stable market, like the American dollar or the Swiss franc. The following table is designed to show how the aggregate income of the industrial population of Germany fluctuated from 1920 to September, 1924:[2]

[1] For a discussion of unemployment in central Europe, see pp. 738-39.

[2] This table is a condensation of figures given in the *Internat. Lab. Office*

Period		*Approximate Index Numbers (Base 1913-14 = 100)*	
Yearly av.,	1920	60-85	gradual improvement
" "	1921	75-105	
" "	1922	70-90	downward trend due to inflation
Jan. to Aug.,	1923	58-76	
November,	1923	36-47	extreme distress
December,	1923	46-60	
January,	1924	55-69	some relief from stabilization
June,	1924	80-91	gradual but fluctuating improvement
September,	1924	78-88	

The Housing Crisis and Attempts to Relieve It. Before the war the problem of housing, already serious in many European countries, was mainly a qualitative one. Housing reform in those years had to do with improvements in sanitary arrangements, ventilation, and heating, and with establishing suitable suburban homes for workingmen and the lower middle classes. But the war caused a complete suspension of building in nearly every belligerent country. Not only were large quantities of building materials diverted to uses connected with the prosecution of the war, but there was a growing inadequacy of labour in the building trades. Capital was lacking, moreover, to cover the risks that the construction of dwellings by private owners always involves. On the other hand, the demand for houses multiplied enormously as the war-time movement of workers from country to industrial centres progressed, and as thousands of refugees from devastated areas sought new homes. The result was that by the third year of the conflict there was an alarming shortage of houses all over Europe. It has been estimated, for instance, that at the time of the Armistice, from 90,000 to 240,000 dwellings were needed in Belgium, from 500,000 to 1,000,000 in Great Britain, and over 1,000,000 in Germany. It was in the industrial countries, of course, that the crisis developed its most acute symptoms. In certain countries, notably England, the climax of the crisis did not arrive until two or three years after the end of the war.[1]

To meet this perplexing situation, three main types of measures were resorted to. In the first place, most countries were

Report previously cited. Attention should be called to the fact that these index numbers take into account the effect of unemployment.

[1] For most of the data on the housing problem, the authors are indebted to a comprehensive report, "European Housing Problems Since the War," issued by the *Internat. Lab. Office*, Series G, No. 1 (Geneva, 1924). The reader is referred to this report for more detailed information than can be given here.

obliged to enact legislation for the protection of tenants. France, for example, suspended the legal obligation to pay rent until the end of the war. Rent increases were forbidden by law in Great Britain and Russia (December, 1915), in Rumania, Hungary, Denmark and Norway (1916), and in Italy, Germany, Austria, Holland, Switzerland and Sweden (1917). These were for the most part war emergency measures which kept rents at their pre-war level and reduced working-class expenditures for shelter to very low comparative amounts.[1] But as conditions grew worse following the Armistice, rent legislation was not only continued in most of the countries that had adopted some form of it during the war, but extended to several of the "succession" states, like Poland, Jugoslavia, and Czechoslovakia. Eventually, however, public authorities were forced to allow advances in rents sufficient to cover building maintenance and repairs. Rent legislation was wholly or partially repealed in 1922-23, by certain countries, including Denmark, Sweden, Switzerland, Italy, Finland, and Jugoslavia. In Great Britain, France, Belgium, Germany, and Austria, however, it has been extended or renewed for definite or indefinite periods.

The second kind of attempt to afford relief from housing congestion consisted in applying legal control to the use of existing places of abode. In central Europe this control went to the length of elaborately rationing space and restricting the right of occupiers to dispose of dwellings. For the purpose of checking the influx of outsiders into particularly congested areas, some countries required residence permits. Special permission had to be obtained to convert dwellings into buildings for commercial use. In Russia, houses were municipalised by the Soviet authorities. While Great Britain and France and some of the lesser states in western Europe did not try to go to such extreme lengths as these, various restrictions were placed upon the accustomed liberty of the landlord to rent for whatever purpose he pleased and of the tenant to sublet the premises as he chose.

It will at once be recognised that all of the expedients mentioned thus far were mere palliatives. None of them got at the root of the problem, which was to build more houses. But it proved futile

[1] For example, the typical working-class family in Germany spent over 20 per cent. of its budget for housing in 1913-14; ten years later, less than 1 per cent.

to expect private capital, under the existing conditions of exorbitant prices, to undertake adequate construction of suitable dwellings. Consequently, most countries enacted legislation after the war providing, in one form or another, for financial assistance from the public authorities in connection with housing programmes. Between 1919 and 1924, the following states passed laws of this sort: Great Britain, France, Germany, Belgium, Italy, Austria, Czechoslovakia, and Holland. In the main, all this legislation applied only to provision for small dwellings, the law usually specifying in detail the maximum number of rooms, hygienic requirements, and kindred matters. Financial aid ranged from simple remission of taxes on land and buildings to loans from public funds and non-repayable building subsidies. The practice of expropriating private building sites was greatly extended in many countries, though ordinarily fair compensation was granted to the owners. Construction itself was carried out in some places by local governmental authorities, in others, by various types of building societies. Occasionally, private individuals willing and able to undertake the building of dwellings were subsidised by the state. In Great Britain, there were in 1921 over 1,200 building societies with nearly 800,000 members, while France was dotted with almost 500 "sociétés des habitations à bon marché." Nearly everywhere, but especially in England, Germany, and Italy, a good deal of useful experimentation with building guilds, which were organisations of building trades labourers taking production into their own hands, developed. The English building guilds, of which the first to be organised was one in Manchester in early 1920, offered to build government houses at actual cost, labour to be paid full-time wages, and by May, 1922, they had accepted contracts for over £20,000,000 of work, chiefly in London, Manchester, Yorkshire, and South Wales.[1] On the Continent, a large portion of new housing provided since the war has come from the work of co-operative building societies: scores of devastated villages in France have been restored by these amazingly successful organisations; row after row of attractive co-operative apartments have been built in cities like Berlin, Hamburg, Dresden, Leipzig, and Copenhagen, while in Switzerland an entire village, Freidorf

[1] Cf. G. D. H. Cole, "The Guild Movement in Great Britain," *Internat. Lab. Rev.*, Aug., 1922, for an interesting account of these experiments. Since, most of these guilds have become bankrupt.

near Basle, has been designed and constructed out of the savings of the Swiss Co-operative Union during the war.[1]

Official housing programmes, however, have suffered setbacks of all sorts during the past few years, partly on account of the continuance of exceedingly high building costs, partly because of the general demand for fiscal retrenchment. Lavish promises made by governments to carry out national housing schemes have had to be revised or curtailed in scope again and again. This is particularly true of the housing policies of the British Government, which have passed through three main phases since the war. The first phase was embodied in legislation passed in 1919 providing that every local government authority should survey the needs of its district and then carry out a housing programme in accordance with those needs. The state was to grant subsidies covering deficits incurred in the execution of these local programmes and financial assistance was also to be given to public utility societies undertaking the construction of dwellings. The survey, which was somewhat hurriedly made, called for over 800,000 houses. But by the early part of 1921 the burden on the British Exchequer, owing to the abnormally high costs of construction, became so great that the Government decided to limit its liabilities under the Act of 1919. Up to October, 1924, therefore, only slightly more than 200,000 houses had been completed or were in the process of construction, at a total annual cost to the central treasury amounting to a little less than £8,000,000. Meanwhile, one of the results of curtailing the Government's programme of financial assistance had been a drop in the price of housing. This led to the adoption in 1923 of a new policy of granting a flat-rate subsidy per each house built, whether by local authorities or by private enterprise, but limited to definitely specified small houses, though they might be built either for sale or for letting purposes. This second scheme met with a fair measure of success, stimulating the construction of over 100,000 additional houses, two-thirds of them by private enterprise. But the chief weakness of the Act of 1923 was its failure to insure that new houses should not be sold, but let at prices within the means of working people.

It was this aspect of the problem that particularly interested the Labour Government when it came into power early in 1924.

[1] Cf. A. D. Warbasse, "Co-operative Housing for Europe's Homeless," *Amer. Rev. of Revs.*, Feb., 1922.

Accordingly, a new scheme was worked out by Mr. John Wheatley, the Minister of Health, in contemplation of a continuous building programme over a period of fifteen years. The continuance of contributions from the Exchequer was to depend, under this plan, upon the maintenance of an adequate rate of housing construction as determined by the law. In making demands upon the building industry for the carrying out of such a programme, account was to be taken of the availability of materials and labour. In the second place, the state subsidy to local authorities and other building enterprises, which was substantially increased over that provided by the act of the previous year, was to be limited to houses let by the local authorities at rents approximating those then paid for pre-war houses. There was also to be experimentation, the Government promised, in the use of other materials than bricks in the construction of houses. The Wheatley scheme was enacted into law in August, 1924, but the advent of a Conservative Government after the elections of October raised doubts about the law's actual execution, and at the time of writing (1925) the matter was still problematical.[1]

Housing remains to-day a serious social problem in almost every industrial country in Europe. Building costs are still abnormally high, the shortage of capital is acute, and no fully satisfactory plans for financing the extensive construction of dwellings for working-class people have as yet appeared. One promising sign for the future is the heightened interest in town and regional planning that has taken place in many countries during recent years. In Great Britain alone, town-planning schemes are at present in process of preparation for more than a million acres of land.[2]

Unemployment in Post-War Europe. Without question, one of the most menacing social and economic disorders in Europe since the war has been the widespread, almost chronic, unemployment in industry and commerce. Though its degree of intensity has varied in different countries, no one of the industrial nations has wholly escaped the problem. The crisis became serious toward the end of 1920 when the short-lived boom in trade following the Armistice showed signs of collapse. It developed first in Great

[1] For a full explanation of British housing schemes, consult *The Labour Year Book, 1925* (London, 1925), 232-253.
[2] *Ibid.*, 251.

Britain and the Scandinavian countries, without seriously affecting France, Belgium, or the Baltic states, and then, by the latter part of 1922, struck the central European states with poignant force. At the opening of 1923, the gigantic proportions of the crisis may be seen from the following figures:[1]

Country	*Approximate Number of Unemployed*	
United Kingdom	1,432,000	(had been over 2,000,000 in 1921)
Germany	676,000	(increased after Nov., 1923)
Czechoslovakia	438,000	
Italy	424,000	
Austria	118,000	
Scandinavian states	85,000	
Poland	75,000	
France	Negligible	
Belgium and Baltic states	Shortage of workers.	
Total for "industrial zone"	3,395,000	

Speaking generally, such an acute maladjustment of labour to the needs of the industrial machine as is revealed by these depressing figures may be said to be an outgrowth of commercial and monetary disorganisation. It has been shown by statistical investigation that a strikingly close relation seems to exist in the different countries between the severity and duration of unemployment on the one side and the extent of the fall in prices on the other.[2] Inevitable dislocation was the result of the violent fluctuations in foreign exchange rates and domestic currencies with which Europe was afflicted for at least four years following the peace settlement. What had been merely seasonal unemployment and periodical short-lived crises in the trade cycle before the war grew into a veritable chronic social disease during its aftermath.

In no country has the situation resulting from unemployment been more critical than in Great Britain.[3] As we have already seen, the latter years of the war had been a time of intense industrial activity when, instead of a surplus of workers, there was a serious deficiency. This "artificial" prosperity continued without abatement well into the year 1920. Working class families were actually receiving more to eat and to wear than before the great

[1] From Kral, "International Trade in 1923," *Trade Inf. Bull.* No. 298, U. S. Dept. of Commerce, 1924.

[2] Cf. "Unemployment 1920-1923," Series C. No. 8, *Internat. Lab. Office* (Geneva, 1924).

[3] For a scholarly analysis of the causes and cure of British unemployment, see *Is Unemployment Inevitable?* (London, 1924.)

conflict. Practically no one was out of work, the number of unemployed in the trade unions making returns falling below one per cent. in April of that year. Then inflation began to undergo a process of checking, which caused a sharp decline in commodity prices. The "abyss" followed,—a time when thousands of ex-service men were seen begging on the streets of every English city, when the number of persons out of regular employment rose to greater heights than at any time within living memory, when England, though having escaped the horrors of enemy invasion, discovered that the war's scars had left her with "devastated" regions more difficult to restore than the battlefields in eastern and northern France.

The situation reached its worst stage in the summer of 1921. Then the registers of the employment exchanges recorded over 2,500,000 persons out of work. Of the membership of trade unions paying insurance benefits, 23.1 per cent. were receiving assistance. Work was nearly suspended in the iron and steel trades, while the shipping and building industries were severely hit. Appreciable improvement took place in 1922 and 1923, but at no time did the number of unemployed fall below a million. In October, 1922, the situation in the four industries worst affected was as follows:[1]

Industry	*Number Engaged in Jan., 1922*	*Number Unemployed in Oct., 1922*
Building and construction	870,000	142,325
Coal mining	1,180,000	84,000
Engineering and iron-founding...	1,127,000	249,000
Shipbuilding	315,000	121,000

Since the period covered by this table, still further declines in the number out of work have occurred, but the lowest registration in the employment exchanges in 1924 was 1,049,000, and by April, 1925, it had again increased to 1,251,000. Britain's persistently adverse balance of trade, aided by her heroic attempt to return to the gold standard, had inflicted upon her four long winters of industrial depression, with little immediate prospect of better times. It seemed to the British workingman, barely subsisting upon the so-called "doles" granted by the Government, a cynical climax to his patriotic sacrifices to make England "a place fit for heroes to live in!"

[1] *Op. cit., Internat. Lab. Office Reports.*

France was more fortunate. After 1916 she had experienced practically no unemployment whatever. The various municipal and departmental bureaus of placement set up in the early stages of the war and aided by state subsidies were able to fit most of the demobilised soldiers back into peace-time industrial and agricultural pursuits without serious difficulty. A short period of depression, affecting principally the leather, clothing, and automobile businesses, set in about the middle of 1920; but it was of relatively short duration. From the beginning of 1922 through the year 1924, the number of persons without regular employment in France at no time exceeded 30,000. In fact, the policy of encouraging the immigration of foreign labour continues up to the present to show no signs of abatement. At the risk of repetition, it may once more be said that the difficulties of France since 1920 have not been so much industrial as fiscal.[1]

In central Europe, the crisis of unemployment occurred later than in the countries west of the Rhine. Throughout the period of constant monetary inflation, industry in Germany, Czechoslovakia, and Austria operated at almost full blast. While wages, as has already been indicated, did not fully keep pace with the vaulting price level, there were few in the ranks of labour who could not find some kind of work to do. But this situation, which was from the standpoint of permanent economic rehabilitation thoroughly unhealthful, was finally altered by drastic but comparatively effective efforts to stabilise currencies and balance budgets. As prices went down, however, unemployment increased to alarming proportions. In Germany, where conditions were worst, the autumn of 1923 found at least one-fourth of the members of trade unions totally without work, while between one-third and one-half were employed only part of the time. Acute distress prevailed everywhere in the industrial regions,—in the Ruhr, where the French occupation had precipitated a retaliatory policy of "passive resistance" continuing until September, the industrial classes were reduced to unspeakable want and misery only mildly alleviated by aid granted by the central Government. But as foreign trade was stimulated by the return to normal monetary conditions in

[1] In Italy the situation was moderately serious from May, 1920, until Jan., 1922. Unemployment at the latter date stood at 600,000; since then it has fallen, with some oscillations, to less than 200,000. Unlike France, of course, Italy is faced with the constant problem of disposing of a labour surplus by emigration.

1924, unemployment materially declined. The table which follows tells the story of unemployment among German trade unionists since 1920 in comparison with pre-war figures:[1]

Year	*Percentage Wholly Unemployed*	*Percentage Partially Unemployed*
1913	2.9	
1914 (1st half)	3.2	
1920	3.8	
1921	2.8	5.4
1922	1.5	2.6
1923 (average)	10.3	27.8
1923 (December)	28.2	42.0
1924 (Jan.-Sept.)	14.8	17.4
1925 (January)	8.1	5.5

Unemployment Relief. While the experience of European countries in recent years seems to have taught that under the existing economic order there is no panacea for unemployment, nearly every Government has felt itself impelled to undertake piece-meal, and in some cases fairly comprehensive, measures of relief. Since 1914, unemployment insurance has undergone a remarkable extension until to-day there are seven countries with compulsory systems and nine with voluntary plans supported by state subsidies. In Great Britain, the system of state insurance set up by the National Insurance Act of 1911 was broadened in scope in 1916 to include workers in the metals, leather, rubber, chemical, and ammunitions trades. This extension, of course, was not due to the existence at that time "of a large amount of unemployment in these trades, but to an uneasiness felt by the workers as to the probable effects of a conclusion of peace upon the continuation of employment."[2] Again, in 1920, the system was further extended to cover practically all workers except those in agriculture and domestic service—a total approaching 12,000,000. By this time the crisis was approaching its worst stage and the amount of relief granted in benefits, or, as they were popularly dubbed, in "doles," rose to enormous figures. A bewildering succession of acts was

[1] Reproduced from *Internat. Lab. Office Reports* previously cited. It should be noted, in passing, that the problem of unemployment in Soviet Russia has been serious in its proportions, due to the shifting of workers from country to town, as well as to the obstacles to industrial reconstruction already analysed. Early in 1925 the unemployed in Russian cities still numbered 900,000 or more.

[2] M. B. Hammond, *British Labour Conditions and Legislation during the War* (New York, 1919), 227.

passed altering in minor particulars the scale of contributions, benefits, and methods of administration. The weekly allowances from 1920 to 1924, as fixed by the Act of 1920, were 15s. a week for men and 12s. for women. The actual expenditure for unemployment insurance from the Armistice to September, 1924, exceeded £190,000,000, to which enormous sum employers' contributions amounted to approximately £65,000,000 and employees' to about £59,000,000.[1] Finally, in August, 1924, the Labour Government, though in a minority in the House of Commons, induced Parliament to strengthen the whole scheme of compulsory insurance (1) by abolishing the so-called "gap," which, under existing legislation, left the unemployed worker without any assistance after the payment of twelve weeks' benefits,—that is to say, benefits were now made continuous; (2) by increasing the weekly benefits to 18s. a week for men and 15s. for women; (3) and by reducing the waiting period from six to three days of continuous unemployment.[2]

In 1921 the Labour party had maintained that the proper way to deal with unemployment was to resume trade with Russia and central Europe, abolish unproductive expenditures, particularly on military "adventures" in the Near and Far East, and to initiate an extensive programme of afforestation, land reclamation, improvement of the transport system, construction of public works, and the erection of electrical power stations.[3] While still in Opposition, Labour members had introduced various bills looking toward the direct provision of work as the best means of mitigating the evil of widespread unemployment. Hence, upon forming a Government in 1924, albeit a minority one, they set out to carry into effect as much of their policy as their political situation would permit. Though the Parliamentary majority of Liberals and Conservatives blocked the adoption of any far-reaching expedients of the kind suggested in 1921, a number of schemes already in progress were extended and improved. These included (1) a new programme of arterial road building costing over £13,000,000, of which the Government was to contribute £10,-

[1] *Whitaker's Almanack* (1925), 510.

[2] Amendments forced by the combined votes of Liberal and Conservative members limited the operation of some of these changes to June 30, 1926.

[3] Cf. "*Unemployment: A Labour Policy*." Report of the Joint Committee on Unemployment appointed by the Parliamentary Committee of the Trades Union Congress and the Labour Party Executive. (London, Jan., 1921.)

000,000; (2) the granting of direct Government assistance in the construction of public works costing more than £15,000,000; (3) the continuation of an export credits scheme designed to stimulate foreign trade; and (4) larger financial aid to various land drainage and reclamation projects. It was announced, moreover, that the laying of trunk transmission lines for electrical current and its standardisation were in contemplation.

Regardless of political affiliation, thoughtful observers of the tragic situation as it remains to-day (August, 1925) are agreed that the unemployment "dole" is having a pernicious effect upon the morale of the country. Ramsay MacDonald, speaking at Worcester in April, declared that the greatest tragedy of the age was that boys and girls just out of school had developed an "unemployable mind."[1] As to the remedy, however, competent opinion differs. Doubtless permanent improvement depends more upon world-factors than upon any one of the domestic aspects of the problem. In this connection, the final conclusion reached by an able committee of economists investigating the situation in the spring of 1924 is worth quoting: "Whether we look at the near future or further ahead, we see no reason for taking a pessimistic view of Britain's possibilities. With our present economic system, some reserve of labour for various occupations is necessary, but we do not believe that the abnormal unemployment of the last few years will become chronic or is inevitable."[2]

While no Continental country suffered the depressing effects of an "out-of-work" crisis either so acute or so prolonged as that in Great Britain, the degree of maladjustment between the supply and demand of labour was sufficiently great to cause the following states to adopt systems of compulsory insurance against unemployment after the war: Austria, in March, 1920; Poland, in July, 1924; Italy, in October, 1919, though the original decree was rescinded and superseded by another issued in December, 1923; and Russia, in November, 1922. Nine other countries have various forms of voluntary insurance, supported in part by grants from the state. In this group are France, Denmark, Holland, Finland, Spain, Belgium, Switzerland, Czechoslovakia, and Norway.[3] With

[1] *New York Times*, April 19, 1925.

[2] *Is Unemployment Inevitable? An Analysis and a Forecast* (London, 1924), 85.

[3] Cf. "Unemployment Insurance," Series C, No. 10, *Internat. Lab. Office Reports* (Geneva, 1925).

few exceptions, these systems cover most or all of the workers in industry and commerce, but leave outside their scope agricultural labourers, domestic servants, governmental employees, and intellectual workers. The German unemployment allowances in use since the war are limited to a period of twenty-six weeks in two years, the cost being borne by joint contributions from the national and state governments and local communes. In addition to these money grants, Germany has also developed what it has pleased to call "productive unemployment relief," whereby the Government advances loans and makes contributions to various relief measures made possible by planning the construction, during periods of general unemployment, of public works projects. By this arrangement over 70,000,000 full days of employment were provided for during the three-year period beginning April, 1920.[1] Out-of-work benefits from trade-unions, it should be explained, have been almost impossible since the war on account of the depletion of their reserve funds in consequence of war and currency depreciation. On the Continent, as in England, the administration of all the existing systems of unemployment insurance involves the establishment and operation of a network of employment exchanges, of which there were in 1924 over 1,000 in Germany alone. In conclusion, it may be said that in order to distribute the cost of insurance on an equitable basis, the predominant tendency seems to be toward the replacement of voluntary with compulsory plans.

Other Forms of Social Insurance in Recent Years. The war led to a much wider application of the general principle of social insurance than ever before. Dependency became a widespread social phenomenon in all the belligerent nations. Separation allowances and war pensions to widows and other dependents underwent an enormous development, and government compensation for disability incurred in military service was nearly everywhere provided for, though usually on a very inadequate scale. For the time being, however, the normal development of existing systems of accident, sickness, and old age insurance in industry was held up, Norway being the only European country to undertake a thoroughgoing reorganisation during the war itself. But the later years of the conflict and the years immediately following its termination were the occasion for a vigourous renewal and exten-

[1] E. Frankel, "Germany's Regulation of the Labour Market," *Journ. Pol. Econ.*, April, 1924.

sion of legislation providing for health insurance to industrial employees. For most of this legislation the pre-war German system was taken as a model, the insurance fund being financed by a series of contributions based upon the probable number of days of sickness per member during the year. Poland, Austria, Jugoslavia, Bulgaria, Portugal, Greece, Russia, and Czechoslovakia all adopted, at one time or another after 1918, legislation embodying this principle. Probably the most comprehensive plan of any on the Continent is that contained in the Czechoslovakian law of October, 1924, which provides for insurance "against sickness, invalidity, accident, old age and unemployment, based in general upon half-and-half payments of premiums by employers and employees. Statisticians estimated that sickness insurance would apply to 851,000 agricultural labourers and 1,742,000 industrial workingmen, and invalidity and old age insurance to a total of 2,503,000 persons." [1]

In Great Britain, the National Health Insurance Act of 1911 received various amendments which were consolidated in a single comprehensive Act passed in August, 1924.[2] The cumulative effect of these amendments was to round out the scheme to cover all persons over sixteen years of age "who are employed under the direction of an employer," with the exception that certain public officials entitled to superannuation and sickness benefits, school teachers, persons working without money payment, non-manual workers with a salary exceeding £250 a year, and casual labourers are exempted from the provisions of the law. For most of the employed contributors, the weekly rate is 5d. for a man and 4d. for a woman, to which sum the employer must add another 5d. in each case. The Government not only adds two-ninths to each total contribution for each employee, whether man or woman, but makes special appropriations to the fund whenever necessary. The health benefits now provided include (1) free medical attendance, (2) payments during sickness, (3) compensation for "disablement" after twenty-six weeks of sickness benefit has been received, (4) a maternity allowance of 40s, payable to a woman on her confinement, and (5) certain additional benefits from societies having a disposable surplus. In general, the scale of cash payments is

[1] *Pol. Science Quarterly* (Supplement), March, 1925.

[2] The most important of these amendments were adopted in 1913, 1918, 1919, 1920, and 1922.

based upon the number of contributions paid in during the preceding year. During 1923, more than 13,000,000 insured persons were entitled to medical benefits in England and Wales, while the total receipts to the fund were slightly over £20,000,000.

Similarly, the past five years have wrought several modifications in the scope and administration of the British Old Age Pensions Act of 1908. By the amending act of 1924, passed by the Labour Government, the maximum income a pensioner can have from the combination of private means and pensions amounts approximately to 35s. a week, or £91 per year. In calculating income for the purpose of determining the rate of pension, the first £39 is not counted, regardless of the source from which it is derived. The supporters of this change claim that the new provisions will cease to discourage thrift, a complaint often raised against the operation of the previous acts. Since 1919, the weekly pension rate, depending upon the amount of yearly income in excess of £39, has varied from 1s. to 10s. It is estimated that about 170,000 more persons than formerly are eligible to receive pensions under the act of 1924. This brings the total number up to slightly more than a million. For the financial year 1924-25, the total cost to the state reached approximately £24,000,000. In the course of the debate on the amending measure of 1924, the Labour Chancellor of the Exchequer, Mr. Philip Snowden, declared that the establishment of *universal* old age pensions was highly desirable, but that the financial outlay it would involve was at present prohibitive. He hoped, however, that it would soon be possible to reduce the pensionable age from seventy to sixty-five.

Labor Legislation Since the War. As will be explained in the next chapter, the economic as well as political position of organised labour in western and central Europe was probably stronger immediately after the Armistice than ever before. During the last years of the war it had gained effective entrance into the councils of governments and at the Peace Conference its claims were vigourously defended. It is not surprising, therefore, that the year 1919 should have witnessed nearly everywhere the adoption, in one form or another, of legislation or collective agreements materially reducing the length of the working day. Before 1914, a general eight-hour day régime would have been held impracticable, but thought and experimentation during the terrible years since then had gone far toward proving it to be highly desirable socially, and

at least without serious detriment to production, if it was not, in some cases, an appreciable stimulus to greater aggregate output. The ominous example of the Russian Revolution, moreover, was stirring the business and governing classes in western Europe to the realisation that unless a greater measure of social justice was not granted to labour, extremist agitation, at that time rife, might gain the upper hand in labour councils. Out of this situation came a remarkable extension of the eight-hour day, as well as a number of miscellaneous improvements in legislative control over the conditions of industrial labour.

In Great Britain the shortening of the working day was brought about mainly by collective bargaining rather than by parliamentary action. In 1914, there had been no legal restriction on the hours of labour except in mining and certain other dangerous and unhealthful trades. The employment of women and children, to be sure, was regulated by the Factory and Workshop Acts, but no British statute had intervened to limit the number of hours per day adult males could work. As we have already seen, the impasse in the mining industry during the controversy over what should be done with it led the Government, by the Coal Mines Act of 1919, to establish the seven-hour and eight-hour day as the maximum for that industry, in place of eight and nine and one-half hours as prescribed in the Act of 1908. At the same time, most of the other industries in which the workers were at least fairly well-organised adopted by way of the collective agreement the forty-eight hour working week. While industrial agreements do not have the force of law in Great Britain, they are equivalent, for all practical purposes, to general governing regulations usually observed without friction under normal circumstances. By this process, the engineering trades secured a forty-seven hour week; the builders, forty-four, with even less in winter; and the dockers, likewise forty-four. In fact, at an National Industrial Conference held in 1919, the employers gave their consent to the legal enforcement of an almost universal maximum of forty-eight hours, though the Government, for reasons that will be noticed later, did not redeem its promise to establish the legal eight-hour day generally. As late as 1923, however, about 80 per cent. of the members of 133 leading trade unions were reported as working forty-eight hours a week or less, agriculture being the only important activity in which labour was employed in excess of this

maximum. According to a leading authority on British labour conditions, the fact that the unions were able to maintain such a standard during the severe trade slump that began in 1921 constitutes "the one really substantial gain which has been retained through the bad times following the post-War boom." [1]

In the badly organised trades, moreover, the Trade Boards, in most cases, fixed forty-eight hours as the normal working week. Since 1918, when the scope of their powers over minimum wage rates was broadened to include a much larger number of trades than originally given them by the Act of 1909, their decisions affect as many as 3,000,000 poorly paid workers engaged in the making of over thirty different types of products. If these decisions are approved by the Minister of Labour, they have the force of law. During the trade depression, a concerted attempt was made by employers to effect the repeal or drastic restriction of the Trade Boards Acts; but short of temporarily stopping the establishment of a few new boards, the attempt failed, and in 1924 the Labour Government vigourously put into effect a sympathetic administration of the Acts.[2]

Mention should be made of one other interesting post-war development in British labour legislation. The Committee on Production, established during the war as a tribunal of compulsory arbitration, eventually evolved into a permanent body for voluntary arbitration. The Industrial Courts Act of 1920 gave the Minister of Labour power to set up courts of inquiry into the causes of any industrial dispute, though the decision of such a court was not to be binding. By liberally availing themselves of the powers granted by this measure, the Labour Government was able to settle during its short term of office seven important disagreements, thus averting what might have been prolonged strikes in industries as vital as railways and coal mining. Between the Armistice and the opening of 1924,—a period marked by trade depression, wage reductions, and great unemployment,—the number of working days lost because of strikes during the course of any one year never fell below 10,000,000, while in 1921 it reached the stupendous figure of nearly 86,000,000. The most serious strikes during this five-year period were the great railwaymen's strike

[1] G. D. H. Cole, *Organised Labour* (London, 1924), 134.

[2] *Cf.* the *Labour Year Book* (London, 1925), 98-110, for a detailed account of the operation of the Trade Boards in 1924.

of 1919 and the miners' strikes of 1920 and 1921. In line with past experience, British labour still stoutly opposes the introduction of any form of compulsory arbitration in peace time.[1]

On the Continent, the eight-hour day is at present established by law in a score or more of countries, including all the predominantly industrial nations. The French law of 1919 may be taken as a typical example of this legislation. It extended the eight-hour day to all workers, regardless of age or sex, save those in agriculture and in the liberal professions.[2] Additional time might be permitted in certain types of work, as in retail drug stores and parts of the textile trades. This law is applied in detail by administrative regulations issued by the Government, which take as their basis the national collective agreements existing in the metal, building, printing, oil, and other industries. By 1924, the eight-hour day was the rule in nearly all French industry. French employers, however, are generally of the opinion, though frequently without statistical corroboration, that it is not conducive to large production on an economical basis.

The short working day in Germany has undergone many vicissitudes since the war. Like England, Germany had in 1914 no general legal regulation of hours for adult male workers except in certain hazardous types of employment. But one of the first important administrative acts of the republican government after the revolution was to declare the general establishment of the eight-hour day for the period of economic transition to come. Almost simultaneously, the leading employers' and employees' organisations entered into an understanding that the hours of labour in industrial establishments should not exceed eight in number. A government order issued in March, 1919, likewise introduced the eight-hour day for non-manual employees in commercial establishments. Special regulations governed agricultural labour so as to permit a longer working day during eight months of the year, ten hours being permitted through one four months' period and eleven hours through another. Acting upon the recommendation of the Works Councils (see pp. 793-95), factory inspectors might allow overtime work in emergencies, which, be it noted,

[1] In Jan., 1918, the Whitley Committee on conciliation and arbitration reported against the adoption of any system of compulsory arbitration.

[2] Supplementary laws passed later in the year made the eight-hour day the rule in the merchant marine and fixed special regulations for work in the mining industry.

has steadily increased since 1918. However, it was estimated in 1924 that over 80 per cent. of the 17,500,000 workers covered by collective agreements worked forty-eight hours a week and that 20 per cent. worked forty-six or less.

Inasmuch as the administrative orders issued by the Government in 1918-19 were intended to be only tentative in their application, draft bills embodying definitive legislation as to hours of labour were placed before the Federal Economic Council in 1921. But by that time the uncertainty of Germany's ability to meet reparations payments, the financial confusion, and the weakening of trade-union influence had the effect of postponing indefinitely the enactment of these measures, and the transitional regulations were extended. The late Hugo Stinnes, then the most powerful industrial magnate in Germany, declared in 1922 that for the next ten or fifteen years everybody in the country would have to work at least ten hours a day if Germany was to regain her pre-war position of industrial greatness. At all events, in the acrimonious controversy over the issue that developed during the French occupation of the Ruhr, the German Government temporised by promulgating a provisional order "which maintained the principle of the eight-hour day, but permitted exceptions reached by collective agreement. . . . Following this order, as a result of the disorganisation of Germany's industry, the weakening of the trade-unions, and Allied pressure, many industries, including the coal-mining industry, not only in the Ruhr and Rhineland but also in unoccupied Germany have returned to the nine and one-half and ten-hour working day."[1] It is feared by many observers that the operation of the Dawes plan for reparations payments will have the effect of still further weakening the position of the eight-hour day in Germany. The slogan of German labour seems once more to be, "For the eight-hour day," which they feel is the only important tangible gain left them from the revolution of 1918.

The International Labour Office and its Work. European labour legislation since the war cannot be considered merely in its domestic aspects. The high hopes that animated labour representatives at the Paris Peace Conference culminated in the incorporation in the Treaty of Versailles of the beginnings of an international charter of labour. For the first time in history, an

[1] H. Feis, "The Attempt to Establish the Eight-Hour Day by International Action," *Pol. Sci. Quart.*, Sept., 1924.

important section of a Treaty of Peace affecting nearly the whole world was devoted to provisions directing the creation of a permanent international organisation in the interest of protecting and improving the conditions of the labouring masses in all countries. The establishment of universal peace, one reads in the preamble to Part XIII of the Treaty, is possible "only if it is based upon social justice." The time had come when an organised effort should be made to secure the adoption and enforcement of desirable standards of labour by international action. In view of this objective, an International Labour Office, with administrative and executive functions, and a General Conference, with legislative functions, were set up. The latter body meets at least once a year and consists of four representatives of each of the member states, two of them chosen by the governments and two by the organised employers and employees of each country belonging to the International Labour Organisation. The former body is under the control of a governing board of twenty-four, twelve members of which are government representatives, six chosen by employers, and six by employees. Of the twelve representing governments, eight are named by member states "which are of the chief industrial importance," the latter being at present Great Britain, France, Germany, Italy, Belgium, Canada, Japan, and India. The members of the Governing Board are chosen for a three-year term by the General Conference. The Labour Office itself consists of an expert secretariat, headed by a Director appointed by the Governing Board, and acts as a kind of labour "clearing-house" for the member nations. Specifically, its duties include (1) the collection and distribution of information on all matters relating to the conditions of industrial life and labour, (2) the preparation of the agenda for the meeting of the General Conference, and (3) the editing and publication of periodicals and special studies and reports dealing with the problems of industry and employment that are of international interest.[1]

The machinery outlined in the foregoing paragraph began functioning late in 1919. Its growth in size and usefulness cannot be

[1] The publications of the International Labour Office include the *International Labour Review*, issued monthly; a weekly *Official Bulletin;* special *Studies and Reports;* a *Legislative Series*, containing the labour laws of all countries since 1919; the *International Labour Directory;* and *Documents of the International Conference.* They may be obtained in the United States from the World Peace Foundation, 40 Mt. Vernon St., Boston.

denied, however much, as will appear in a moment, it has failed to reach in six short years the high goal envisaged by some of its founders. The International Labour Office, with headquarters at Geneva, to-day has a permanent staff of over 300 persons representing twenty-eight different nationalities and divided into six distinct sections for administrative purposes; fifty-eight states of the world, including every European nation but Russia, belong to the organisation; twenty-eight meetings of the Governing Board have been held; and seven annual sessions of the General Conference have met, the first at Washington in 1919 and the other six at Geneva. The principal work of the annual Conferences has been the adoption of some twenty draft conventions covering a wide range of subject susceptible of international regulation, the outstanding ones being the eight-hour day convention of 1919, the weekly-rest convention of 1921, three relating to workmen's compensation, and eight having to do with the conditions of employment of women and children. Article 427 of the Treaty sets forth in some detail the principles that are to guide the organisation. Some of them are worth noting here: (1) that labour should not be regarded merely as a commodity or article of commerce; (2) that the right of association for all lawful purposes should be recognised for the employed as well as for the employers; (3) that an eight-hour day be adopted as the standard everywhere; (4) that there should be a weekly rest of at least twenty-four hours, on Sunday wherever practicable; and (5) that men and women should receive equal remuneration for work of equal value.

It goes without saying that the entire work of the Conferences would be of little or no value unless its results were embodied in national legislation. Ratifications of draft conventions, however, have been discouragingly slow. If the sixteen conventions adopted by sessions of the Conferences from 1919 to 1924 inclusive had been ratified by all the member states, there would have been between eight and nine hundred separate ratifications. In actual fact, the Director of the International Labour Office reported to the Seventh Conference at Geneva in 1925 that the total number of ratifications to date was only 159. The eight-hour day convention, probably the most important of all, has been unconditionally ratified thus far by only seven countries: Austria, Bulgaria, Czechoslovakia, Greece, India, Italy, and Rumania, none of them a state of major industrial rank. Unfortunately, psychological and

political conditions since 1920 have tended temporarily to cool the enthusiasm for labour regulation by international action. "Nations have been thinking not so much of the welfare of their working classes as of their political ambitions and safety. Employers could use this intensification of national fears and feeling to sway governments. . . . Even governments convinced of the social importance and justice of the eight-hour day have been compelled to give fresh hearing to the demand that no step be taken which might further reduce production."[1] Since early in 1924, it is only fair to state that a renewed interest in the adoption of international labour standards has appeared in Europe as a result of the advent of a Labour Government in England, of a Liberal Government in France, and of the inauguration of the Dawes Reparation Plan.[2] As economic conditions approach stability, the Great Powers will be less and less inclined, it is to be hoped, to think and act in terms of a narrow self-interest. In any event, the general recognition that the status and conditions of labour constitute a great social and economic problem requiring international as well as domestic treatment is a distinct gain over the pre-war thinking on industrial relations. In the development of a future international code of labour, properly enforceable by super-national sanctions, the International Labour Organisation should play a rôle of prime importance.

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[1] Feis, *op. cit.*, *Pol. Sci. Quart.*, Dec., 1924.

[2] The Labour Ministers of England, France, and Germany, held a meeting at Berne in September to explore ways and means of facilitating ratification of the eight-hour day convention; but at the time of writing none of their Governments had unconditionally ratified it.

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CHAPTER XXX

LABOUR MOVEMENTS AND SOCIAL POLITICS

Attitude of Labour and Socialism Toward the War: Earlier Phases. The pacifist ideals of European proletarianism met a supreme test in the fateful summer of 1914. Seven years before, in one of the frequent socialist congresses held on the Continent, it had been resolved that it was the "duty of the working class in countries concerned and of their Parliamentary representatives, with the help of the International Socialist Bureau as a means of co-ordinating their action, to use every effort to prevent war by all the means which seem to them most appropriate. . . . Should war none the less break out, their duty is to intervene to bring it promptly to an end and with all their energies to use the political and economic crisis created by the war to rouse the populace from its slumbers and to hasten the fall of capitalist domination."[1] Again, in 1912, another socialist gathering had registered a vehement protest against the participation of the Great Powers in the Balkan Wars; and in 1914, even, still another international conclave of socialists was to have met in August to ponder upon ways and means of preventing international war. It was generally expected by most socialist leaders that organised labour, in the event of an urgent diplomatic crisis, could and would exert sufficient pressure upon political governments to compel a compromise solution in lieu of recourse to arms. The great crisis of 1914, however, revealed not only that the international solidarity of working class movements was more fancied than real, but that even had it been real, its effective strength was over-estimated by its zealous protagonists.

At any rate, English, French, Belgian, German, and Austrian labour groups, with relatively unimportant exceptions, threw their forces behind nationalism when the test came. All the urging the Internationalist Socialist Bureau could do was not enough to

[1] H. W. V. Temperley [ed.], *A History of the Peace Conference at Paris* (6 vols., London, 1920-1924), I, 205.

counteract the all-powerful dynamics of militant patriotism. For the time being, the Second International went into eclipse. In Great Britain, the German invasion of Belgium aroused most of the leaders of British trade-unionism to support the Government's policy.[1] In fact, one of them, Mr. Arthur Henderson, entered the cabinet of the Coalition Government formed in May, 1915. The only section of British labour that remained consistently adverse to the Government's war policy was the relatively small Independent Labour Party, led by men like Ramsay MacDonald and Philip Snowden, who were rather intellectualist than trade-unionist in background. These men, be it noted, were mercilessly reviled by British public opinion, as well as by many "patriotic" labourites, for what then seemed equivalent to "pro-Germanism."

In France, likewise, socialist and labour opposition to the so-called *union sacrée,* formed soon after the outbreak of hostilities, was negligible during the early years of the war. Unified Socialists participated in the coalition cabinets headed by Viviani and Briand, and the General Confederation of Labour (C. G. T.) interposed no "direct action" tactics against the execution of the French Government's war programme. It is possible that the remarkable influence of Jean Jaurès, the great French socialist tribune in the Chamber of Deputies, might have helped to crystallise a definite anti-war policy in 1914; but he, unfortunately, had been the victim of a dastardly assassination by a fanatical patriot on the very eve of the opening of hostilities.[2]

With only four abstentions, the German Social Democratic party cast a solid vote in favour of war credits. In justification of this action, the usual convenient formula of "national defence" was invoked, though, ironically enough, only after the party had gone on record against "a war of conquest." A *Burgfriede,* the German equivalent for the French *union sacrée,* was declared by the Imperial Government and the socialist opposition.

Except for the section headed by Mussolini, Italian socialists maintained a neutral attitude with reference to the war until Italy entered the conflict in the spring of 1915. From then on,

[1] Mr. John Burns, a Liberal-Labourite, who resigned from the Asquith Government in protest, was a notable exception.

[2] Jaurès, speaking before a group of German socialists a few months before the war broke out, prophetically suggested that a European war might not only produce a revolution, but also long periods of furious reaction and over-grown nationalism, of retrogressive violences and strangling dictatorships.

their position wavered. A considerable number tacitly, if not openly, supported the Italian Government's war policy, one of their leaders, Bissolati, entering the coalition cabinet of 1915.

Anti-war Agitation and Peace Aims of Labour After 1916. Two years of disillusioning warfare brought serious divisions in the ranks of European socialists. In fact, as early as December, 1915, a minority group of German socialists "bolted" the majority and definitely organised itself in opposition to the Government. Similarly, increasing suspicion as to the genuineness of the professed motives of those responsible for the conduct of the war, along with the inevitable effect of prolonged economic privation and human suffering, led to the emergence of alarming "defeatist" movements in France and Italy. On the initiative of the Socialist party of the latter country, a conference of radical dissenters from existing governmental policy, attended by delegates from France, Italy, Germany, and a number of other countries, had met at Zimmerwald, Switzerland, in September, 1915.[1] It was followed by another conference of similar character at Kienthal in the spring of 1916. The next year brought the shattering repercussions of the upheaval in Russia, which tended to intensify anti-war agitation everywhere in Europe. Again, this time on the invitation of Dutch and Scandinavian labour, socialists from both belligerent and neutral states tried to hold a conference on peace aims at Stockholm in the summer of 1917; but the effort met with dismal failure because both the French and the British Governments declined to issue passports to delegations from their respective countries.[2] Various socialist delegations that succeeded in getting to Stockholm held a number of informal meetings, the upshot of which once more showed a marked lack of unity in the aims and aspirations of national socialist groups.

But the year 1918 witnessed the formulation of a definite inter-Allied labour policy with reference to the conditions that should determine the peace settlement. This development was stimulated by the persistent refusal of the Entente Governments to give heed to the revolutionary peace formula flung out from Russia: "No

[1] Passports were refused by the British Government to representatives of the British Socialist and Independent Labor parties desirous of attending this conference.

[2] In consequence, Mr. Arthur Henderson resigned from the British War Cabinet, though Mr. G. N. Barnes, another labour leader, took the former's place.

annexations, no indemnities." In February, an International Labour Conference, meeting at London and representing most of the Allied nations, including groups of Czechoslovaks, Poles, and Jugoslavs, approved and adopted a British memorandum on war aims previously drawn up in December. This famous manifesto called for the abolition of imperialism, for international action to prevent unemployment, for universal free trade, for the open door, and for the return or exchange of colonies so as not to interfere with the peace of the world, and proposed the establishment of a League of Nations, with machinery for the arbitration of all international disputes.[1] Later, in September, another similar conference of labour and socialist groups, likewise in session at London, urged their governments to issue a joint declaration of revised war objectives.

While in all this fermentation of ideas British labour played a leading rôle, it was ably seconded by French. Across the Channel the anti-war section of the C. G. T. had become the majority in the Congress that met in July, 1918. Furthermore, the advent of Clemenceau and the abandonment of coalition in the make-up of the Government made the socialist position one of unequivocal hostility. Both groups in the C. G. T. felt they saw in the Wilsonian peace program an opportunity to achieve a mild peace based upon idealistic justice; but they grew increasingly skeptical about the sincerity of their own Government's promise to support the "Fourteen Points."

In Germany, moreover, the Majority Socialists became by 1916 more and more critical of the Imperial Government's intentions. After the Russian revolutions, they proclaimed a new set of war aims built around the maintenance of the territorial *status quo*, as modified, however, by the granting of independence to Ireland, Egypt, India, Morocco, Tripoli, and Finland. But it was not until the Imperial régime began to totter that German labour was able to assume a commanding position in German politics, and by that time the Entente was in no mood to consider a negotiated peace on terms acceptable to the German Social Democrats.

When the Paris Peace Conference met in January, 1919, practically the whole of organised labour found itself in sharp opposition to existing Allied Governments. Thus the make-up of the

[1] For the text of this Memorandum see the *Labour Year Book* for 1919, pp. 29-39.

Conference included few *official* labour representatives. But in an indirect sense, organised workers had much to do with mitigating a little of the harshness of the peace treaties, and with making possible the birth of the League of Nations and the creation of the International Labour Organisation.

European Trade-unionism: Growth and Retrogression. To any one who has thoughtfully pondered the significance of the subject-matter of the chapters on industry and trade during and since the war, the statement that European trade-unionism experienced a phenomenal growth from 1914 to 1921 should bring little surprise. By the opening of 1920, the total number of enrolled trade-unionists in the world exceeded 41,000,000, and of this total eighty-two per cent., or about 34,000,000 belonged to European countries. The crest of this wave of expansion in membership was reached about the middle of 1920; by the next year a retrograde movement, caused chiefly by the severe trade depression, set in. The following figures show the numerical strength of trade-unionism for the period 1913-1919-1921: [1]

Country	*1913*	*1919*	*1921*	
Great Britain	4,173,000	8,024,000	8,024,000	1919
France	1,027,000	2,500,000	2,500,000	figures
Germany	4,513,000	11,900,000	13,000,000	
Italy	972,000	1,800,000	3,627,000	
Czechoslovakia ..		1,301,000	2,000,000	
Russia		3,629,000	5,220,000	

In addition to this remarkable growth in numbers, trade-unionism in most European countries underwent equally important changes in scope,—particularly in relation to agricultural and non-manual workers,—in organisation, and in political aspirations. All of these matters merit attention.

British Trade-Unionism Since 1914. The first effect of the "industrial truce" proclaimed in England at the outbreak of the war was a temporary setback to the whole British labour movement. The enormous development of the munitions industry gave rise to problems affecting the status of the unions which it took much time and conscious effort to adjust. However, the unions of metal-workers soon were able greatly to increase their membership, the Amalgamated Society of Engineers growing from 161,000

[1] *Monthly Labour Review*, U. S. Dept. of Labour, Jan., 1922. These figures are only approximations.

members in 1913 to almost 300,000 in 1918. The "dilution" of skilled labour with large contingents of unskilled workers, moreover, stimulated the development of "general workers'" unions, which, by 1920, contained as much as thirty per cent. of the total strength of British trade-unionism. During the later years of the war, nearly all the unions seeking general labourers became affiliated with the National Federation of General Workers. This organisation grew to be the largest labour federation in Great Britain in point of affiliated membership.

Similarly, for reasons already explained, organised labour made noteworthy inroads into rural England. In 1914, the National Agricultural Labourers' Union and the agricultural section of the General Workers' Union had less than 20,000 adherents; six years later their ranks were swollen to well over 300,000. In other words, the influence of intensive food production and the inadequate minimum wage established during the war drove between one-third and one-half of the total number of men employed for wages in agriculture into the ranks of trade-unionism. Seemingly insuperable difficulties arising from the geographical dispersion of farm workers and their tendency to seek other and more lucrative callings were overcome by union organisers who scoured rural Britain. It is graphically related how they not only visited the public houses in search of recruits for the unions, but "entered the private domains of Royalty. . . . In 1917 they boldly entered the gates of Windsor Castle and drew up an agreement signed by a Court functionary which gave the men working in the Royal park and farm an increase of 10s. a week. Here, every man, excepting two old men, joined the union." [1] No body of English workers was ever organised so rapidly. For the moment, moreover, they took on enough class-consciousness to stand behind the railway workers in the great railway strike of 1919. That operating farmers, also, made great strides in the direction of organisation is shown by the growth of the National Farmers' Union to a membership of 100,000 by the end of the war.

Agricultural unionism, however, suffered a discouraging decline in strength during the post-war period. Its ranks were reduced to 150,000 by 1921 and to less than 100,000 in the following year. Unless some gigantic scheme of land nationisation can be put into

[1] F. E. Green, *History of the English Agricultural Labourer* (London, 1920), 262.

effect, it is at least doubtful whether the National Union of Agricultural Workers and similar bodies will be able to recover their strong war-time position.

Even more striking than the advances made by rural unionism was the extraordinary spread of organisation among what is known in England as the "black-coated proletariat." It was this class, the middle and lower bourgeoisie, that had been least organisable before 1914. Its outlook remained essentially middle-class and its inclinations were rather individualistic than corporate. But nearly five years of mounting living costs and shrinking incomes brought 750,000 of this *salariat* into strong organisations, many of which are tending to develop working-class sympathies in place of a narrow professionalism. These non-manual associations include thousands of clerks, shop assistants, bank and commercial employees, industrial technicians, teachers, actors, and the lower and middle ranks of civil servants. The various teachers' organisations, headed by the powerful National Union of Teachers with a membership of over 100,000, are now virtually trade-unions in their outlook and tactics; others, like the British Medical Association, remain essentially professional bodies organised to defend their claims under the National Insurance Acts, or to draw up codes of rules governing the exercise of the professions concerned.[1] In 1920 the National Federation of Professional, Technical, Administrative, and Supervisory Workers was formed—an organisation that brought together as many as 300,000 members of scattered associations of this character. Naturally enough, many of the rank and file of the trade-union movement are still inclined to regard the professional workers, technicians, foremen, and supervisors, in spite of the fact that they are coming to be organised increasingly along trade-union lines, as their "natural enemies;" but this antipathy seems destined to die out in the course of time.[2]

British trade-unionism reached the peak of its strength in 1920 when the total membership of the 215 unions affiliated with the

[1] The National Insurance Act of 1911 had put a large number of professional men, like the "panel doctors," into employment by state and local authorities.

[2] *Cf.* Cole, *Organised Labour*, 103. For a careful account of the development of typical organisations of non-manual workers in the countries of western Europe, see William MacDonald, *The Intellectual Worker and his Work* (New York, 1924), chaps. 12 and 13.

Trade-Unions Congress exceeded 6,500,000. Sixty per cent. of the adult male manual workers of the country, and twelve per cent. of its entire population, were contained within this powerful group of unions. Proportionately, this was a larger membership than in any other country on earth. Geographically, its strength was greatest in Lancashire, the West Riding of Yorkshire, the northeast coast of England, the industrial belt of Scotland, South Wales, the Midlands, and London. The dominant force in the movement was then the "Triple Industrial Alliance," formed in 1916, with a million and a half members, to secure joint action by the Miners' Federation, the National Union of Railwaymen, and the Transport Workers' Federation. While the emergence of such a pronounced tendency toward "one big union" created somewhat of a sensation at the time, the dramatic attempts of the Alliance to apply the new solidarity in strikes involving more than one industry met with signal failure in 1920-21. In the spring of the latter year occurred the famous "Black Friday" episode, when a general strike of the whole Alliance was called. But the railwaymen and transport workers refused at the eleventh hour to support the miners, who were left alone. This failure virtually spelled the doom of the Triple Alliance. Real solidarity in action, comments Mr. G. D. H. Cole in reference to this incident, involves effective control. "Unions sometimes seem to want both freedom of separate action and effective co-ordination of control. In fact, they cannot have both." [1]

Following, and partly as a consequence of this discouraging defeat, trade-union strength in Great Britain steadily dwindled. By 1923 the aggregate number enrolled in the unions affiliated with the Trades-Union Congress fell to less than 4,500,000. Since then, signs of a slight revival have been in evidence, but these can best be evaluated in connection with the political side of the British labour movement.[2]

Present-Day Structure of British Trade-Unionism. Recent years have brought a number of significant changes in British trade-union structure and government. First of all, there has been a steady trend toward the amalgamation of small unions into large and powerful bodies. An act passed in 1917 permits the fusion of two or more unions, provided the proposal for fusion secures at least a twenty per cent. majority of union members

[1] Cole, *op. cit.*, 46.

[2] See pp. 764-69.

voting on it, and provided, further, fifty per cent. of the total membership cast ballots.[1] Between 1918 and 1924 consolidation proceeded so rapidly that by the latter year almost half of the total number of British trade-unionists was to be found in ten big unions, each with more than 100,000 members. Stated somewhat differently, nine-tenths of the total membership was concentrated in less than one-sixteenth of the total number of unions. According to Mr. Cole, not more than 100 unions actually exercise any effective influence in the work of the labour movement as a whole.[2] Amalgamation, however, is still far from reaching the limit of its possibilities. This was clearly indicated by the fact that in 1922 as many as fifty unions were parties to the negotiation of a comprehensive agreement for the engineering industry following the lock-out of that year.

In the second place, industrial unionism has gained at the expense of the older craft type since the war. This is especially true in the mining and railway industries, where large bodies of unskilled workers are employed. A third type of organisation, known as "employment" unionism, has made its appearance here and there in the British labour world. It follows the general lines of employers' organisations and often cuts right across "union by industry," as, for example, in the unions of municipal and co-operative employees. Employment unionism, however, seems less likely to attain wide development than that based upon the single industry in all its vertical stages.

Thirdly, the constitutional powers of the Trades-Union Congress, with which four-fifths of British trade-unionists are affiliated, have been appreciably increased.[3] While this body, as Mr. and Mrs. Webb so lucidly explain, is still "rather a parade of Trade Union forces than a genuine Parliament of Labour," its ineffective Parliamentary Committee has been replaced by a General Council, which, since 1921, has met monthly, and which at least approaches in authority a central executive. In 1920, moreover, the Congress gained prestige as the accepted spokesman for the whole British labour phalanx by successfully threatening a general strike to prevent the Lloyd George government from involving Britain in the Russo-Polish War then in progress. In

[1] Before 1917 a two-thirds majority of the whole membership was necessary.
[2] *Op. cit.*, 23.
[3] There is a Scottish Trades-Union Congress, with 250,000 members, and one in Ireland, with 200,000.

a different sphere of action, the Congress has also been successful in dealing with a considerable number of jurisdictional disputes between rival member unions, though its authority in this respect, according to most observers, remains woefully inadequate. "The Trade Union Movement has not yet evolved anything in the nature of Cabinet Government, based upon unity of policy among the chief administrators, nor do we see any approach to the Party System, which in our national politics alone makes Cabinet Government possible." [1]

The fact is that as fusion and expansion in membership have increased the size of the unions, the general problem of democracy in large-scale government besets the labour movement. Loss of direct contact between union officials and the rank and file may, on the one side, permit the emergence of the organic evils of bureaucracy; excessive local autonomy and lack of co-ordinated control tend, on the other, to disturb the unity of the movement in policy and in action. Democracy in industry, as will be apparent later on, is faced with most of the same perplexing problems that lie in the path of achieving efficient political government under conditions of genuine popular control.

The British Labour Party in Opposition. On its political side, the British labour movement since 1918 has had a truly phenomenal development. From a party that enjoyed virtually no national existence during the early part of the war, that was divided into two opposing sections on the issue of the war, it became in five short years the official parliamentary Opposition to His Majesty's Government, and a year later, by a characteristically peaceful transition, it became His Majesty's Government itself.

As early as June, 1918, the Labour Party, in official conference, voted decisively that "the existence of the political truce should no longer be recognised." Henceforth, the party was free to contest by-elections in the country and to criticise the Coalition in the House of Commons, although the Labour members of the Cabinet did not then resign.[2] This same conference adopted the party's reconstruction policy, which was widely published in the form of a celebrated pamphlet entitled *Labour and the New Social Order*. In its essence, this manifesto outlined "a deliberately thought out, systematic, and comprehensive plan for that imme-

[1] S. and B. Webb, *History of Trade Unionism* (1920 ed.), 592.
[2] Mr. J. R. Clynes, for example, remained Food Controller until 1918.

diate social rebuilding which any ministry, whether or not it desires to grapple with the problem, will be driven to undertake." Genuine social reconstruction, according to Labour's platform makers, depended upon four indispensable conditions: (1) the universal enforcement of a national minimum standard of life, whereby every member of the community might be assured of "all the requisites of healthy life and worthy citizenship" by improving and extending social legislation dealing with labour in factories and mines and transportation, with housing and public health, with education, and with unemployment; (2) the democratic control of industry involving the immediate nationalisation of railways, mines, and the production of electrical power under a system of administration that would allow workers both by hand and by brain effective participation in management; (3) a system of taxation that would not encroach "on the prescribed national minimum standard of life of any family whatsoever," but would produce sufficient revenue mainly by a liberal utilisation of direct levies on incomes above the cost of family maintenance, and particularly, for the purpose of wiping out the gigantic war debt, on private fortunes in excess of specified amounts; and (4) the appropriation of the surplus derived from nationalisation and taxation for the common good. It will be seen that these proposals, far from being revolutionary in character, looked merely toward "socialisation by degree" through constitutional channels.

As a matter of fact, the scope of the party was deliberately broadened in 1918 to include producers by brain as well as by hand. "Intellectual" recruits—many of them from the Independent Labour Party—were admitted to the ranks of the parliamentary labour fold. Accordingly, the enlarged party assumed a less and less purely trade-unionist complexion. In nearly every constituency, a local labour party was organised to unite trade-union branches in the trades councils with socialist societies. These local parties took over most of the electrical work previously performed by the trades councils. Party funds were to be obtained from all affiliated unions, which paid fees partly to the National Labour Party, partly to the local party, and partly to the financing of candidates in the constituencies.[1]

[1] Incidentally, one of the unfortunate by-products of this system of party financing has been to restrict the field of choice for candidates mainly to trade-union officers and men able to underwrite their own campaigns.

Labour's steady growth in electoral strength is convincingly attested by election returns since 1918. Following its definite withdrawal from the Coalition Government in November, 1918, the party entered the "khaki" election of December with united ranks. In addition to the domestic policies outlined above, it proposed in its "Call to the People" a peace of conciliation, self-determination for Ireland and India, land nationalisation and complete adult suffrage. The result of the campaign, in which Labour contested 361 seats, was the return of 57 Labour members to the House of Commons and a Labour popular vote that mounted to 2,245,000, which was almost five times as large as the highest pre-war total. The "Hang the Kaiser" and "Make Germany Pay" slogans, however, stimulated the creation of so much hysteria in an electorate swollen by the first appearance of 8,000,000 new voters, chiefly women, that Ramsay MacDonald, Philip Snowden, and other anti-war Labourites failed of election. The nation went "Unionist" and the Lloyd Georgian Coalition enjoyed an overwhelming triumph. But economic distress, with its concomitant outbreak of industrial disputes from 1919 to 1921, tended to undermine the supposedly impregnable position of the Government and give great impetus to the political labour movement. In 1921 the Labour Party Conference and Trades-Union Congress adopted a co-ordination scheme to facilitate unity of policy and action throughout the movement. First, this scheme set up a National Joint Council, consisting of five representatives of the General Council of the Trades-Union Congress, five of the Executive Committee of the Labour Party, and five Labour members of the House of Commons; secondly, it established joint departments for (1) research and information, (2) press and publicity, and (3) international affairs. This important step served to strengthen immensely the discipline and collective intelligence of labour as a political instrument.

A striking series of Labour victories in numerous by-elections put the party into a militant mood for the general election of November, 1922, out of which it emerged with 144 seats in Parliament, or nearly thirty more than were won by the old Liberal Party. Labour candidates standing in 414 constituencies polled a sweeping popular vote of over 4,200,000. While marked advances in strength were made in all the industrial districts, the high tide of the wave toward Labour was in Scotland, Yorkshire, and on

the northeast coast of England. Its "pacifist" members were this time victoriously returned to Westminster, and Ramsay MacDonald was immediately chosen by his followers as leader of the official Opposition to the new Conservative Government of Mr. Bonar Law. The following March this Opposition dared challenge, by open motion in the House, the whole existing economic and social order, and declared that when it became the Government of Britain it would attempt by progressive legislative action to replace the capitalist system with a co-operative commonwealth. Behind this notable resolution, moreover, stood a seemingly solid phalanx of four million voters in the country.

British Labour as Britain's Government. It was the sudden and ill-advised decision of Prime Minister Baldwin, in December, 1923, to appeal to the country for a definite mandate on protection and Imperial preference that gave Labour its first opportunity to form a Government. To be sure, twelve months of a so-called "tranquillity" policy amidst acute economic discontent had generated widespread sullenness among the working and middle classes. But more than anything else, it was the "dear food" cry that made possible an enthusiastic and whole-hearted co-operation of Liberals and Labourites in the constituencies. In this instance, quite in contrast to what had happened in the election of 1922, the triangular contests worked to the advantage of the Labour candidates. While no considerable overturn in popular votes took place, Labour succeeded in polling approximately thirty-one per cent. of the total and in returning 192 members to Parliament. With the 158 seats won by the Liberals, it held a clear majority over the Conservatives. Yet neither the Labour nor the Liberal Leaders were disposed to favour forming an open coalition of the two parties. How was this constitutional tangle, unprecedented in modern British parliamentary history, to be resolved? In true British fashion, it was met by the formation of a Labour Government under Mr. MacDonald, a man who less than six years before had suffered general ostracism by British opinion because of his pacifist convictions. Here was a Cabinet, clearly in a minority in the House, whose lease of life would depend upon the sufferance of Liberal members. But the veteran Labour spokesmen—MacDonald, Snowden, and Sidney Webb—decided to run the risk of incurring the disillusionment of their rank and file rather than lose the chance to show the country that Labour could really govern

and that its policies were based upon the orderly processes of constitutional change. They wanted especially to prove groundless the momentary alarms spread across the front page of the bourgeois press.

The MacDonald Cabinet, containing almost as many men of "intellectualist" background as of trade-union affiliations, remained in office a little less than a year. Strangely enough, its most outstanding achievements were in the domain of international affairs, where Mr. MacDonald was strikingly instrumental in securing the acceptance of the Dawes Reparations plan and in sponsoring, along with M. Herriot, the Radical-Socialist Prime Minister of France, the League of Nations Protocol for Arbitration, Security, and Disarmament, later to be rejected, however, by MacDonald's successor at the British Foreign Office. Fair-minded observers are agreed that Mr. MacDonald proved the ablest foreign minister Britain had had since the dawn of the twentieth century; it is certain that he did more in a brief ten months to minimize nationalist rancours and create good will in Europe than all his predecessors since the Armistice.

In the domestic sphere, his Government's record was only half-completed when it was precipitated from office. As most of that record has already been examined in other connections, it need not be recounted here. Suffice it to say that the party could not press forward in Parliament any of its larger socialisation schemes. On the contrary, it was obliged to confine its working programme to a free trade budget, a moderate housing charter, a piece-meal unemployment policy, and extensions in the existing system of social insurance. All these measures were, in essence, only a continuation of advanced Liberalism.

The Liberal party, however, refused to follow MacDonald in his plan for the restoration of full diplomatic and commercial relations with Soviet Russia. Upon the pretext of a suspended prosecution of a Communist editor, the Conservatives joined the Liberals in a vote of censure on October 8, and the Prime Minister, apparently against the advice of a section of his own Cabinet, decided to dissolve the House. In the election that followed, an emotional stampede swept the Conservatives back into power and reduced Labour's parliamentary strength to 152 seats, although its popular vote, larger than ever, showed a gain of about a million, the total reaching nearly 5,500,000. The bogey of Bolshevism,

aided by the mysterious and sudden appearance of the "Zinoviev letter," seemed to be the principal cause of Labour's defeat.[1] But unless all signs fail, this defeat will prove only a temporary setback. Reduced to a paltry forty seats, the Liberal Party appears to be in the process either of complete disintegration or of being definitively relegated to the status of a minor party.[2] It would seem to be a question of only a few years until the political labour movement will be strong enough to return to power as a majority instead of a minority Government, unless, what is rather unlikely to happen, the extremist elements in the party openly revolt against the leadership of the "right wing" moderates and split the party.

Recent Anti-Political Radicalism in Great Britain. In the aggregate, the British Labour party is probably the most conservative of all the labour groups in contemporary Europe. While it is true that the Independent Labourites, from whom the party draws much of its intellectual leadership, have openly espoused socialism as a doctrine and as a system, they have clung to parliamentary government as the best, though not the only, method for furthering its adoption. Repeatedly, since the war, annual conferences of the Labour Party have refused to permit communists to stand for Parliament or run for any local office under the Labour banner.[3] In fact, there is nothing to suggest that the typical British workingman of to-day is much more inclined to flirt with doctrinaire radicalism than before 1914. But a full-rounded picture of the recent tendencies of British workers demands that special attention be given to the recent rise of certain dissentient groups proposing *anti-political* action against the forces of the established capitalist order.

The first phase of the anti-political movement developed among the miners of South Wales under the energetic leadership of Tom

[1] This communication, purporting to come from the Executive of the Communist International at Moscow, was an appeal to the British Communist Party to stir the working masses in Britain to revolutionary action against the existing social order.

[2] At the time of writing (autumn of 1925), Mr. Lloyd George was inaugurating a campaign to rejuvenate the Liberal Party on the issue of land nationalisation as outlined in Chap. XXVI.

[3] In 1924, at the London Conference of the Labour Party, affiliation with the Communist Party was rejected by a vote of 3,185,000 to 193,000; again, at Liverpool in September, 1925, Labour refused to admit Communists by the overwhelming vote of 2,954,000 to 321,000.

Mann. During the acute industrial unrest immediately preceding the outbreak of the war, a wave of syndicalism, fashioned somewhat on the French model, swept over the workers in the Welsh mines. Mass strikes were instigated by their militant leaders looking toward "direct action" by which workers' control over industry was to be won. The tenets of this new revolutionary philosophy were graphically explained in Tom Mann's *The Miners' Next Step,* a syndicalist brochure which attained wide circulation among certain groups of trade-unionists in 1911-13. While this outburst of syndicalist agitation soon largely subsided, it gave birth to two other movements closely related to it in purpose and tactics. The first may be called, for want of a better name, industrial unionism. It was this that paved the way for the formation in 1916 of the Triple Alliance, to which we have already had occasion to refer. Here the "one big union" idea, akin to American "I. W. W. ism," was dominant. By a process of internal agitation, existing unions were to be fused into a single all-inclusive industrial unit that could take over the operation of production and thereby dispense with the institutions of political government. As we have seen, industrial unionism did make appreciable headway during and after the war; but the ultimate anti-political objective of these Marxian propagandists made little favourable appeal to British trade-unionists generally.

The second movement engendered by the pre-war syndicalist flare-up in South Wales had at once a more subtle and a more widespread influence upon British labour thought and action. This was guild-socialism. Aptly characterised as "a half-way house between socialism and syndicalism," the philosophy of guild-socialism was developed mainly by a group of brilliant intellectuals in sympathy with the larger aspirations of organised labour in the hope of reconciling the existence of unavoidable political authority with workers' control of industry. Two books appearing just before the war contain the original proposals of the guild-socialists: one of these was S. G. Hobson's *National Guilds,* the other, G. D. H. Cole's *The World of Labour.* Apart from differences of detail, these two writers were agreed in suggesting that the political state was unfit to take charge of large-scale industrial enterprise because of the inherent evils of political bureaucracy. They ingeniously proposed, therefore, that the community should be divided, so to speak, into two distinct "states": (1) the in-

dustrial, in which production should be controlled and operated by a series of workers' guilds centering a national guild congress; and (2) the political, whose sphere of action and control should be reduced to matters affecting the consuming population generally, such as education, justice, and foreign affairs. In other words, the theory of guild-socialism holds that human personality can be dissected into a series of functions, each of which ought to be self-governing. "The State should own the means of production; the guild should control the work of production." [1] The guilds were to emerge from existing trade-unions of the industrial type, including brain as well as manual workers. The workshop was to replace the locality as the primary unit of organisation, and local guilds were to be federated regionally and nationally. At the top of this hierarchical structure, where was final control to be lodged? On this point, the guild-socialist school differed, Mr. Hobson believing in the ultimate sovereignty of the political state over the guilds, Mr. Cole insisting that final control must come in a co-ordinating body representing both the organised producers and the organised consumers. In subsequent writings, however, Mr. Cole envisaged the formation of various communal guilds to take over social services, like education and public health, which are now handled by local governmental institutions.[2] As matter of fact, one finds it exceedingly difficult to understand precisely what would be the position of the political state in a guild-socialist scheme of social organisation.

Aside from its contribution to social theory, the practical value of the guild-socialist movement lay mainly in its emphasis upon the need of organising production so as to make the personality of the wage-earner and salaried worker significant in the process. In 1915 a National Guilds League was established as a propagandist body, whose aim it was to bring about an eventual reorganisation of the trade-union world so as to give the workers effective participation in the control of industry. Schemes for union amalgamation along industrial lines were pressed to the fore, although the Guild-Socialists never exerted as much actual influence upon the fusion movement as did the Industrial Unionists. After the Russian Revolution of 1917, the former split into

[1] G. D. H. Cole, *Self-Government in Industry* (London, 1917), 109.
[2] Cf. especially his *Guild Socialism Restated* (London, 1920), and *Social Theory* (New York, 1920).

two groups: one, the "left wing," going bodily into the Communist camp; the other, more moderate in method and aspiration, concentrating its attention upon building guilds' experiments, which, as we have already seen, have not as yet reached more than an ephemeral development.[1] Indirectly, however, the guild-socialist movement has markedly stimulated the demand for workers' control reflected in the trade-unionist proposals of recent years for nationalisation of the mines and of the railways.

In the sphere of workshop organisation, moreover, guild-socialist agitation, combined with the temporary suspension during the war of trade-union practices and rules, gave rise to another exceedingly significant development in the form of the shop stewards' movement. In a certain sense, this movement may almost be said to have affected the whole European labour world. In Great Britain, "as the engineering and kindred industries were gradually adapted to the mass production of munitions of war," the workers keenly felt the need of an organised channel through which they might articulately voice their grievances and formulate their point of view on the vexing questions of management and working conditions that were constantly emerging.[2] After the Clyde strike of 1915, workers' committees sprang up to represent, unofficially if not officially, all the engineering shops in the district. It was chiefly the younger generation of trade-unionists, some of them Guild-Socialists, others Communists, that furnished the dynamics for the creation of these committees, which gradually spread throughout industrial Britain. They were, in other words, the consequence of a fermentation set in motion by a militant minority; at the outset, moreover, they had no constitutional relation to the official trade-union organisation. Later, in 1917, attempts were made to "constitutionalise" the movement, but the most ambitious of them, an agreement between the Engineering Employers' Federation and the Engineering Trades-Unions for the recognition of shop stewards and their participation in the determination of workshop questions, was never finally ratified. The hope entertained by the "left wing" militants of establishing a new form

[1] Cf. G. D. H. Cole, "A Final Word on the Building Guilds," *Labour Age*, Feb., 1922, and "The Guild Movement in Great Britain," *Internat. Lab. Rev.*, Aug., 1922.

[2] G. D. H. Cole, *Workshop Organisation* (London and New York, 1923), 28. This book gives a comprehensive analysis of the development of the shop steward movement.

of industrially unified labour organisation that could and would replace the traditional type of British trade-union was not realised. The shop steward movement "remained a 'ginger' organisation within the Trade Union movement, and led to no break away from its ranks."[1] After the disappearance of the abnormal conditions of the war period, the "unofficial" workers' committees rapidly disintegrated; although the shop stewards themselves remained as important additions to official trade-union machinery. The scattered remnants of the unofficial shop stewards' movement aligned themselves by 1920 with the newly formed British Communist Party and became openly revolutionary in purpose and tactics. It is highly probable, however, that the achievement of anything like effective democracy in British industry will in large measure depend upon the elaboration and extension of experiments in workshop organisation similar to those made during the war period. But before very much progress can be made toward this goal, prosperity will, in part at least, have to return to Britain.

In this connection, mention must be made of the British Government's war-time effort to foster better relations between employers and employees by the establishment of so-called Joint Industrial Councils. Recognising the vital importance of securing the full co-operation of the trade-unions in the industries mobilised for war purposes, the Government as a part of its general reconstruction plans, set up in 1916 the Whitley Committee, which urgently recommended that each industry organise councils in which employers and workers would have equal representation.[2] These councils, according to the first report of the Committee approved by the Cabinet in the autumn of 1917, were designed to satisfy the current demand for workers' control. In actual fact, only the relatively unorganised industries took the Government's proposals seriously, and the joint councils which were actually established in 1918 and thereafter served merely the modest purpose of formal negotiating machinery on a national scale in certain branches of industry.[3] Neither organised employees nor organised labour, though for opposite reasons, was inclined to favour this form of joint industrial machinery. It has been only in certain branches

[1] G. D. H. Cole, *Workshop Organisation* (London and New York, 1923), 37.
[2] Mr. Speaker Whitley was the chairman of the committee.
[3] The *Labour Year Book* for 1925 lists (pp. 96-97) some 73 Joint Industrial Councils formed between Nov., 1918, and July, 1921, on the basis of the Whitley Report; nearly 20 of them have since ceased to function.

of government employment, where Civil Service Whitley Councils were established in 1919, that the Whitley scheme has given promise of real utility or permanent success.

The Disruption of French Labour Unity. As in England, war-time conditions in France had the effect of enormously expanding the strength of organised labour. In 1913 the *Confédération générale du Travail* could muster but 400,000 enrolled members. Seven years later its membership approximated 2,400,000, a growth of 600 per cent. Closely allied with it were the *Fédération des Fonctionnaires* (Federation of Civil Servants), with 300,000 members, and the *Union syndicale des Ingenieurs et Techniciens de l'Industrie, du Commerce, et de l'Agriculture,* with eleven regional sections and six divisions. The spread of organisation among non-manual workers led also to the establishment shortly after the war of two federations representing nearly every intellectual occupation in France, notably dramatic and musical art, education, letters, the press, the liberal professions, pure and applied science, and commercial and industrial technicians. These federations were (1) *Les Compagnons de l'Intelligence,* founded in 1919 with 3,000 members, and (2) the *Confédération des Travailleurs intéllectuels,* organised a year later with about 185,000 members. France, in fact, has taken the lead among all European countries in the formation of national organisations of brain workers.[1] In the C. G. T., the leading federations in 1920 included the following: [2]

Federation	*Local Unions*	*Members*
Transport workers	468	237,500
Building trades	270	184,000
Textile workers	72	30,000
Metal workers	258	
Publishing industry	116	12,000

The only field of labour which did not experience marked growth in organisation was agriculture, where the total membership of the agricultural *syndicats* increased only about 50,000 during the period 1914-20, giving an aggregate strength of 1,083,000 in 1920.[3]

The year 1920 marked the high tide of the numerical expansion of the French Syndicalist movement. In May of that year, the

[1] It is conservatively estimated that organisations of this character in western Europe contain a total membership approaching 2,000,000. Cf. Mac Donald, *op. cit.*, 299 ff.

[2] J. Lescure, "Le Mouvement ouvrier," *Revue d'Econ. pol.*, March, 1920.

[3] *Internat. Rev. Agr. Econ.*, Sept., 1922.

C. G. T., under the pressure of the extremist element among the railway workers, reluctantly gave the order for a general strike, into which the working-class was plunged without sufficient preparation. "The railwaymen were to go out on May 1; the C. G. T. would declare dockers, sailors, and miners on strike from May 3rd; and the rest of the workers of the country were to remain at work. The intention was that while the railway-strike stopped the transport of food, and the sailors and dockers prevented provisions and other commodities from leaving the ports, the rest of the workers should continue to work in order to consume as much as possible and thereby to diminish the stocks of food and other necessities as rapidly as possible."[1] But the young left-wing leaders who had forced the older and more moderate officers of the C. G. T., like Jouhaux and Dumoulin, into the strike, had failed to count on the fierce resistance of the bourgeoisie on the one side, and on the defection of considerable groups of organised workers from the execution of the strike programme on the other. Not only did this ambitious attempt at "direct action" end in egregious failure, but the determined attitude of the Millerand Government in the presence of the threatened tie-up of the country's economic life menaced the whole syndicalist movement with disruption. Many of the strike leaders were imprisoned, and the C. G. T. lost prestige with the working masses of the country to such an extent that its membership dwindled from over 2,000,000 (at the Congress of Lyons in 1919) to approximately 1,000,000 (at the Congress of Orleans in 1920). The anti-revolutionary "yellow" *syndicats*, moreover, showed a notable increase both in numbers and in influence among the more conservative workingmen.

It was an open secret that a spirited struggle between moderates and sympathisers with the Moscow International was in progress for control of the French syndicalist movement. After the Armistice, the C. G. T., as the dominant force representative of the economic side of the French labour movement, had, as it were, refined its former exclusively "direct actionist" programme by the formation of a "new technique," which took account, for the first time, of the repeated charge brought against syndicalism that it did not look beyond the militant general strike to the technical adminis-

[1] B. G. de Montgomery, *British and Continental Labour Policy* (London, 1922), 57.

tration of industry by the workers, once "direct action" had achieved success.[1] Sobered by the war and its depressing aftermath, the directing officials of the *Confédération* proceeded to work out an elaborate plan for the reconstruction of society through economic self-government as a necessary prelude to any wholesale abolition of the wage-system. At the Lyons Congress held in September, 1919, resolutions were adopted calling for the nationalisation of all the means of transport, the mines, water-power, and the large institutions of credit, with joint control of each by the producers and consumers. Here may be detected signs of the partial doctrinal rapprochement of orthodox syndicalism and state socialism which was taking place in France, as well as elsewhere in western Continental Europe, during the first years following the war. A system of economic councils in the departments, centering in a National Economic Council, on each of which members of the C. G. T. and the *syndicats* were to be represented, was envisaged as the means of bringing into intimate collaboration all the active elements in the productive process; not only the manual workers, but the technicians, organised in their "U. S. T. I. C. A.," the consumers, represented by the *Fédération nationale des Coopératives*, and the civil servants, as associated in the *Fédération des Fonctionnaires*. In line with this obviously complex and opportunist programme, a National Economic Council was actually inaugurated by the C. G. T. in January, 1920, after it had refused to participate in a similar council, merely advisory in character, constituted by governmental decree in August of the previous year.[2] This Council created by the C. G. T. was administratively divided into nine sections dealing with such things as industrial production, finance and credit, agricultural production, social life, public education, and the distribution of wealth. During 1920, it drew up various reconstruction schemes based upon the principles outlined above; but it proved to be an abortive experiment which

[1] The new orientation of French Syndicalism is brilliantly diagnosed in Maxime Leroy's *Les Techniques nouvelles du Syndicalisme* (Paris, 1921).

[2] Early in 1925, the French Government instituted (by decree) another National Economic Council, representing (1) population and consumption, (2) labour, and (3) capital; the members are chosen by functional organisations selected from each of these categories by the Government. Like the one projected in 1919, this Council was given advisory powers only and was attached to the Prime Minister's Department. In the main, it was well received by French labour. Cf. R. Picard, "The German and French Economic Councils," *Internat. Labour Rev.*, June, 1925.

won substantial support neither from the French public at large nor from the revolutionary clique constantly growing more and more restive at the prospect of compromising with constitutional methods of reform.

To the setback received by the failure of the general strike of May was added the demoralising effect of the legal dissolution of the C. G. T. in October. During the course of the strike, the Government had taken proceedings to prosecute the officials of the organisation for infringement of the Act of 1884 "which limited the object of the syndicates and unions of professional syndicates exclusively to the study and defence of their economic, industrial, commercial, and agricultural interests."[1] Not only had the C. G. T. admitted lower-grade civil servants to its ranks, with the result that they conducted concerted agitation for higher salaries, but it had openly campaigned for political amnesty and against French intervention in Russia, besides organising a "political strike." On all these counts, in the eyes of the Government, the organisation was held to have violated the law to which it owed its corporate existence. The result was the "dissolution of the C. G. T. was ordered and a small fine inflicted on each of the trustees of the Confederation."[2] This action led to a drastic reconstruction of the labour organisation the following year by the expulsion from its fold of the Bolshevistic elements, which, after the Congress of Orleans, had created a Revolutionary Syndicalist Committee whose function it was to undermine the position of the "right wing" by a process of "boring from within." It organised communist nuclei wherever possible in the local unions and federations, and carried on ceaseless flirtation with Moscow. At the Lille Congress of the C. G. T., held in June, 1921, this "left wing" minority was able to secure 1,352 votes against the official 1,572. But this was not enough for control. Accordingly, the Revolutionaries called a congress of their own, which met in Paris in December "to save the unity of the C. G. T." This Congress, in which over 1,500 unions participated, called upon the National Executive Committee of the C. G. T. to cancel the expulsions it had decreed in September. This, however, the latter categorically

[1] de Montgomery, *op. cit.*, 58.

[2] *Ibid.*, 61. The C. G. T., in defiance of the action of the French Senate a few months before not to grant legal recognition to syndicates of state employees, had proceeded to organise precisely such syndicates. This, apparently, was the central grievance of the Government.

refused to do. The long-impending rupture in the ranks of French labour thereby became a reality.

The Situation of French Labour since 1921. At no time since the schism of 1921 has the French syndicalist movement presented a united front. The dissentients from the C. G. T. definitely organised themselves into a rival body which took the name of *Confédération générale du Travail unitaire*, in view of its goal of "unity"—a militant unity, to be sure, in diametrical opposition to the constructive reformist programme of the old C. G. T. This new organisation held its first annual conference at St. Etienne in June, 1922, when some 300 delegates represented between three and four hundred thousand members. Dissension, however, at once appeared. An anarchist-syndicalist group showed that it highly mistrusted the communistic aims of the majority by voting against affiliation with the Red International of Trade Unions at Moscow. This affiliation was nevertheless ratified by the new National Committee of the C. G. T. U. at its meeting in March, 1923, by a vote of 75 to 23. Internal divisions continued to weaken the position of the new organization, and by 1924 its total membership fell to 250,000.[1]

The C. G. T. rejected overtures made by its militant rival early in 1923 for reunion. The former decided that "the C. G. T. U. members should either return to the C. G. T. or disaffiliate [with the Red International] if a unity congress were to be convened." [2] The moderate leaders like Jouhaux and Dumoulin were unwilling to permit the trade-union movement to pass under the domination of the Communists. At the Paris Congress in January steps were taken, moreover, to bring about a greater degree of organic co-ordination in policy and action. It was decided, for instance, that the National Committee alone could in the future organise general strikes or strikes involving more than one industry, and that a new system of "progressive representation" of the member unions should be instituted as follows: one vote per a membership of 70 to 50; two votes for a membership from 51 to 100; three, for 101 to 250; five, for 501 to 1,000; and one additional vote for every 2,000 or fraction in excess of 1,000.[3] The policy of C. G. T. re-

[1] *Annuaire général* (1924), p. 87.
[2] *Labour International Year Book* (London, 1923), 91.
[3] Cf. Ch. Dulot, "The Present Position in the French Trade Union Movement," *Internat. Lab. Rev.*, May, 1923.

mains reformist in character, looking toward the systematic organisation of the processes of production after the necessary technical researches have moulded workable plans of administering such an organisation on the basis of workers' control, sound budgetary autonomy, and freedom from the interference of political bureaucracy. The organisation is an enthusiastic supporter of the League of Nations and the International Labour Office, and maintains close co-operation with the Amsterdam International of Trade-Unions. How its effective strength has been reduced is attested by the fact that out of 13,000,000 wage-earners and salaried employees in present-day France, probably not more than three-quarters of a million are enrolled in the ranks of the *Confédération.* In the face of the recent persistent attacks by French employers upon the eight-hour day and high wage standards, the resistance of French trade-unionism has accordingly been woefully weak.

There are two other minor groups of organised workers in France to which brief reference must be made. One is the Catholic trade-union movement, represented by the *Fédération française des Syndicats d'Employés catholiques,* with a membership of about 40,000, and by the *Confédération française des Travailleurs chrétiens,* which comprises twenty-three local and district associations and seven craft federations. The total strength of these organisations was estimated in 1923 to be approximately 125,000. Internationally, they are affiliated with the Christian Trade Union International at the Hague; domestically, their demands are concerned with the maintenance of the eight-hour day and of comprehensive national insurance for the workers. Organised on a frankly confessional basis, they make the claim of having the "exclusive" right to speak in defence of the French workers—a claim, of course, which is scorned by the more powerful C. G. T. and C. G. T. U.

The other minor group is represented by the *Conseil professionnel de Législation sociale et de Travail,* and may be characterised as the "Independent Trade Union Movement." The bulk of its adherents comes from the ranks of salaried employees, chiefly in banks and retail establishments, whose primary interest lies in the maintenance of an eight-hour day, a Saturday half-holiday, and co-partnership. With this end in view, the organisation mentioned above has proposed the creation of a hierarchy of joint

councils—local, district, and national—for the purpose of drawing up collective wage agreements and acting as agencies of conciliation in disputes between employees and employers. If such a programme deserves to be called syndicalism at all, it is obviously a mild, evolutionary variety.[1]

French Socialism in Politics since the War. An eminent Belgian Socialist, writing in 1925 about the vicissitudes of European socialism during the past decade, makes the following significant observation: "A kind of doctrinal amalgamation has gone on. . . . German socialism has become less doctrinaire, French socialism, under the influence of the Guesdists, has come closer to Marxism, the socialism of the Independent Labour Party has almost completely conquered the world of British Labour. No longer is there merely international unity of organisation among the parties which advocate social democracy; there is also a growing measure of unity in their programmes."[2] So far, at least, as French Socialist parties are concerned, the events of the past few years undoubtedly reveal a distinct rapprochement to the Marxist mould. As we have already seen, the overwhelming majority of the members of the Unified and Independent Socialist parties gave full support to the French Government's war policies until the last year or two of the conflict. Nevertheless, the effect of those long years of disillusionment was not only to undermine party discipline, but to reduce the enrolled membership of the Unified Socialist Party from over 90,000 to probably not more than one-third that number. Workingmen found it difficult to pay their party fees, and there was little incentive during war-time to think about grandiose social reforms. But the Armistice brought an upward movement in party strength, especially after the decision in February, 1920, to return to a policy of political "isolation." "The Party wishes to bear in mind," the resolution passed by the official Congress went on to say, "its solemn repudiation of any attempt at confusion or any other device threatening to veil class antagonism. Consequently, it emphatically repeats its intention to refuse, not only to participate in any *bourgeois* government, but also

[1] That it may not always remain thus may be inferred from the outbreak of a sustained strike of more than 15,000 bank clerks in Paris, Nantes, Bordeaux, and other cities in July, 1925.

[2] E. Vandervelde, "Ten Years of Socialism in Europe," *Foreign Affairs* (New York), July, 1925.

in any alliance conducive to the merging of its programme with that of other political parties."[1] The results of the elections of 1919, however, had been a severe disappointment to socialist hopes. The parliamentary strength of the Unified Socialists fell from 102 deputies to 68, although their popular vote was about 300,000 larger than in 1914. The newly formed National Republican Bloc profited heavily from the operation of the bizarre French electoral law of 1919 in a campaign in which old party lines were badly confused and in which war psychology swept thousands of voters into the fold of the conservative parties.[2] Moreover, the marked Catholic revival following the war reacted unfavourably for the radical parties of the Left, which were still associated, in the popular sense, with the old policy of "anti-clericalism."

Faced with the prospect of several years of Government by the "reactionary" *Bloc national,* the moderate and extreme Socialists came to a definite parting of the ways at the Tours Congress of December, 1920. On this occasion, Cachin (the editor of *L'Humanité*) and Frossard, who had been dispatched to investigate the situation in Soviet Russia, were able to round up a majority, by a vote of 3,208 to 1,022, for adherence to the Third International. It was on this issue that the split came, the extremists subsequently organising themselves as the French Communist Party. In the Chamber of Deputies, however, the Communists' voting strength was only thirteen, as against more than fifty for the "official" Socialist minority, which retained its old name and electoral programme. But outside Parliament, the Left Wing, led by Cachin and Frossard, appeared to dominate the socialist movement, for the enrolled membership of the Communists at the end of 1921 was estimated at approximately 130,000, while the Right Wing, whose chief leaders were Leon Blum and Jean Longuet, the latter a grandson of Karl Marx, could muster only about 50,000 adherents. The next year witnessed a sharp decline in Communist strength largely because of internal dissensions in their own ranks; a considerable number, among them Frossard, seemed "still unwilling to break with the traditions of the old

[1] *Report of the Congress* (at Strasbourg), p. 562, quoted in de Montgomery, *op. cit.* 30.

[2] If the number of Socialist seats had been proportional to the popular vote, the number would have been 131 instead of 68. Cf. Ogg, *The Governments of Europe* (Revised ed., New York, 1920), pp. 424-427, for a brief exposition of the operation of the French electoral law of 1919.

Socialist Party."[1] When the Poincaré Government launched its policy of occupying the Ruhr (January, 1923), the Communists, naturally, were the first political group in France to interpose a vehement protest. In fact, their contact with Moscow apparently encouraged them to believe that they could triple their parliamentary representation in the general elections of May, 1924; but once more they were doomed to disappointment, only twenty-nine of their candidates, chiefly from the metropolitan district around Paris, escaping defeat. While spasmodic outbursts of Communist agitation continue to becloud the political and economic horizon of France, the hold of extremist doctrines upon the French workingman, which was never more than a precarious one, seems to have little chance of developing permanence.[2]

On the other hand, political events in 1924 so shaped themselves as to place the Socialist groups, properly speaking, in a stronger position than at any time since 1914. Brought into a working alliance for electoral purposes, the Radical-Socialists, under the leadership of Edouard Herriot, and the "official" Socialists, with Leon Blum at their head, aided by the small group of Republican Socialists, were able to defeat the Poincarist National Bloc at the polls and place the liberal Herriot Government in power. In the new Chamber the Socialists had 102 seats; the Radical-Socialists, 139; and the Republican-Socialists, 35. In keeping with the resolution made in 1920, M. Blum and his followers refused, however, to participate in the Herriot Government, and reserved the right to vote as they saw fit on each issue as it presented itself. There was no merging of the orthodox socialist programme with the reformist liberalism of the bourgeois parties. That the new *Bloc des Gauches* was therefore an unstable coalition and might at any time disintegrate was instanced by the frequency with which the Herriot Government narrowly averted defeat in Parliament, partly due to the abstention of the Socialists from voting on certain "questions of confidence," during the year or thereabouts it remained in power.[3]

[1] Frossard resigned his position as General Secretary, as well as a member of the party, in Jan., 1923.

[2] Early in 1925, the Government announced it was preparing drastic action against the reported plans for a communist uprising in connection with the arrival of the new Soviet Ambassador. But the agitation soon subsided.

[3] On June 28, for instance, the Socialists abstained from voting on M. Herriot's request for credits to meet the expenses of the Ruhr occupation. Had

In view of the obvious disunity in the political aspirations and organisation of the contemporary French labour movement, a summary statement of its professed working policies to-day is indeed a difficult undertaking. Not only does the economic side of the movement remain much more sharply separated from the political than is true in the British movement, but, as we have just seen, there are distinct divisions into moderate and extremist wings on each side. Perhaps, however, it is fair to consider the last programme adopted by the Socialist Party before the schism of 1921 as indicative of the general orientation of the movement during the early post-war years. In this programme, the Marxist influence upon recent French socialist thought was revealed by the emphasis placed upon the necessity of using all the means, *direct* as well as *political,* at the disposal of Socialists if a new social order was to be established. Private ownership and the wage-system must be abolished, preferably by peaceful methods, but if necessary, by forcible action. When this social revolution came,—and it ought not come until the organised workers were capable of administering the technical side of a co-operative commonwealth,—it would probably turn out that "the power of the proletariat would . . . be placed in the hands of a dictator. This would, however, be only a provisional and temporary arrangement. The political leadership of society would gradually be taken over by the permanent institutions of the Socialist Party as at present established." [1] In preparation for such a social revolution, the following transitional steps were advocated: (1) in the political sphere—universal suffrage regardless of sex, thoroughgoing proportional revolution (to replace the hybrid system of 1919 from which the Socialists had suffered much), amnesty for war-time political offenders, and decentralisation of the bureaucratic administrative system of the Republic; (2) in the social and economic sphere—progressive reduction of the hours of labour, legally established minimum wages, full recognition of the rights of *syndicats,* including those of state employees, and co-operative organisation in agriculture; and (3) as the bases of a sound policy of post-war reconstruction—the imposition of excess profits taxes, a capital levy, and the exploitation and control by the state or municipalities of

It not been for support from the Right, the Ministry would have fallen on that, as well as on numerous other, occasions.

[1] de Montgomery, *op. cit.,* 38.

such vital services as transportation, mining, shipping, water-power, banking, and insurance.[1]

While it is evident that these proposals, taken in the aggregate, smack less of pre-war syndicalist intransigeance than of socialist revisionism, one is inclined to doubt whether the traditionally conservative tendencies of the small shopkeeper and peasant in France give promise of their adoption, apart from certain measures in the field of social legislation also advocated by non-socialist liberal groups, in the immediate future. Certainly the wholly abnormal conditions that have accompanied France's struggle toward economic and fiscal rehabilitation have not been propitious for the advance of doctrinaire radicalism. Its chief influence—and by no means an unimportant one—has been to moderate the chauvinistic policies of the *Bloc national* since 1918.

German Labour in the Transition from Empire to Republic. In sharp contrast with the French, the German labour movement since 1918 has been the principal motivating force in the dramatic course of domestic political events. That is to say, its economic and political aspects have been so inextricably intertwined that it is almost impossible to consider them, as we have done in the case of the British and French movements, as organically distinct things. For that reason, we will narrate the onward sweep and subsequent quiescence of the new Germany's working-class movement largely as a single story.

As has already been indicated, the bulk of the German trade-unions had maintained an attitude of political neutrality during the earlier stages of the conflict which was to culminate in the shattering of the Hohenzollern Empire. Many of them had, in fact, aided the Government in suppressing anti-war strikes that broke out here and there. Consequently, the unions secured for the first time full legal recognition, and received as well direct representation in the personnel of the Government's bureau of food control and other offices dealing with the labour problem. However, as an early military victory faded beyond each new horizon, the Social Democrats grew increasingly restless. In the spring of 1916, a strong Minority group, led by Hasse and Bernstein, definitely deserted the Majority, under the leadership of Ebert

[1] It is significant, however, that even the Radical-Socialists, in Congress at Nice in the autumn of 1925, officially adopted the capital levy as a part of their party program. This shows the spread of socialistic ideas in France.

and Scheidemann, and announced itself unalterably opposed to the continuance of the war. Liebknecht, in particular, became virulently aggressive in attacking the Government's policy. "When on May Day, 1916, he shouted in the Potsdamerplatz, 'Down with the war, down with the Government,' he was arrested and imprisoned. The difference between the Majority and Minority was that the former were Germans first and Socialists afterwards, while the latter were Socialists before they were Germans."[1] By the following year, what with the effect of the Russian Revolution and the entry of the United States into the war, both groups of Socialists insistently demanded that the Government publicly announce a policy that "could pave the way to peace" on terms that would preserve the territorial integrity of Germany.[2] The Majority Socialists constituted the driving force behind the famous Reichstag resolution of 1917 for a "peace by understanding," which received substantial support, moreover, from the Centrum and scattered approval from the Liberals and Conservatives. Events then moved in electrical succession: the outer reaches of the Bolshevist Revolution, with its professedly pacifist aims, vitally affected the aspirations and tactics of the German Independent Socialists, who set themselves, under the inspiration of Liebknecht and Rosa Luxemburg, to the establishment of a system of Workers' and Soldiers' Councils on the new Russian model; strikes broke out, at first, sporadically, then, in January, 1918, in the form of a widespread cessation of work involving half a million German labourers, and suppressed after a week only by the use of strong-arm tactics by the military; Bulgaria, Turkey, and finally Austria-Hungary collapsed after the failure of the last German offensive in the West; and at Kiel a naval mutiny set loose a political tidal wave which, only two days before the Armistice, swept away the old Imperial Régime as easily as if it had been but a house of cards. A single fortnight had brought both political revolution and definitive military defeat.

It was the Socialists that really carried through the change from Empire to democratic Republic. During the last months of 1918 and the early weeks of 1919, the old trade-unions were relegated to the background by the revolutionary soviets of workers and soldiers that spread through Germany like wildfire. In truth, the

[1] G. P. Gooch, *Germany* (New York, 1925), 140.
[2] The Minority, however, proposed a plebiscite in Alsace-Lorraine.

Revolution had taken the Majority Socialists somewhat by surprise. But gradually they regained control, and shortly after he assumed the Chancellorship on November 9, Ebert categorically refused to grant the demand of the Independents for "all executive, legislative, and judicial power to the Workers' and Soldiers' Councils." Into the Provisional Government finally went a trio of Independents—Haase, Dittmann, and Barth—along with an equal number of the Majority wing—Ebert, Scheidemann, and Landsberg. This joint Government then issued its historic declaration announcing "a democratic Republic with a socialist tinge." But the revolutionary propaganda of the Spartacists did not subside.[1] In the end, following mass demonstrations against the Provisional Government in Berlin in December, Socialist bayonets had to be turned upon Socialists, though whether the Majority members of the Government actually gave the order to fire upon the insurgents is a disputed matter. After this episode, the Independents withdrew from the Government and their places were filled by Majority Socialists. The result was to strengthen the Spartacists, who proclaimed a general strike in January. Again, the Government resorted to forcible suppression of the outbreak by organising volunteers in defence of the Republic. Liebknecht and Rosa Luxemburg were arrested and shot while en route to prison. On January 19, the nation emphatically registered its disinclination to follow the Russian example of social organisation by giving only 2,300,000 votes out of 30,000,000 to the Independents in the elections for the Constituent Assembly, while the Majority Socialists polled 11,500,000 and the bourgeois parties a total of 16,000,000. In the new National Assembly, the Majority Socialists had the largest single representation, with 163 seats, as against 22 for the Independents. With the support of the Catholics and the Democrats (middle-ground parties), the Majority Socialists had a good working majority in the Assembly, which sanctioned the formation of a coalition Government. "The counter-revolution had begun, and the control of the German Republic passed from the manual workers to the bourgeoisie." [2]

Trade-Unionism in Republican Germany. Throughout the turbulent period just sketched, the old trade-unions, despite their

[1] The term Spartacist is derived from Spartacus, the name of the slave leader of a revolt against Rome 73-71 B.C.

[2] Gooch, *op. cit.*, 185.

apparent eclipse by the workers' and soldiers' councils, enjoyed an amazingly rapid growth in membership. "In October, 1918, all the socialist unions combined had a total of 1,648,313 members, while at the end of 1918, only two months after the revolution, their combined total was already 2,858,053 members; a year later the total membership was over 7,000,000." [1] Large numbers of workers enthusiastic at that time over the soviet idea joined the ranks of trade-unionism and later became good "orthodox" unionists. The experienced leaders of the unions, however, refused to have anything to do with the revolutionary workers' councils, and, in fact, joined their employers in an offensive against the soviets when they entered into the celebrated agreement of November 15, 1918, which, *inter alia*, recognised the trade-unions as the official and exclusive representatives of the wage-earners and salaried employees, and the eight-hour day as applicable to all German industry.[2] While the trade-union leaders looked upon this agreement as the new "magna charta" of German labour, it was stigmatised by the Spartacists as the "great betrayal." Having failed, however, to win control of the political state, the militant extremists realised it would be folly to break away from the regular trade-union organisations; instead, they concentrated their efforts on capturing control of trade-union machinery by the well-known communist strategy of "boring from within." Here success was by no means complete, although it was due largely to their influence upon the aspirations of the trade-union movement as a whole that the works' council idea took root in the celebrated act of 1920.[3]

One of the most important effects of the Revolution was to clear away the barriers that had so long separated the aristocracy of German skilled labour from the unskilled workers. The two groups soon found it possible, as well as highly desirable, to work in unison in order that German trade-unionism might present as nearly as possible a united front. Consequently, it was voted at the Nuremberg Congress of June, 1919, to federate all the socialist unions into a single, large, central organisation, known as the General Federation of German Unions. This body, in which

[1] B. Stern, "Works Council Movement in Germany," *Bulletin of U. S. Bureau of Labour Statistics*, No. 383 (March, 1925).

[2] See pp. 747-48 for the relation of this agreement to recent German labour legislation.

[3] See pp. 793-95 for a discussion of the Works' Council law.

individual unions are left with complete autonomy so far as their internal policies and organisation are concerned, contained by 1923 a membership of nearly 9,000,000 workers, or about two-thirds of the total number of organised labourers in present-day Germany. Likewise, in 1919, a merger of the independent Catholic unions with other Christian labour organisations took place, the result of which was the Federation of Christian Trade-Unions of Germany, with a membership approaching 2,000,000. This organisation is more moderate in tendency than the socialist and prefers the craft type of union to the industrial. A still smaller and less important group, which did not adhere either to the political doctrines of the Socialists or to the religious views of the Christians, organised themselves into the Federation of Liberal Hirsch-Dunker Unions of Germany, with an aggregate strength of approximately 650,000 members.[1] In all, the number of organised workers in Germany in 1923 exceeded 13,000,000, which meant that with their families the trade-unionists represented almost half the population of Germany. Politically, the three large federations noted above corresponded roughly to the great central bloc in the Reichstag, that is, to the Majority Socialists, the Centre Party, and the Democrats respectively.

As elsewhere, trade-unionism has taken remarkable hold upon German salaried employees and civil servants, who have for the most part allied themselves with the great central organisations. That these brain workers have attained to a numerical strength of considerable importance in the German trade-union world is indicated by the following figures: [2]

Organization	*Total Membership*	*Salaried Employees*	*Public Officials*
Federation of Socialist Unions	8,814,656	643,230	354,274
Federation of Christian Unions ...	1,881,060	459,576	390,478
Federation of Hirsch-Dunker Unions	667,969	300,357	147,000

German agricultural labour was not allowed by law until 1919 to form trade-unions. After the passage of the *Landarbeits-*

[1] Stern, *op. cit.*, 61.

[2] *Ibid.*, 62. These statistics are for 1923. There are a number of smaller trade-union organisations outside the three main federations; the largest of these minor groups is the Unionist-Syndicalist Organisation, with about 250,000 members.

ordnung of that year, local unions of rural workers, especially in northeastern Germany, sprang up like mushrooms. In 1920 there were more than 9,000 of them with a total membership of about 700,000. During the Kapp *Putsch* in the spring of 1920, groups of farm labourers in Prussian Saxony and Mecklenburg seized the opportunity of avenging themselves upon their Junker employers by organising so-called Red Guards with which to terrorise the rural community. But such revolutionary activity on the part of the agricultural worker was severely frowned upon by his urban brother, even to the point of the forcible abolition of some of the Red Guards by the Central Government, then still under the domination of the Majority Socialists. In fact, the latter insisted that the Junkers should be rendered powerless, not by wholesale land nationalisation, but by the "multiplication of peasant proprietors." [1]

Despite the fact that the inflationist policy of the German government and the dizzy fall in the value of the mark in the latter part of 1923 dealt a severe blow to the economic strength of German trade-unionism, it still stands as a staunch bulwark in defence of the Republic. No government, it would seem, could remain in power an hour without at least the acquiescence of the ten million or more organised manual and brain workers. What Count Kessler wrote in 1923 is equally true in 1925: "They [the trade-unionists] stand to-day, as in 1920, for the Republic. They stand for it, not only because it has given them more rights and greater power, but also, and principally, because it has given them a new sense of self-respect and dignity. . . . So long as the trade unions retain their present membership and organisation, and so long as this [moderate] type of workman leads them, the Republic could not . . . be overthrown." [2]

The Political Status of German Socialism To-day. From the angle of practical politics, however, the rise of a militant Communist Party in Germany since the Revolution of 1918 has given frequent cause for alarm among sincere advocates of the maintenance of the young Republic. Stirred by the flaming manifestoes of Rosa Luxemburg and her clique, thousands of disillusioned workingmen were lured into the seductive by-paths of class war-

[1] Cf. pp. 649-50 for the relation of this point to agrarian reform in Germany.

[2] *Germany and Europe* (New Haven, 1923), 127. It was largely due to the success of the general strike undertaken by the Socialist unions that the attempted monarchist *coup d'état* (the Kapp "Putsch") failed in March, 1920.

fare after the grandiose programme of social transformation originally promised by the Majority Socialists had dwindled to little more than a Platonic aspiration. After the meeting of Communist congresses in December, 1918, and in the autumn of 1919, the dissatisfied Left Wing of the Independent Socialists moved still further toward the Left by formally joining the Communists. The result was the emergence in the latter half of 1920 of a United Communist Party claiming a membership of half a million and openly affiliated with the Moscow Third International. In the following March, unsuccessful revolts by Communist workers disturbed various parts of central Germany, especially in Prussian Saxony, where extremest agitation was strongest. Again, revolutionary groups temporarily gained control of factories in the Ruhr and in Hamburg; but the great mass of German labour failed to respond to the call of class violence and by the middle of 1922 Communist outbreaks were diminishing in intensity as well as frequency. "The Right Wing of this party, disapproving of the extremist tendencies of the other branch, came closer and closer to the Social Democrats in policy and tactics till they fused in September, 1922 [at the Nuremberg Congress] to form the United Social Democratic Party."[1] Yet the effect of the French occupation of the Ruhr in January, 1923, was to strengthen both reactionary and radical extremist groups and weaken the middle parties. It was not surprising, therefore, that in the Reichstag elections of May, 1924, the Communists should poll three and a half million votes and return sixty-two candidates. But in the December elections their parliamentary strength fell to forty-five seats; and with the application of the Dawes Reparations Plan and the return of a substantial degree of prosperity to Germany, Communism seemed definitely on the decline. Further evidence in support of this view is found in the relatively insignificant vote polled by the Communist candidate in the presidential electoral contest of April, 1925, when less than two million out of over 30,000,000 voters cast Communist ballots. To-day the official membership of the Communist Party is probably less than 300,000, while the calibre of its leadership is at best very mediocre.

Despite discouraging setbacks, the Social Democrats remain the strongest single party in the Reichstag and hold a majority in most

[1] M. W. Graham, *New Governments of Central Europe* (New York, 1924), 101.

state legislatures and municipal bodies. The ebb and flow of their strength in terms of enrolled members is shown by the following figures: [1]

1918	243,000	1921	1,221,000
1919	1,012,000	1922	1,174,000
1920	1,180,000	1923	1,267,000

While there has been an appreciable decline since 1923, Socialist membership is still close to a million. At the four general elections held since the Revolution, the Socialist popular vote and legislative representation have held a uniformly strong position, even though their numerical strength has somewhat diminished: [2]

Election	*Popular Vote*		*Number of Seats*	
	Social Dem.	*Indep. Soc.*	*Social Dem.*	*Indep. Soc.*
Constituent Assembly			163	22
Reichstag, June, 1920	6,181,011	2,971,220	102	84
Reichstag, May, 1924	6,014,380	234,708	100	Re-union with Soc. Dem. after 1922
Reichstag, Dec., 1924	7,859,433	98,533	131	

In the deliberations at Weimar, moreover, it was the Majority Socialists who determined many of the significant features of the new Republican Constitution. "Their traditions and principles," remarks Mr. Gooch, "led them to champion the Reich against the States, to arm the Reichstag against encroachments from the President or from rival bodies, and to vindicate the right of the manual worker to a larger share in the control of the economic machine." [3] In a very real sense, they felt responsible for the course the Revolution had taken and therefore assumed the special rôle of championing the cause of the Republic to which it gave birth. While in control of the Government during the first critical year or so of the new régime, they did not hesitate to use forcible means in suppressing attacks against it by communist radicals as well as by monarchist reactionaries. But after the political recovery of the various bourgeois parties, with which the Socialist leaders had to go into coalition in order to retain participation

[1] E. Frankel, "Present-Day Tendencies in the German Socialist Movement," *Journ. of Pol. Econ.*, Feb., 1925.
[2] *Pol. Sci. Quart.* (Supplement), March, 1925.
[3] *Op. cit.*, 194.

in the executive branch of the Central Government, the support given them by the rank and file of the party grew lukewarm. Seemingly impossible reparation demands by the Allies led successive "centrist" cabinets to attempt policies of economic retrenchment which alienated large blocs of Socialist opinion and finally caused the disruption of the Coalition with the forced resignation of Chancellor Wirth in November, 1922. Henceforth, the United Socialists were in open opposition most of the time, although four of their leaders did participate in the short-lived Stresemann Government in the latter part of 1923. But if the results of the two Reichstag elections of 1924 showed that the parties of the Right were gathering more and more strength, the popular following of the Social Democrats still remained considerably larger than that of the National People's Party, the strongest of the anti-Republican groups.

It is probably fair to say that the Socialists represent in 1925 about one-third of the German electorate.[1] Their party is organised on the basis of some fifty district unions, which are divided into over 210,000 local units. An annual congress elects the party executive committee and a number of advisory committees to handle such activities as (1) social welfare, (2) education, (3) work among Working Youths' Associations and Young Socialists, and (4) the formulation of a propagandist programme to win the adhesion of women, teachers, and governmental employees to Socialism. An examination of the present-day official creed of the party reveals how strong has been the swing away from full-fledged Marxism to reformism during recent years. It stands, of course, for the nationalisation of the big "trustified" industries that now cover most of German production; for a unified labour code embodying the eight-hour day, the prohibition of night work for women and children and its limitation for men, a weekly rest period of at least forty-two hours, and yearly vacations with full pay; for autonomy in communal affairs; for the socialisation of education; and for equal rights without regard to sex or heredity. In such a programme there appears little or no suggestion of the intransigeance either of doctrinaire Marxism or of bolshevistic Communism.

[1] Out of a total of 26,850,000 votes cast in the first balloting (March 29, 1925) to choose a successor to President Ebert, Braun, the Socialist candidate, secured nearly 8,000,000.

Experiments with Industrial Representation in the New Germany. Out of the welter of conflict between evolutionary and revolutionary forces in the German labour world since 1918 have come the beginnings of an experiment fraught with interest both for labour economists and for students of government. This experiment consists in the ambitious attempt to build a legally recognised edifice of industrial, or functional, representation alongside the new political institutions based upon territorial, or populational, representation. Thus far only two segments of the proposed edifice have been put into operation: namely, the Works Councils, set up by the Act of 1920, and the Federal Economic Council, envisaged by the famous Article 165 of the Weimar Constitution and provisionally established by governmental decree in May, 1920. But the results, even, of these two fragmentary approaches toward the eventual achievement of industrial democracy are sufficiently promising to warrant giving them special attention.

Far from being the direct descendants of Russian Sovietism, the German factory councils have their origin in pre-Revolutionary legislation, notably an act passed in 1891 providing for the optional formation of workers' committees to assist in the execution of factory regulations, and the Auxiliary Service Act of 1916 making workers' committees compulsory in every industrial establishment employing over fifty persons. In 1917, moreover, the Imperial Government promised to bring forward a bill authorising the creation of "chambers of labour" with labour delegations grouped on an occupational basis. But the Revolution rendered superfluous further discussion along these immediate lines; for the currents of wholesale economic and political change had carried the aspirations of a large part of German labour far beyond such a limited horizon. The Independent Socialists and the Spartacists, as we have already seen, wished to erect a German state upon the Soviet model, with all power in the hands of the Workers' and Soldiers' Councils which sprang up all over industrial Germany during and immediately after the Revolution. While this frankly anti-parliamentary programme met decisive defeat in the ratification by the nation of the idea of a Constituent Assembly, yet the addition of some sort of vocational representation to political democracy was a foregone conclusion. In fact, the agreement of November 15, 1918, between employers and trade-union leaders

had not only recognised the unions as the authorised representatives of the workers, but "approved the creation of joint bodies for districts and for the whole country to regulate questions affecting labour." [1] Article 165 of the Constitution of 1919 shows the result of compromise between the two views: the principle of joint control is recognised in the provision for a hierarchy of labour councils, from the local factory to the district to the nation, which were to join with representatives of the employers, similarly organised, to form *mixed* District Economic Councils centering in a Federal Economic Council at the top. Here was to be co-operation, on supposedly equal terms, "in the regulation of wage and labour conditions, as well as in the whole economic development of production." [2]

But this skeleton outline of a comprehensive system of government in the economic sphere could be given organic life only by supplementary legislation. In part, the Works Councils Act of February 4, 1920, ground into final form after many months of stormy discussion, provides for the concrete realisation of this functional structure sketched by the Constitution. According to this law, every public and private business establishment employing not less than twenty persons is required to organise a works council "in order to safeguard the economic interests of the employees (wageworkers and salaried employees) as against those of the employer, and to assist the latter in fulfilling the economic aims of the establishment." The members of the Council are chosen by ballot by all salaried and wage-earning employees over eighteen years of age for a term of one year, though they are eligible for re-election. Membership varies in size from a minimum of three to a maximum of thirty in proportion to the number of workers in the establishment. Meetings are held at the call of an elective chairman or upon the request of the employer. While no decision reached by the Council may supersede collective agreements previously entered into by the trade-unions, it has the right to determine or alter, in agreement with the employer, the conditions of labour, methods for the prevention of accidents, the administration of pension funds, and safeguards for the workers' health. Above all, the employee receives protection against

[1] Gooch, *op. cit.*, 296.

[2] *The German Constitution*, English translation published by His Majesty's Stationery Office (London, 1919).

arbitrary dismissal by the right of appeal to a conciliation board in case the council's negotiation with the employer fails to reach a satisfactory solution.

By 1924, the act of 1920 was operating normally in a majority of the commercial and industrial establishments covered by its provisions. Most employers had by that time accepted it as "a sign of the times." Their rights of reasonable control over their factories and shops have in no way been seriously menaced by the limited rights granted to the Works Councils; but the important thing, from the standpoint of labour, is that it is no longer an *absolute* control. In other words, while the Works Councils of to-day are only a shadow of the revolutionary councils of 1918-19, the former, aided by the regular trade-union organisations, which still determine most questions pertaining to wages and hours, "have become an integral part of the economic and social structure of present-day Germany, and no political party or industrial group will dare put them out of existence on pain of jeopardising its own life and disturbing the civil peace of the country" [1] The most likely course will be an extension of the powers of the councils when the social organisation of the Republic is completed.

Inasmuch as the creation of the *district* labour and mixed councils proposed in Article 165 of the German Constitution entailed careful and prolonged preparatory measures, it was decided in 1920 to set up, by decree, a *provisional* Federal Economic Council of 326 members representing the economic life of the country on the following basis: [2]

Agriculture and forestry	68	Handicrafts	36
Gardening and fishing	6	Consumers	30
Industry	68	Officials and liberal professions	16
Commerce, banking, and insurance	44	Reichsrat nominees	12
Transport and public undertakings	34	Government nominees	12

[1] Stern, *op. cit.*, 90. This monograph and that by M. Berthelot, "Works Councils in Germany," *Internat. Labour Office* (Geneva, 1924), are the two best studies yet made of the German Works Councils. Factory councils and committees broadly analogous to the German have also been established by law since the war in Austria, Czechoslovakia, and Norway. Cf. Stern, *op. cit.*, 91-97.

[2] H. Finer, *Representative Government and a Parliament of Industry* (London, 1923), 120. This is by all odds the best study of the German Federal Economic Council that has yet appeared in English. The purpose of including a small group of public officials, professional men, and economic

The representatives of these ten groups are chosen in various ways—in most cases by existing functional associations—according to the principle of parity between employers and employees. It goes without saying that no group was satisfied with its allotment of representation: each thought itself under-represented. The discovery of a satisfactory objective criterion for the apportionment of seats in any plan of occupational representation is indeed a matter of perplexing difficulty; and more than once during the acrimonious debates over the Government's project it looked for this reason as if the whole scheme might be wrecked. But after increasing the total membership from 200 (as proposed in the original plan) to 326, sufficient agreement was reached to set up the new Council in June, 1920.

What are its functions and what has been its value during the first five years of its existence? First of all, it is clear that despite the claims made in its behalf from certain quarters, it is not a real economic parliament co-ordinate in authority with the Reichstag, the political parliament. For the Council's legal powers are only advisory and initiatory. It has the right (1) to consider the drafts of all economic and social laws prepared by the Government before their submission to the Reichstag, and (2) to introduce into the Reichstag social and economic measures proposed by the members of the Council itself, whether or not they have the Government's approval. But the Council is lacking in any final legislative or administrative authority; hence it has in no sense become a rival of the Reichstag. None the less, informed critics are agreed that it has been of invaluable assistance to the Government during a period when Germany was facing economic and political disorders of unparalleled magnitude. The conclusion reached by Mr. Finer in 1923, after intimate contact with the working of the Council, is typical: "Its work is well arranged, amply discussed, thoroughly thought out. It has constructed the proper technical apparatus in its Committees, has secured the best personnel to its purposes, it has made good use of expertise, has recognised its duty to come into direct, not second-hand, touch with the interests of the community, and has never forgotten that its greatest fruitfulness lies in making suggestions and in initiating inquiries and discussions, and then providing the Government Departments with

experts in the make-up of the Council was "to ensure the consideration of problems and projects from an independent point of view."

reports that contain every element of creative research."[1] While the rule that the Government must submit all social and economic measures to the Council for its expert consideration has not always been observed by Government Departments, like Mines, Railways, Finance, and the Postal Service, the presence on the Council of such towering personalities as Stinnes, Cuno, Wissell, and Rathenau has tended to enhance its prestige as well as to develop among the politicians an appreciation of its creative services in the field of economic and social pioneering. Trade-unionism, in particular, has recognised that it contains the germs of the creation of the comprehensive scheme of industrial representation promised by the Constitution of 1919.[2] It is perhaps fair to conclude that these councils, in the factories and in the Central Government at Berlin, along with the principle of the eight-hour day, constitute the chief enduring economic advantage secured by the working masses from the Revolution.

Russian Bolshevism in Theory and Practice. It is needless to reiterate at this juncture the obvious fact that the storm-center from which radiated nearly all the revolutionary agitation among Europe's proletariat after 1917 was Soviet Russia. In the attempted application of the theory of Bolshevism by a small but brilliantly resourceful coterie of class-conscious propagandists, among whom the outstanding personages were Lenin, by birth a Russian noble, and Trotsky, a Moscow Jew of bourgeois antecedents, communism was thrown into the crucible of practical affairs. That Russia was a backward country industrially and educationally, and therefore peculiarly unsuited to the application of any kind of communistic philosophy, apparently made no difference to these men, bent as they were upon establishing "the dictatorship of the proletariat" among a people consisting chiefly of land-hungry peasants. But for the widespread despair burned into the souls of millions of Russians by years of war and suffering, the chances are that the Bolshevist *coup d'état* of November, 1917, would not have been able to generate such forces as those

[1] *Op. cit.*, 145. In Chap. VI Mr. Finer gives an admirable account of the methods of work and kinds of projects that have occupied the Federal Economic Council.

[2] In 1924 the German General Federation of Trade Unions urged the Government to give the Council a definitive constitution; but this would involve so many practical difficulties that it is not likely to be done for a number of years; in fact, a counter-movement to reduce its competence was under way in 1925.

which eventually transformed the course of the entire Russian Revolution from constitutional democracy to anti-democratic extremism. In the beginning, the Bolsheviki were not, as the term Bolshevism implies, the "majority" element among the Russian Social Democrats, but were merely an aggressive minority. It was not until Lenin and Trotsky and their clique managed to secure control of the workers' and soldiers' councils, or soviets, which had been set up in Petrograd, Moscow, and other large cities, that they really acquired a numerical superiority over the more moderate Mensheviki. By then, with the assistance of thousands of disaffected troops, it was relatively easy for the former to overturn the tottering Provisional Government and erect shortly thereafter an elaborate politico-economic structure purporting to embody their theories.

The essence of these doctrines was that self-conscious proletarians should forcibly seize the political state and by the lavish use of terrorist tactics proceed to crush the remnants of capitalism.[1] According to the original tenets of the Bolshevist creed, all private property was to be categorically abolished, and all political power was to be confined to those who live exclusively from the fruits of their own personal labour. In such a programme there could obviously be little regard for such old bourgeois concepts as freedom of thought and press, that is, for the principles conveniently grouped by orthodox democrats under the general caption of civil and political liberties. The legal sanctity of majorities formed by the counting of heads should give way to a system of highly indirect representation resting upon an occupational franchise controlled, in fact if not in theory, by a strongly disciplined Communist Party, which at no time actually contained more than 800,000 enrolled members out of a total population of well over 100,000,000. Ultimately, of course, all classes were to be merged into one under an active régime of full-fledged Communism; whether, when that stage was reached, the state as such should disappear, was not very clear, although Lenin, the "High Priest" of this new social religion, seemed to imply there would still be practical need of political government with powers of coercion over the individual.

From the standpoint of the distribution of income, the Bolshevist creed proposed, during the transitional period, "the strictest

[1] *Cf.* L. Trotsky, *The Defence of Terrorism* (London, 1921), 51 ff.

control, by society and by the state, of the quantity of labour and the quantity of consumption.[1] But ultimately, it was contended, people would voluntarily perform services in accordance with their individual abilities and accept remuneration in accordance with their needs. In actual practice, the Bolshevik authorities were forced as early as 1921 by the pressure of necessity to adopt the policy of high pay for technical talent; the great vocalist, Chaliapin, for instance, demanded and got compensation at a higher rate than did the People's Commissars themselves! Furthermore, the principle of conscription of labour initiated during the early stages of the Soviet régime eventually had to be abandoned because of the bitter resentment engendered among the industrial workers by such a policy. A memorial submitted to the Soviet authorities by a group of Petrograd labourers in September, 1920, complained: "We feel as if we were in the galleys where everything is regulated except food. We are no longer free men, we have become slaves."[2] By 1922 membership in trade-unions, even, had to be placed upon a voluntary basis.

As has already been suggested, the political structure set up by the Bolsheviki is an exceedingly complex hierarchy of soviets arranged in peculiarly unsymmetrical pyramidal fashion. "At the base stand the local soviets, whether urban or rural. These in turn elect representatives to the provincial soviet. The latter, together with the city soviets, choose representatives to the All-Russian Congress, which meets only annually and delegates its interim powers to the Central Executive Committee of 300 members. This selects the Præsidium and the Council of People's Commissaires, the latter being virtually a cabinet. The inner circle is, therefore, at least six stages removed from the voters."[3] In such a system, the political voice of the city worker carries about four times as much weight as that of his rural *confrère*, for whereas the former is allowed one representative in the provincial soviet congress per every 2,000 voters, the latter receives representation in the ratio of only one to 10,000. In addition to this discrepancy in favour of the urban soviets, they are directly allotted one delegate in the All-Russian Congress per every 25,000 voters, although the village

[1] Lenin, *The State and Revolution* (London, 1919), 100.
[2] Quoted in Leites, *Recent Economic Developments in Russia*, 195.
[3] P. H. Douglas, "Proletarian Political Theory," in C. E. Merriam and H. E. Barnes [eds.], *A History of Political Theories: Recent Times* (New York, 1924), 264.

soviets are only indirectly represented through delegates chosen by the provincial soviets in the ratio of one to 125,000 voters. Thus "the ratio is heavily in favour of the urban industrial population, for the reason that these bodies are deemed to be real proletarians and hence more loyal in their allegiance to the new order." [1] In point of fact, this cumbersome scheme of representation has been workable only by reason of the intimidation of the voting population by the militant tactics of the Communist Party. Not only have all liberal parties disappeared in Russia since the advent of the Bolsheviki, but the old Social Democratic Party has been reduced to insignificant proportions. Yet it has been estimated that there has never been more than one professed Communist for every forty workmen.[2]

Thus far, the adoption of the New Economic Policy of 1921 does not seem appreciably to have altered either the spirit or the mechanics of the political structure of the Bolshevik régime.[3] Despite the partial retreat to private trading and the firm establishment of small-proprietorship in agriculture, the "dictatorship *of* the proletariat" remains essentially a "dictatorship *over* the proletariat." Large industry is controlled by a Supreme Council of National Economy, consisting of a federation of the committees at the head of each industry or group of industries. This Council prepares the general plan of production and exercises close supervision over the state trusts and syndicates into which large-scale industry in Russia has been organised. Since the death of Lenin in February, 1924, actual political leadership seems to have fallen into the hands of the Central Committee of the Communist Party, on which the triumvirate of Stalin, Kamenev, and Zinoviev holds real power; Rykov, the Premier, serving as Lenin's successor in name only. In 1924 temporary dissensions appeared in Communist ranks as a result of the launching of a spirited attack upon these new leaders and certain features of the "N. E. P." by Trotsky, formerly People's Commissar for War and the idol of the Red Army; but with the old war hero's forced withdrawal from the political arena partly because of ill-health, his opponents

[1] W. B. Munro, *The Governments of Europe* (New York, 1925), 733.

[2] Cf. Masloff, *Russia after Four Years of Revolution*, Chap. V.

[3] The outstanding change political in character has been the reabsorption of formerly "independent republics," like the Ukrainian, the White Russian, and Transcaucasian, into the Soviet system. The result was the creation in 1922 of the Union of Socialist Soviet Republics on a federal basis.

seemed once more to be in a fairly impregnable position. Signs are not wanting in 1925 that a mystical "cult" of Leninism is spreading with amazing rapidity throughout the Soviet Union. It is reported that thousands of humble workers, both industrial and peasant, pass in reverential mood almost daily before the shrine of their dead leader in the historic Kremlin at Moscow.[1] The annual congresses of the Third International, moreover, continue to reiterate their belief in the efficacy of organised propaganda preparatory to the ultimate world Communist revolution. But both the weakness of that propaganda in central and western Europe and the forced dilution of applied Communism in Russia itself afford strong ground for believing that the trend of events will eventually lead Bolshevism into the more placid waters of liberal democracy.[2]

Organised Labour in Soviet Russia. During the period prior to the inauguration of the New Economic Policy, the Russian trade-unions "formed an integral part of the state under the direction of the Communist Party. . . . They were responsible for the management of all nationalised undertakings, the practical enforcement of compulsory labour service, and the determination of the conditions of work to be laid down by the state." It soon developed, however, that the working masses objected to obligatory membership in organisations thus controlled by the state. This led in 1922 to a fundamental alteration in the status of the unions. No longer were they to manage industrial undertakings or exclusively determine the conditions of work. Instead, according to the Commissariat of Labour, they "had to transfer the center of gravity of their work to the protection of the interests of their members."[3] Membership became optional, although fully ninety-five per cent of the old members rejoined the reorganised unions. Collective wage agreements, freely entered into with the state administrative authorities, introduced the use of bonuses and piece-rates along with a standardised minimum for each grade; payment in money, moreover, was inaugurated by the Superior

[1] Cf. J. M. Keynes, "Soviet Russia—I," *The New Republic*, October 28, 1925, for an interesting analysis of the spread of Leninism.

[2] Aside from Italy, for which see pp. 802-3, Hungary was the only country in Europe seriously to be affected by Bolshevist propaganda during the first post-war years. There the Bela Kun uprising of 1920 ran its course in a few months.

[3] Quoted in "Industrial Life in Soviet Russia," Series B, No. 14, *Internat. Lab. Office Reports* (Geneva, 1924), 130.

Wages Council. Actual wage rates after 1922 were usually well in excess of the compulsory minimum rates established by the state for private as well as public undertakings. According to the new Labour Code adopted in 1922, trade-unions have a definite legal status which permits them to acquire and manage property, and make contracts and agreements of all kinds if in conformity with existing labour legislation. This legislation, incidentally, provides for elaborate social insurance for all employees in private as well as state establishments, fixes the duration of the working day, and establishes a comprehensive system of labour inspection.

The Russian trade-unions are organised on a vertical basis, with the factory committee as the primary body representing the local organisation, the "sub-section" as the district unit chosen by conference of factory committees, the "section" corresponding with the province, and finally the central trade-union committee elected by the annual All-Russian Congress of the union. There is also an inter-trade-union federation centering in the All-Russian Congress of Trade-Unions. Each union is constituted according to the type of production in which the members are engaged rather than on the basis of occupation. Trade-union membership declined considerably after 1922, when it became voluntary in character, until the beginning of 1923; since then it has partially recovered its numerical strength, as is shown in the following table:[1]

January, 1922	6,740,000	January, 1923	4,500,000
October, 1922	4,550,000	January, 1924	5,646,000

The largest unions are those of the railway workers, the state employees, the metal workers, and the textile workers in the order named. Under the New Economic Policy, considerable numbers of village labourers and peasants have been organised into unions aggregating probably over 100,000 members; and with the adoption of the principle of "equal pay for equal work," thousands of women are now to be found within the ranks of Russian trade-unionism.

The Fascist Reaction against Communistic Socialism in Italy. It was with Italy that the outer reaches of the Russian Revolution made closer contact than with any other country in western Europe. Here was a nation embittered and resentful because the outcome of the war seemed to have yielded it so little tangible

[1] *Commercial Year-Book of the Soviet Union* (1925), 385.

benefit. Enough of the Italian Socialists became avowed Communists in 1919 to swing their party in the direction of a programme patently inspired by the events at Moscow. In the elections of November, they succeeded in winning over 150 seats and thereby became the largest single party in the Chamber of Deputies. Within a year thereafter, organised groups of industrial workers, under the fascination of the revolutionary propaganda from Russia, proceeded to seize and attempt to operate factories in several of the industrial centres of northern Italy. At the doors, the Red Flag was hoisted; inside, factory councils were established on the Soviet model. At Rome an opportunist Government under the veteran leader, Giolitti, followed a Fabian policy which satisfied neither the extremist workers nor the middle-class patriotic public.[1] While only a few days were necessary to demonstrate that the workers could not cope with the technical and financial difficulties entailed in the operation of large-scale industry, the country generally was apprehensive lest the Socialists, by then in control of over 2,000 out of 9,000 communes, might execute a veritable *coup d'état*. With the perspective of five years, it would seem to-day as if there was really little indication that a revolution was imminent, for "throughout 1921, the morale of the Italian masses, as well as their economic condition, improved steadily."[2] But Italy was then still in a highly neurotic state induced by the disillusionment that followed military victory.

In any event, the industrial disorders of 1920 not only caused a schism between the Socialists and the Communists, but gave rise to a counter-movement vibrant with militant patriotism. Former soldiers, teachers, students, professional men, and even peasants organised themselves into black-shirted companies ready to save their country from "the morass of Bolshevism and internationalism." The leader of this Fascist movement was Benito Mussolini, a journalist by profession and originally a Socialist by faith, though he had parted company with the majority of his party by espousing from the outset Italian intervention in the war. When the Chamber was dissolved in 1921 following the inability of any make-shift coalition to carry on a Government, the Fascisti presented candidates at the elections and won twenty seats in the new

[1] For a fair-minded defense of Giolitti's temporising policy, see Count Carlo Sforza, "Italy and Fascism," *Foreign Affairs*, April, 1925.
[2] *Ibid.*

Chamber. Chagrined at their own setback, the radical extremists issued a call for a general strike of all Italian workers, whereupon the Fascisti mobilised all over Italy, "manned the railroads and other public services the strikers had deserted," and made war upon the revolutionaries. In October, 1922, they converged upon Rome like a besieging army, issued an ultimatum to the Cabinet, which immediately capitulated, and placed Mussolini at the head of the Government. Here was virtually a *coup d'état* in favor of extreme nationalistic reaction; for the Fascist régime forthwith proceeded to impose a rigorous censorship of the press, to invoke terrorist methods against the trade-unions, and to reduce parliamentary government to an almost meaningless sham. As dictator in fact, if not in name, Mussolini posed as the saviour of Italy from impending Communism. The Chambers of Labour were systematically suppressed throughout Italy, and the strength of the Italian General Confederation of Labour fell from 2,500,000 to less than 1,000,000 members as a result of Fascist terrorism. The elections of April, 1924, following a campaign marked by violence and coercion on the part of the Fascisti, gave the United Socialists only twenty-five seats; the Maximalists (left-wing Socialists), twenty-two; and the Communists, seventeen.[1] The backbone of the radical political labour movement in Italy seemed, temporarily at least, to have been broken. In its place, there has emerged a Fascist national trade-union movement built around so-called trade corporations embracing both employers and employees and renouncing the implications of class-struggle for economic co-operation.

Whatever may be said in condemnation of Fascism as a political and social instrument, it has important economic achievements to its credit. Under its administration, the Italian budget has been balanced, extensive governmental economies have been realised, and the efficiency of the public services has been materially improved. All in all, Italy has commanded the attention of the world because of its vigorous emergence from the economic disorders of the war period. Yet one is inclined to wonder whether the excesses committed by Fascism in the name of national unity

[1] Mussolini had put through an electoral law in 1923 which automatically assured a two-thirds majority in the Chamber to the party polling twenty-five per cent of the popular vote, provided its vote was larger than that of any other party. The Fascisti actually carried the elections by a five to two vote.

and strength will not generate ere long a powerful liberal reaction which may resuscitate the latent forces of political and social liberty.

The Progress of the Consumers' Co-operative Movement. At various junctures we have come into contact with the term "co-operation" in connection with the economics of war and reconstruction. Nowhere, however, has the word meant more during the last ten years than in relation to the consumers' co-operative movement, the growth of which has been silent and largely unnoticed, but none the less remarkable. Organised labour and political socialism are mainly concerned in varying degrees with improving the lot of the producer of wealth; consumers' co-operation endeavours to prevent the exploitation of the whole population considered as the consumer of goods, not by any revolutionary process, but by "the building up by slow and peaceful methods of new socially owned capital."

As we have already seen, the difficulties of war-time production and distribution of supplies both for civilian and for military consumers gave great impetus to the growth and activities of co-operative societies of all sorts,—agricultural, credit, building guilds, and even here and there manufacturing; but to these lack of space precludes giving further attention. Suffice it to say that of the 30,000,000 or more families of "co-operators" in the world in 1919, representing probably 100,000,000 persons, at least one-third were members of the 30,000 or more consumers' co-operative societies then actively functioning.[1] Most of these societies were to be found in Europe, where governments, even, had come to recognise their existence and to utilise their assistance in all kinds of problems relating to economic distribution, supply, and even, here and there, production.

While every European country felt in some measure the quiet but beneficial effects of the expansion of consumers' co-operation, Great Britain, the birthplace of the famous Rochdale Pioneers' experiment, retained first place as the home of the relatively strongest and most vigorous movement. There the membership of nearly 1,400 retail distributive societies increased from approximately 3,000,000 in 1914 to about 4,500,000 in 1923. In the latter year the total sales of goods amounted to over £165,000,000,

[1] Cf. S. and B. Webb, *The Consumers' Coöperative Movement* (London, 1921), 280-290.

or almost £36 per member.[1] In other words, at least one-third of the consuming population of Great Britain was supplied in whole or in part by the co-operative societies. The business of the two great Wholesale Societies expanded even more markedly: they established additional tea plantations, manufacturing departments, flour mills, farms, and banking and insurance bureaus. The whole movement, moreover, has begun to develop a political consciousness on the one hand and an open sympathy with organised labour on the other. Their very existence ignored by the British Government until 1917, the co-operators unanimously determined to seek representation in Parliament and to formulate a definite political programme. A Co-operative Parliamentary Representation Committee, established shortly before the end of the war, grew into the Co-operative Party in 1919. Three years later the Party claimed the affiliation of nearly 450 local organisations comprising 2,500,000 co-operators. While it has entered into no formal alliance with the Labour Party, the two movements are working with marked harmony of purpose. The Co-operators have succeeded in returning scattering candidates to the House of Commons, although their aggregate electoral strength by 1924 was still less than 130,000. Most of the members of co-operative societies continue to vote either Liberal or Labour.

On the Continent, especially in France, Germany, Belgium, and Russia, co-operative movements enjoyed a more rapid rate of growth during the war period than in Great Britain. In France, the State voted substantial credits and made frequent loans to co-operative societies on account of their invaluable work in the war zone, where they opened hundreds of co-operative restaurants and canteens, and created workshops for the unemployed. By 1921 the social value of co-operation had been recognised by nearly 1,500,000 consumers belonging to over 4,000 distributive societies, about one-half of which were affiliated with the *Fédération nationale des Co-opératives de Consommation.*[2] The French Co-operative Wholesale had in 1921 a turnover of 153,-

[1] In 1914 it was £29 per member. In view of the great increase in prices, this would seem to indicate that the average co-operator was spending slightly less of his family income at the co-operative store than before the war.

[2] According to M. Gide, leading French authority on consumers' co-operation, the unusually large number of societies in France should be regarded as a sign of weakness rather than of strength. The turnover, moreover, is comparatively small. More than a third of the French societies are little more than retail bakeries.

000,000 francs, and operated thirteen grocery warehouses, five wine warehouses, three shoe factories, and a saw mill.

While Germany has been par excellence the home of co-operative credit, it, too, has witnessed a doubling of consumers' co-operation since 1914. As much as one-third of the population is served in some measure by retail distributive societies, whose membership in 1922 reached approximately 4,500,000. In spite of almost insuperable obstacles since the Armistice, the German societies have expanded in almost every direction. To-day the Wholesale organisation operates soap, textile, macaroni, mustard, match, cigar, and chocolate factories, and maintains a spice mill, a wine cellar, and coffee-roasting department. In contrast with recent tendencies in the British movement, German co-operators, in their 1922 Congress, announced a policy of non-participation in politics, although they are perhaps even more closely related to the trade-union movement than is true in Great Britain.

In actual numerical size, the Russian co-operative movement is the largest in the world. Besides almost 50,000 agricultural and credit societies, there was a veritable network of over 25,000 consumers' organisations in Russia in 1918. At that time, it was estimated that at least sixty-five per cent. of the food reaching central Russia was distributed by these societies. While the Bolshevik Government undertook in 1920 to establish direct control over the entire co-operative movement, which thereby temporarily disappeared as a voluntary phenomenon, its independence was revived with the advent of the New Economic Policy the following year. Since then, the co-operative societies have flourished in the rôle of chief distributing agency in Russia. In 1922 the All-Russian Central Union of Consumers' Societies comprised 90 provincial and regional unions, 704 district unions and 27,409 local societies with 42,000 stores. It conducts various productive enterprises such as flour mills, meat-packing establishments, a chemical laboratory, a fruit-drying plant, and a printing works, and maintains an office in London, New York, and other foreign industrial centres. Most of its goods, however, are purchased from state-controlled industrial plants.

Among the smaller countries, Switzerland takes high rank, for at the close of the war it had 78 co-operators per 1,000 inhabitants as against 74 in Great Britain. The principle of co-operation continues to have a steady expansion in practically all the Scan-

dinavian and Baltic states. But in southern Europe the consumers' movement is still in its infancy. What there is of it in Italy is more political than economic in character, while the Balkan countries have thus far applied the co-operative idea only to agricultural processes.[1]

International Proletarianism and Its Prospects. Our analysis of the recent vicissitudes of European anti-capitalistic movements naturally suggests one final question: To what extent has "proletarianism," taken in its manifold aspects, succeeded in re-establishing any sort of international solidarity since the war? Outwardly, it must be admitted that there are still many signs of division, dissension, and disillusionment. Between 1919 and 1923, there were two outstanding groups of international labour and socialist organisations. The one consisted, on the *industrial* side, of the Amsterdam International Federation of Trade-Unions, reformed in 1919 with a membership (1923) of around 16,000,000; and on the *political* side, of the revived Second International, with headquarters at London, and the popularly dubbed "Two-and-a-Half" International set up at Vienna in 1921, under the official title of the International Working Union of Socialist Parties. With varying emphasis, all of these organisations were reformist in purpose and had as their largest component elements the British and German labour movements—the national trade-union congresses and federations on the one hand, and the Labour and Social Democratic parties respectively on the other. While the International Federation of Trade-Unions was still mainly a debating and statistical body, it displayed during the troublesome post-Armistice years considerably more vitality than before the war. In fact, despite its generally conservative complexion, it became too "extreme" for Mr. Samuel Gompers, with the result that the American Federation of Labour withdrew its membership in the organisation shortly after the latter began actively functioning.

The other group of international proletarian organisations was dominated by revolutionary Communists. Moscow found both the Second International and the Amsterdam Trade-Union Federation too conservative in tone and objective. Accordingly, the

[1] The Fascist régime has pursued a repressive policy with regard to Italian co-operative societies. It wrecked the property of over 150 co-operatives during the first six months it was in power. Yet the practice of co-operation in the distributive field seems likely to grow even in Italy.

Communists proceeded to set up not only a "Third" International in 1919, in opposition to the post-war Second International, but also a "Red" International Federation of Trade-Unions, as against the Amsterdam Federation. The 1920 Congress of the Third International drew up "Twenty-one Points" as the necessary conditions for membership, the purport of which was a call to arms in view of a world revolution on the Russian model. Obviously, the bulk of the rank and file of these two bodies consisted of Russian trade-unionists and Communists respectively, although, as we have already noted, it included scattering adhesions from British, French, and German labour extremists.[1]

Beginning in 1922, steps were taken by the Vienna International to reunite the three sections of the International. But Moscow refused to accept the moderate programme of the two reformist bodies and the attempt ended in failure. As negotiations proceeded, however, the differences separating the London and Vienna organisations were gradually reconciled. With the reunion of the German Independents and Majority Socialists to form the United Social Democratic party of Germany, the last obstacle to the formal unity of the two reformist Internationals vanished. Finally, in May, 1923, it was accomplished at a joint Congress in Hamburg, which set up a new Labour and Socialist International, with a membership probably reaching 7,000,000. According to the Constitution of this latest of the Internationals, its object "is to unify the activities of the affiliated parties, to arrange common action, and to bring about the entire unification of the International Labour and Socialist Movement."[2] Generalities apart, this declaration envisaged the use of piece-meal political as well as industrial action, but decried resorting to violence or anything bordering on syndicalist "direct" action. In 1924, candidates of parties affiliated with it polled almost thirty million votes in various national elections; roughly, this constituted one-third of the electorate of western and central Europe.

The national co-operative movements are also organised internationally in a Co-operative Alliance, which holds triennial Congresses, the last one, at Ghent in 1924, including delegates from thirty different countries representing at least 40,000,000 co-opera-

[1] Reliable statistics are difficult to obtain as to the strength of the Red International of Trade-Unions. It is probably well over 5,000,000.

[2] Cf. *Labour Year Book* (1925), 431 ff.

tors, maintains executive offices in London, and publishes a monthly co-operative bulletin in three languages. With the growing trade among national wholesale co-operative societies, the International Alliance looks forward to the time when profit-making merchants, brokers, and bill-discounters may be dispensed with, and when the foreign exchange of supplies may be controlled on a co-operative basis somewhat as it was among the Allies during the World War. Only a confirmed optimist, however, could believe that any such situation will be realised in the immediate future.

In sum, while the international labour movement has had a promising revival since its war-time eclipse, the prospects for any completely effective solidarity within the present generation remain none too bright. It would seem that the conclusions of so fair-minded an observer as M. Vandervelde well epitomise the current status of social democracy in Europe: "It has found a confirmation of its doctrines in the conditions of the post-war world. It has forced the bourgeois parties either to reach an agreement with it and submit to reforms, or else unite to block its path. It has met with great success. It has met, too, with serious reverses. In a word, the advance of labour to power is, to borrow a phrase from Goethe, a spiral, but an ascending spiral." [1]

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[1] *Op. cit., Foreign Affairs*, July, 1925.

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CHAPTER XXXI

SOME WAR AND POST-WAR PROBLEMS IN PUBLIC FINANCE

To the enormous substantive costs of large-scale modern warfare must be added another entity of peculiarly insidious nature. That entity is the vicious circle set in motion by the dislocation of the highly delicate mechanism of national and international finance. Economically speaking, from the standpoint of the world as a whole, the generation that fights must and does pay, in goods and materials, the entire war bill; but as between different national groups, as well as between individuals within a single nation, a large part of the costs is in fact always passed on to posterity. Therein arises an apparently inescapable succession of hard realities: unbalanced budgets, loans, currency inflation, fluctuations in foreign exchange, a resultant dislocation of domestic and foreign trade, stagnation in certain branches of commerce and industry,—which in turn impairs the principal sources of taxation,—and finally, further unbalancing of national budgets. Many, perhaps most, of the economic ills suffered by Europe since 1914 can be traced, directly or indirectly, to the pernicious consequences of just such a situation as this. It is the purpose of this concluding chapter briefly to explain, in non-technical fashion, some of the more intricate problems to which this situation has given birth and to sketch the progress made up to the present (1926) toward their solution.

War-Time Taxation. So far, at least, as Europe was concerned, the World War was conducted almost entirely on credit.[1] Only an insignificant portion of the huge governmental expenditures of the leading belligerent states was obtained from taxation. In Great Britain, where the proportion of taxes to war expenditures was higher than in any other large country, it has been estimated that the ratio reached only 17 per cent; in France, new

[1] Probably as much as 95 per cent of the total war expenditures of the European belligerents came from borrowing.

and heavier taxes merely made up the customary deficit in the nation's peace-time budget; while Germany, the chief belligerent on the other side, deliberately pursued a loan policy from the outset in the optimistic expectation of an early military victory.[1] Taxes, to be sure, were constantly increased in scope and severity as the struggle progressed; but when one remembers that the average daily expenditure of Great Britain reached over $33,000,000 by 1918, that of France, $21,000,000 by 1917, that of Germany, $34,500,000 by the latter part of 1918, and that of Russia, $47,000,000 by early 1917, it is by no means surprising that governments should have taken the immediately easier course of meeting the bulk of their unprecedented expenditures by resorting to borrowing, first from their own subjects, and later from outside sources. Moreover, it would doubtless have been virtually impossible under existing financial practices, to impose upon war-harassed populations direct taxes sufficiently heavy to produce enough revenue to meet as much as half, even, of the expenditures for war purposes. The following table indicates the degree to which per capita taxation increased during the war period: [2]

	1913-1914		*1918-1919*	
Country	*Per cap. tax.*	*% of nat. inc.*	*Per cap. tax*	*% of nat inc.*
Great Britain.	$26.89	11.29	$94.95	23.56
France	25.12	14.11	30.74	12.44
Germany	15.98	10.51	44.61	17.42

As will be seen from the above tabulation, the tax burden of the British people attained strikingly more burdensome proportions than that of the French or German people. In all, Great Britain raised from taxation for war purposes nearly $9,000,000,000 during the years 1914 to 1919 inclusive.[3] Of this unprecedented sum, over fifty per cent was derived from income and excess profits taxes. Not many new sources of revenue were resorted to, if exception be made of successive annual increases in duties on an expanding class of imports. The income tax rose from a 1s.3d. normal plus a 1s.4d. super-rate in 1914 to a 4s.6d. normal rate

[1] E. R. A. Seligman, "The Cost of the War and How It Was Met," *Amer. Econ. Rev.*, Dec., 1919.

[2] Seligman, "Taxation beyond all Precedent," in *These Eventful Years*, I, 436-37.

[3] This figure is net, the gross sum being nearly $13,000,000,000, of which around $5,000,000,000 went for "normal" outlays.

plus a 6s. super-rate in 1918; or in terms of percentage maxima, from not quite 13 per cent in 1914 to 52½ per cent in 1918. By 1917, British industry had to meet a war profits tax of 80 per cent; while upon estates was levied a duty that reached a maximum of 20 per cent before the war closed. Stated more simply, the state was taking by the end of the struggle from one-fourth to one-third of moderate incomes and over one-half of the large ones. Likewise, the range and scale of customs and excise taxation were gradually broadened as war costs mounted. The duties on tea, beer, coffee, cocoa, sugar, dried fruits, tobacco, and similar articles were repeatedly raised; and new duties were imposed upon motor-cars, clocks, musical instruments, motion-picture films, table waters, and cider. The excise taxes on coffee, chicory, tea, sugar, molasses, glucose, tobacco, spirits, and matches were made increasingly heavy after 1915. But in spite of all these increases, approximately three-fourths of the tax revenue of the British government for the last year of the war was derived from direct taxes on wealth. While this was indeed an heroic monetary effort, it fell far short of meeting the appalling burden that Great Britain had to bear as the chief financier of the Allied nations until the entry of the United States into the contest.

The Continental belligerents had recourse, for additional war revenue, almost as much to indirect as to direct taxes. In view of its deeply-rooted aversion to direct taxation, France looked to indirect taxes for around forty per cent of its war-time revenue. The income tax law, adopted in 1914 after almost fifteen years of the most acrimonious discussion, did not go into effect until 1916; and by the end of the war the general income tax rate (*impôt global*) did not exceed twenty per cent. An excess profits tax was levied up to a maximum of eighty per cent. But because of comparatively lax enforcement of the law, neither of these sources of revenue yielded as much as it should have produced. In fact, the total tax yield amounted during the first two years of the war to slightly less than immediately before it began. In the second half of the conflict, however, substantial increases in the indirect taxes on necessities like tobacco, sugar, chicory, and vinegar, as well as the introduction of transportation and luxury taxes, served to augment the total tax burden of the country (national, departmental, and communal) to about six and a quarter billion francs, whereas in 1913 it had only slightly passed the five billion mark.

In dollars, that is to say, France raised by taxation less than 1,000,000,000 of the 25,000,000,000 she expended for objects connected with the prosecution of the war.[1]

Thanks to the illusion of an early victory, Germany likewise obtained less revenue from taxation during the first two years of the war than in the years immediately preceding it. But in 1916 postal, telegraph, and telephone rates were materially increased, and a sales tax was inaugurated. The return from these sources was so disappointing, however, that an extraordinary war tax on property and incomes, with rates graduating up to fifty per cent, was imposed by 1918. New taxes were also enacted on wines, mineral waters, beer, and kindred commodities, and higher duties on tea and coffee were levied; stamp taxes were increased; and a luxury turnover tax was raised to ten per cent. The result of all these and other increases was to give by 1918 a total federal and state tax yield of over 8,000,000,000 marks; the addition of 3,000,000,000 marks in local taxes made the aggregate tax burden somewhat more than 11,000,000,000 marks, as against 4,500,000,000 marks in 1913-14. While this was a much greater increase than in France for the same period, it was not quite enough even to balance the ordinary civil budget of the Imperial German government; and the excessive borrowing of funds thereby made necessary proved to be a wasteful and disastrous financial policy in the end.

The experience of Italy, which did not enter the war until the spring of 1915, was strikingly similar. Out of a total expenditure for war purposes amounting to about $12,500,000,000, not quite $1,500,000 came from the proceeds of taxation. As for Russia, her net outlay for military purposes until the end of 1917, when the country had virtually passed out of the war, reached over $22,500,000,000, of which gigantic sum only a paltry $377,000,000 can be attributed to revenue from increased taxation. Everywhere on the Continent there was an intense aversion to more drastic tax levies from the fighting populations, while in some instances, notably in France, the fiscal system was so archaic as to impede the effective utilization of such sources of revenue as were available.

War-Time Expansion of Public Indebtedness. In order to pay their war bills, therefore, European governments had to resort to loans, both domestic and foreign, as never before. The conse-

[1] *Cf.* Bogart, *Direct and Indirect Costs of the Great World War*, 117-18.

quences were an enormous expansion in the public debts of all the belligerent nations.[1] This is statistically demonstrated by the three sets of figures presented below:

Country	*Aggregate Public Debt—Domestic and Foreign* 1914	1918	*Increase (Per cent)*
Great Britain (£).	700,000,000	7,000,000,000	1000
France (fcs.)	34,000,000,000	150,000,000,000	441
Germany (marks).	5,000,000,000	140,000,000,000 (excluding the Reparations bill	2800

The process of borrowing began, of course, at home. It has been computed on good authority that "home borrowing provided 83½ per cent of the sinews of war for all the nations involved; say 77.2 per cent in the case of the Allies and 100 per cent in the case of their opponents."[2] In their early stages, internal loans usually took the form of short-term treasury bills maturing within a year of their date of issue. In England currency notes were issued by the Bank of England "as agent for the national treasury against the direct deposit in trust of treasury bills and other collateral securities;" while on the Continent, the state banks of the respective countries received for discount treasury notes, for which they issued and turned over to the national treasuries non-interest bearing circulating bank notes. In certain countries, moreover, especially in France, these short-time treasury notes were sold directly to the investing public,—a method of financing the war which was accepted with a great show of popular enthusiasm throughout the course of the war. But to prevent the market from becoming badly congested with this mass of "floating paper," a funding procedure was soon inaugurated. In return for the short-term treasury certificates, or for cash, the public—banks, trust companies, and individuals—was persuaded to purchase bonds maturing only after a term of years. By the end of the war, the domestic debts of the warring countries were 39.01 per cent floating and 60.99 per cent funded.[3] Once or twice a year the governments would conduct spectacular campaigns to sell their long-time bonds, some of which were sold at a considerable discount and most of which

[1] Seligman estimates that the total net public debt of the world ascribable to the war was 196 billion dollars. *Cf. op. cit., Amer. Econ. Rev.*, Dec., 1919.
[2] H. E. Fisk, *The Inter-Ally Debts* (New York and Paris, 1924), 71.
[3] This is Fisk's calculation; cf. *op. cit.*, 76.

could be paid for in easy installments. Highly colored posters were used with telling effect in the appeals to patriotic sentiment that accompanied these loan subscription campaigns.[1] In thousands of instances, small shopkeepers, chamber-maids, peasants, and the "black-coated proletariat" made heroic sacrifices from their shrinking incomes in order, as they were often told, to "get the boys out of the trenches" or "end the war by Christmas."

But internal borrowing proved insufficient. "Early in the war the necessity of creating credits abroad against which could be obtained absolutely essential raw materials and other munitions of war, as well as food for the civilian population, led to arrangements being made to place loans in the markets of allied and neutral governments."[2] In this respect, it goes without saying that the Allied countries enjoyed an immense advantage over their opponents. While Germany, it is true, was able early in the war to place a small loan of approximately $10,000,000 in the United States, and to establish credits in Switzerland, the Netherlands, and the Scandinavian countries, she had at her disposal no foreign financial market at all comparable with London or New York. The Allies, on the other hand, were able to utilize the London market, to arrange credits with the British Dominions and South America, and to draw upon the inexhaustible material resources of the United States. The fact that the foreign investments held by England and France at the beginning of the war reached almost $30,000,000,000 facilitated the securing of credits abroad,—particularly in the United States before the latter entered the war.[3]

Prior to this event, the Allied governments contracted war loans from foreign states, excluding any of themselves, to the extent of about three billion dollars. This sum was apportioned among the borrowers as follows: England, $1,444,000,000; British Dominions, $105,000,000; France, $1,084,000,000; and Russia, $338,000,000.[4] The bulk of these credits, of course, were obtained from the United States as a neutral power. During this same period,—August, 1914, to April, 1917—over eight billion dollars of inter-

[1] The French posters used in the "*bons de la defense nationale*" campaigns were often masterpieces of commercial art.

[2] Fisk, *op. cit.*, 77.

[3] British foreign investments probably approximated 20 billions; French, at least 8 billions.

[4] Fisk *op. cit.*, 78.

Allied indebtedness accumulated, the lending nations ranking in this fashion: [1]

Great Britain....	$5,715,788,000	(to Russia, France, Italy, and British Dominions chiefly)
Russia	1,265,160,000	(to Great Britain)
France	890,341,000	(to Russia and Great Britain chiefly)
Canada	169,762,000	(to Great Britain chiefly)
Italy	87,646,000	(to Great Britain chiefly)
Total	$8,128,697,000	

Inasmuch as the *net* advances of Great Britain to her Allies and to the Dominions totalled $3,824,496,000, it is obvious that she functioned as the chief banker for the Entente Powers until America acquired the status of belligerent.

On the side of the Central Powers, inter-ally borrowing reached much less formidable proportions. Only Germany could lend, while there were but three allies to borrow from her: Austria-Hungary, Bulgaria, and Turkey. During the first three years of the war, German credits to her three allies slightly exceeded a billion and a quarter dollars, a small amount in comparison with the aggregate of intra-Entente borrowing. As the conflict entered its final stage, German finance was confronted with such insuperable difficulties that a makeshift policy developed which precluded further advance to her tottering allies.

The financial situation of the Entente was alarmingly critical by the time the United States took up the rôle of belligerent. Subsequent admissions by British financial authorities have revealed how the supply of foreign securities that was then being used as collateral for loans in America was nearing exhaustion, while the rates for obtaining further credits with which to purchase munitions and other vitally necessary supplies were going higher and higher. But at that juncture the difficulties of furthering borrowing were simplified by the authorization by the American Congress of the establishment of credits in the United States, at first for only $3,000,000,000, but eventually for as much as $10,000,000,000.[2] Under the terms of the Liberty Loan Acts, the debtor

[1] *Ibid.*, 121. These data are condensed from a more detailed compilation.

[2] The first credit authorization for $3,000,000,000 went into effect in April, 1917: the second, for $4,000,000,000 more, in September, 1917; the third, for $1,500,000,000, in April, 1918; the fourth and last, for the same amount, in July, 1918.

nations executed promissory notes payable on demand, with the agreement "to convert the notes upon the request of the Secretary of the Treasury of the United States into an equal par amount of convertible gold bonds of the borrowing governments." [1] Although according to the terms of the law the purpose for which purchases could be made under such credits was to be restricted to "more effectually providing for the national security and defense and prosecuting the war," this limitation did not prevent using them for foodstuffs and supplies for European civilian populations, along with purchases of munitions and other military materials.

Up to the conclusion of the Armistice, the aggregate of these American advances to the Allies amounted roughly to $7,000,000,000. From the Armistice to November, 1920, about $2,368,000,000 more was lent, making the principal obligation to the United States approximately $9,500,000,000. This huge sum was divided among the Entente countries approximately as follows: [2]

Great Britain	$4,277,000,000
France	2,997,000,000
Italy	1,631,000,000
Other countries	680,000,000

Practically all of the above credits were expended in the United States for the purchase of goods used in connection with carrying on the war. The largest single purchases included about $2,500,000,000 for munitions and remounts; $2,645,000,000 for exchange and cotton; and $3,000,000,000 for cereals and other foods.[3]

Even after American credits became freely available to the Entente governments, a good deal of borrowing continued among themselves. By the end of 1919, British loans to the French government had mounted to over $2,600,000,000 while those to Italy aggregated a somewhat smaller sum. The total external debt of Great Britain due to the war reached $6,600,000,000 by March, 1919, about $1,700,000,000 of which was owed to countries other than the United States; but she had lent almost $10,000,000,000

[1] Cf. Albert Rathbone, "Making War Loans to the Allies," in *Foreign Affairs*, April, 1925, for an instructive account of the nature and operation of the American war loan policy.

[2] According to the Annual Report of the Secretary of the Treasury for 1920, as quoted in Rathbone, *op. cit.*, *Foreign Affairs*, April, 1925.

[3] These figures represent total reported expenditures, which were considerably in excess of the credits advanced by the United States government. The difference was taken care of by other resources of the borrowing nations.

to her European Allies. Of this amount about $3,500,000,000 had gone to Russia prior to the Bolshevik upheaval of 1917. On the other hand, France was able to make advances to her Continental Allies—Russia, Belgium, Roumania, Poland, Italy, Greece, Czechoslovakia, and Jugoslavia—totalling only $3,000,000,000, as against an aggregate foreign debt on account of the war exceeding $6,400,000,000.[1]

In order that the reader may have as simple a picture as possible of the status of the national debts of the leading European states at the close of the war, the following tabulation is presented: [2]

Country	*Internal Debt* (In millions of dollars—1919-1920)			*External Debt*	*Grand*
	Funded	*Floating*	*Total*	*Total*	*Total*
Great Britain..	24,245	7,844	32,089	6,222	38,311
France	20,215	14,554	34,769	6,481	41,250
Russia	8,993	9,634	18,627	5,937	24,564
Italy	10,145	3,793	13,938	3,911	17,849
Germany	21,896	24,990	46,886	....	46,886
Austria-Hungary	10,624	9,642	20,266	857	21,123

It is clear from the appalling volume of short-term notes "floating" against both the German and the French governments that the public finances of those two countries were, when hostilities ceased, in a condition bordering upon chaos.

Currency Inflation and Fluctuating Exchange Rates. In attempting to arrive at some semblance of balance in their national budgets, most of the belligerent and many of the neutral countries of Europe resorted to the issue of paper money on a scale never before approached. Almost everywhere except the United States, the financial upheaval brought on by the war played havoc with the gold standard. Inconvertible note issues, recurring at constantly more frequent intervals, incessantly expanded the quantity of money in circulation; and this phenomenon, of course, was one of the basic causes in the rises in price levels. While in most cases the gold reserves in central banks were maintained intact in order to keep up the external appearances of the gold standard, it was in fact abandoned when the extraordinary amount

[1] The largest single net advance of France was $1,053,000,000 to Russia before November, 1917.

[2] Reproduced from a more detailed table in Fisk, *op. cit.*, 339.

of paper currency in circulation destroyed the pre-war legal ratio of gold reserves to redeemable notes.

This expansion of the currency took place in slightly varying forms. In the case of the Bank of England, there was no real increase in the quantity of bank notes; but the British government issued so-called "currency notes" to the extent of roughly $1,700,000,000, the result of which was virtually to triple the amount of currency in circulation and to raise the general level of commodity prices more than 100 per cent by the end of the war.[1] At times, this caused paper currency to fall, in comparison with gold bullion, at least thirty per cent. In France the Government obtained advances from the Bank of France in the form of notes up to the value of almost forty billion francs, which was seven times as great as the amount of notes in circulation in 1914. In fact, France met thirteen per cent of her total war expenditure by advance from the Bank of France and the Bank of Algeria. Whereas the gold reserves of the Bank of France were fully preserved, those of the German Reichsbank were appreciably impaired by the latter part of 1919, and the paper currency outstanding in the form of inconvertible Reichsbank notes had expanded from about 2,500,000,000 marks to over forty billions.[2] Another factor aggravating the degree of inflation was, as we have already seen, the huge floating debt, which, by the autumn of 1919, reached the ominous sum of eighty billion marks.

Currency conditions in the smaller Continental states generally paralleled what has just been described with respect to Great Britain, France, and Germany. Almost everywhere specie disappeared from active circulation; hoarding became an exaggerated popular habit despite governmental efforts to prevent it; and the purchasing power of circulating media steadily depreciated. As an eminent Swedish economist has lucidly pointed out, "inflation . . . leads always and inevitably to a rise in prices, and it is just by means of this rise in prices that the ultimate object of inflation —namely, to place real commodities at the disposal of one who can offer nothing in exchange—can be realised."[3] The rise in

[1] Cf. *Currencies after the War* (compiled under the auspices of the Secretariat of the League of Nations, London, 1920), for data as to war-time European currency expansion.

[2] The gold reserve of the Reichsbank fell from 1,300 million to less than a billion marks, while the special war reserve at Spandau was completely exhausted.

[3] G. Cassel, *Money and Foreign Exchange after 1914* (London, 1922), 20.

commodity prices, moreover, is usually sharper and quicker than the concomitant increase in wages and other forms of income. That this happened in Europe during and after the war has been strikingly demonstrated in an earlier chapter.[1] On the basis of the 1914 index (100), wholesale commodity prices reached the following levels by 1920:[2]

Great Britain	295	Italy	624
France	510	Germany	1965

But by a strange lack of insight into the relation of inflation to the rise in prices,—from which relation public treasuries reaped camouflaged, but none the less substantial, fiscal benefits—most war governments of Europe strove by "maximum price" legislation to stem the tide of advancing price levels, though in vain.

Likewise, repeated attempts were made during the progress of the war to prevent any sharp fall in the value of the currencies of the belligerent states in terms of foreign currencies. These measures included restrictions on the export of capital and on the importation of securities and negotiable instruments, as well as the securing of credits from abroad, that is, chiefly, in the case of the Entente countries, from the United States and neutral countries. By such artificial means as these, the French franc, so long as the war lasted, did not greatly depreciate in terms of the American dollar, which soon replaced the pound sterling as the standard stable unit of foreign exchange; the franc's lowest point was reached in the spring of 1916, when it sold in New York at a discount of about thirteen per cent. The pound sterling, moreover, maintained virtual parity on the New York market throughout the war, its value never falling more than four per cent. Other currencies, especially the Italian, the German, and the Austrian, steadily depreciated on the international market after the beginning of 1915. And in general, not only was the degree of fluctuation in foreign exchange rates clearly abnormal during the first three years of the war, but instability constantly increased after 1918, until it became almost ruinous to the carrying on of international trade. "Indeed, the world's commerce now had to reckon with a number of free paper currencies, independent of one

[1] Cf. Chap. XXIX.

[2] From the American Federal Reserve Bulletin, as quoted in Laughlin, The Madness of Paper Money Inflation," in *These Eventful Years*, I, 415.

another, and each continually changing in value, while their mutual exchange rates appeared to have no firm foundation."[1] Conditions after the Armistice permitted the unmitigated effect of this instability in monetary values to inflict itself upon a Europe struggling to recover from the most disastrous war in its history.

While opinion is fairly well agreed that the consequences of falling European exchange rates were evil, economists have differed during recent years as to whether the primary cause of the phenomenon was the adverse trade balances piled up by the warring countries or currency inflation itself. Since 1920 the latter and newer point of view, however, appears to have gained ground at the expense of the former and older one.[2] A necessary corollary of this second view is that European exchange rates will remain permanently different from the pre-war scale inasmuch as the relative purchasing powers of national currencies will continue to vary greatly from what they were before the war. Whatever be the validity of such a thesis, the hard fact of chronic instability both of domestic and international monetary values acted like an insidious plague to balk well-intended efforts toward a quick restoration of trade and industry following the Armistice. It was not until 1923 that the wholesome process of stabilization set in for the majority of European countries, although even at the date of writing this chapter (January, 1926) the currencies of France, Italy, and Belgium have not yet been definitely stabilized.[3] The five years from 1918 to 1923 seemed like almost a perpetual nightmare to European finance ministers, whose ingenious as well as blundering maneuvres to secure budgetary balances were usually frustrated by the triple nemesis of an insistent popular demand for lower taxes, overwhelming public debt charges with which practically every national budget was weighted, and the intricate tangle brought on the German reparations problem.

German Reparations: Political Phase. While it should be clearly evident at this juncture that the victorious nations in the war ought not reasonably to have expected substantial economic

[1] Cassel, *op. cit.*, 137.

[2] For able presentations of the newer point of view, *cf.* Cassel, *op. cit.*, and T. E. Gregory, *Foreign Exchange before, during, and after the War* (London, 1922).

[3] Great Britain restored the gold standard in May, 1925, when restrictions on payments in gold and the embargo on gold exports ceased. The £ sterling has stood virtually at par since then.

gains from the peace settlement, whether it was drastic or mild in its terms, the psychology of military victory was such as to build up extravagant hopes among the Entente Allies that Germany, as the strongest of the defeated powers, could and should meet a large portion of the war bill of the victors. In the Armistice agreement, however, it was the understanding that compensation would be made by Germany only for "all damage to the civilian population of the Allies and their property by the aggression of Germany by land, by sea, and from the air," with the significant reservation "of any future concessions and claims by the Allies and the United States." In the subsequent peace negotiations at Paris, this reservation became the pretext for claiming that Germany should be obliged to pay not merely for direct physical damage inflicted upon civilians and their property, but also for such items as munitions, pensions, and separation allowances. Despite the insistence of President Wilson and the American delegation that the Allies should adhere to the spirit of the Fourteen Points and the Armistice understanding, the French and British representatives, conveniently bound by election pledges that Germany "pay to the last penny," were able to force a compromise in the treaty settlement, whereby Germany was held responsible for "all the loss and damage" suffered by the Allied and Associated Governments and their nationals, though cognizance was to be taken of the inadequacy of the former's resources to make complete reparation.[1] In the end, pensions and separation allowances were included in the category of "civilian damages," which meant that the amount of reparations to be exacted could at least be doubled. But the total sum was not definitely fixed by the treaty because no agreement as to what it should be could be reached by the dominant Allied spokesman.[2] "The determination of the amount was postponed. The American justification of this procedure was that on sober second thought the Allies would consent to a moderate sum; the theory of the French was that as Germany recovered they could collect additional amounts." [3]

The Treaty of Versailles set up a Reparations Commission

[1] *Cf.* arts. 231-237 inc. of the Treaty of Versailles.

[2] Official estimates ranged from $30,000,000,000 to $125,000,000,000, while that of Mr. Keynes and other independent economists varied from $10,000,000,000 to $20,000,000,000.

[3] E. M. Friedman, *International Finance and its Reorganization* (New York, 1922), 590.

which was to fix, by May, 1921, the amount of the total indemnity. Before that date, however, Germany was to pay $5,000,000,000 to the Allies, out of which sum the expenses of the Allied armies of occupation were to be paid. In fixing the total sum, Germany's actual capacity to pay, taking into account her losses of territory, population, and physical resources, was given little consideration by the Allied prime ministers who met in conference at various times during 1920 and early 1921, and virtually took over the task that had been assigned by the Treaty to the Reparations Commission. At the Conference of Spa, in July, 1920, reparations receipts were allocated as follows: to France, 52 per cent; Great Britain, 22; Italy, 10; Belgium, 8; and to the other Allies, lesser percentages.[1] But since the heads of the Allied governments were still unable to agree upon the total sum to be paid, the whole troublesome problem was returned to the Reparations Commission by the end of 1920. Finally, after another four months of offers from Germany to pay from thirty to fifty billion gold marks, and their rejection by the Allies, a decision on total reparation indebtedness was reached.[2] It provided that three series of bonds should be issued by Germany: the first, class A, in the sum of 12,000,000,000 gold marks; the second, class B, for 38,000,000,000 gold marks; and the third, class C, for 82,000,000,000 gold marks. Under this arrangement, the total amount ultimately due would be 132,000,000,000 gold marks, or $33,000,000,000. But annual payments were to be made only upon class A and class B bonds, at the rate of six per cent, of which one per cent would be for sinking fund; these payments, moreover, contained an element of flexibility in that they were set at 2,000,000,000 gold marks *plus* twenty-six per cent of the value of German exports. The class C bonds were to bear no interest until the Reparations Commission was satisfied that they could be paid from the proceeds of the exports tax. Here, at least, some account was taken of the *capacity* of Germany to pay.

After threat of the imposition of forcible sanctions, Germany

[1] Belgium was to have priority on cash payments up to 2,500,000,000 gold marks.

[2] In March, 1921, upon Germany's refusal to pay the balance of 12,000,000,000 gold marks which the Reparations Commission claimed was still due from the first 20,000,000,000 fixed by the Treaty, the Allies occupied Duisburg, Dusseldorf, and Ruhrort, established a special customs barrier on the Rhine, and imposed special import levies on imports from Germany into Allied countries.

promised to adhere to this schedule of payments. But on account of the demoralizingly chaotic situation into which her finances had fallen, she was not able to meet her obligations in full. At various times through the year 1922 she failed to make cash payments as per schedule, and often fell short in the deliveries of coal and wood fixed by the Treaty and later modified by the Commission. A committee of bankers meeting in Paris in May, 1922, to consider an international loan to Germany, declared that such a loan would be unsuccessful until the public became confident that Germany would be able to meet her obligations. For her part, Germany presented a formal request in July for a two and one-half years' complete moratorium on the ground that she could not balance her budget; that notwithstanding drastic increases in tax levies, both direct and indirect in character, the receipts were falling to insignificant amounts; that wholesale inflation was therefore necessary; and that the resultant depreciation of the mark was causing an alarming flight of capital abroad. By the end of that year, the volume of Reichsbank notes had reached the fantastic total of 1,300,000 millions, or 500 times what it was in 1913; and it took over 7,000 marks to purchase a dollar. But France, whose vote dominated the Reparations Commission, refused to grant a moratorium without tangible guarantees, such as the seizure of state-owned forests and mines in the Rhineland and the establishment of a customs barrier on the eastern boundary of the occupied area. Her argument rested on the assumption that Germany owed a just debt, and that if the debtor would not pay, she must take tangible property as a pledge of future payment. How, if not from Germany, she argued, was she to be reimbursed for the 85,000,000,000 francs already advanced for reconstruction in her devastated regions?

As the year 1922 wore on, it became increasingly apparent that the French and the British were soon to arrive at a parting of the ways. Opinion outside France held that the latter's real object was to cripple Germany economically, and perhaps to hold her in subjection for an indefinite period. In justice to France, it should be said the vast majority of her people had no such objective in view, although a noisy ultra-nationalist clique often led outside critics to brand the whole French policy as "imperialism." In any event, it was mainly *political* considerations that stiffened the French against permitting an impartial investigation of the ability

of Germany to make further payments. On the other hand, the British were facing the question more and more from the *economic* angle. They were chiefly interested in the speedy revival of German trade, because upon German revival, they felt, would depend in large measure the restoration of British commercial prosperity. Finally, by January, 1923, the two points of view reached a deadlock. The votes of France, Belgium, and Italy declared Germany to be in voluntary default on timber and coal deliveries for 1922. The British proposed to reduce the capital sum due to 50,000,000,000 gold marks, to grant a four years' moratorium, and virtually to cancel the war debts due Britain from France, Belgium, and Italy, in consideration of receiving a small percentage of the German reparations bonds attributable to those countries. While the French were willing to concede a two years' moratorium to Germany, they would not agree to reducing the totality of her obligations unless the creditors of France were willing to accept the French allotment of class C reparation bonds in full settlement of what she owed them. In that case, she would co-operate in cancelling or scaling down the principal of the C bonds. France also proposed that the Allies seize and directly exploit German railways, coal mines, and forests, and administer special taxes on her exports.[1] Upon their failure to agree, the French and British assumed independence of action. A few days later (January 11) French and Belgian troops, accompanied by engineers and technical experts, proceeded to occupy the Ruhr valley, commonly considered the industrial heart of Germany.

The legality of this unusual action has been a matter of spirited controversy. France attempted to justify it by a rather strained interpretation of a provision in the Treaty of Versailles which said that in case Germany voluntarily defaulted, the Allied and Associated Powers might take "economic and financial prohibitions and reprisals and, in general, *such other measures as the respective Governments may determine to be necessary in the circumstances.*"[2] Opposed to this view was the British contention that the treaty not only did not contemplate further occupation of

[1] The Italians presented a plan which was a compromise of the French and British proposals; it also tied up the inter-Allied debt question with reparations.

[2] Sec. 18 of Annex II of Part VIII of the Treaty. (Italics are the writer's.) On this point, see Schuster, "The Question as to Legality of the Ruhr Occupation," *Amer. Journ. Internat. Law*, July, 1924.

German territory, but that the only actions permissible under the circumstances were collective measures economic or financial in character. However, the British law officers did not officially protest until August, 1923, and even then the British government was unwilling to challenge the French action by forcible measures of its own.[1]

Contrary to French expectations, the occupation of the Ruhr proved to be economically unprofitable as well as psychologically disastrous. The German government initiated a policy of passive resistance which virtually stopped the output of coal and caused the great iron and steel factories to shut down. A general strike of German industrial workers was financed by the central government at Berlin. In retaliation, the French occupational force arrested and deported over 30,000 German inhabitants, requisitioned more than 200 school buildings for military purposes, and suspended 173 newspapers. By autumn the total reparations deliveries were not enough to meet the military expenses of occupation. Meanwhile, Germany's future capacity to pay was being rapidly diminished; the mark fell to approximately 3,000,000 to the dollar by August; but a month later it was worth only 53,000,000! German economic life was degenerating into a frantic hand-to-mouth effort to spend paper marks before they became utterly worthless. The longer such an exhausting policy was maintained, the more isolated became the position of France, against which were heaped the bitter protests of labor and liberal opinion from all over the world.

No longer able to support passive resistance, the German government abandoned it in September, whereupon the French began direct negotiations with Ruhr industrialists for the resumption of deliveries in kind. Little by little, the Poincaré government receded from its unyielding attitude. In August it had rejected a British proposal for an impartial investigation to determine the method and amount of reparations payments, but had declared France would be satisfied with 26,000,000,000 gold marks (52 per cent of the A and B bonds), plus what must be paid to England and the United States on the inter-Allied debts. In November, three months later, it gave its approval to the appointment of

[1] The British suggested, however, that all questions of interpretation of the Treaty of Versailles be submitted to the Permanent Court of International Justice at The Hague.

two committees of experts (1) to consider the means of balancing Germany's budget and stabilizing the currency, and (2) to investigate the amount of exported German capital and propose ways of recovering it. There was to be no questioning, however, of the total amount ultimately due from Germany.[1]

German Reparations: the Dawes Plan. At this point, the whole reparations problem seems to have entered a new phase. The Ruhr occupation had been as much a political as an economic venture, ending in dismal failure. At last the controversy was to be dealt with by technical experts, instead of by diplomatists. Once more Americans were to participate, at least "unofficially," in attempting to find a way out of what appeared to be an almost hopeless impasse. The two committees carried on four months of investigation (January to April, 1924) and then submitted a double set of reports and recommendations. The one committee, headed by Reginald McKenna, formerly British Chancellor of the Exchequer, estimated the flight of German capital abroad at 6,750,000,000 gold marks, or about one-fourth of the pre-war holdings, and stated that the only way to bring about the return of this capital was permanently to put an end to inflation.[2] The other committee, of which Brig. Gen. Charles G. Dawes, of the United States, was chairman, submitted a detailed plan for balancing the German budget and resuming reparations payments. This plan may be summarized as follows: (1) that balancing the budget would require further temporary relief from charges for treaty obligations; (2) that Germany's total burden of taxation and debt charges should at least equal that of the

[1] Credit for first proposing an investigation by technical experts into Germany's capacity to pay seems to belong to Mr. Charles E. Hughes, the American Secretary of State, who, in a speech at New Haven, in December, 1922, suggested this kind of solution for the perplexing reparations problem.

[2] In connection with the McKenna Report, Mr. Keynes pointed out at the time that "what Germany has appeared to pay in Reparations is nearly equal to what the foreign world has subscribed for worthless marks." Here would seem to be eloquent proof of the reality of the "Great Illusion." *Cf. New Republic*, May 14, 1924. The Reparations Commission stated in October, 1923, that Germany had been credited with a total payment of 8,213,000,000 gold marks up to June of that year. Taking a different standard of valuation, the German government claimed it had paid 55,000,000,000 gold marks. Moulton and McGuire's estimate was between four and five billion dollars; while Keynes, by including certain property surrendered by Germany but not officially accredited on the reparations account, arrived at a somewhat higher figure—23,500,000,000 gold marks, or almost $6,000,000,000, the equivalent, in purchasing power, of twice the French indemnity of 1870.

Allies, and since Germany's internal debt had been wiped out by the depreciation of the mark virtually to nothing, her entire budgetary charges for debts could go to reparations; (3) that there should be a sliding scale of payments beginning at 1,000,000,000 gold marks the first year and reaching 2,500,000,000 gold marks the fifth year (1928); (4) that these payments should be met from taxation, railway bonds, a transport tax, and industrial debentures; (5) that Germany's creditors should share in the improvement of her prosperity, which was to be determined by an "index" of prosperity (increase in railway traffic, population, foreign trade, consumption of tobacco, budget expenditure, etc.); (6) that a foreign loan of 800,000,000 gold marks should be made to Germany to assist her in meeting payments during the first year of the plan; and (7) that the responsibility for converting reparations payments into foreign currency should rest with the Allies, in that no transfers were to be made except when there was a sufficient export balance so as not to threaten the stability of the German mark. A Bank of Issue was to be set up in order to stabilize the currency and receive reparations payments, and a somewhat elaborate machinery of Allied control over this bank, the railways, and parts of the German budget was envisaged.[1]

The plan was immediately characterized by such an eminent economist as Mr. Keynes as "the finest contribution hitherto to this impossible problem." More important still, it met with the hearty approval of the British and French governments, each of which was by the summer of 1924 dominated by genuinely liberal policies.[2] At a noteworthy Conference held in London in the summer of 1924, the details of applying the plan were carefully worked out, and its voluntary acceptance by the German government was secured. Furthermore, the Allies agreed not only that all questions arising out of the application of the Dawes plan should be settled by arbitration, but that in case of future default by Germany, only *joint* intervention by her creditors would be per-

[1] The plan provided, in this connection, for a Transfer Committee, headed by an Agent for Reparation Payments (an American, Mr. Seymour Parker Gilbert, was the first man to hold this position). Whenever payments by Germany on reparations account exceeded the amount the Committee could transfer without deranging the exchanges, these payments were to accumulate in the Bank; but if they should surpass five billion gold marks, payments were to be reduced until the surplus was used.

[2] The MacDonald Labor government had come into power in Britain; the Herriot Radical-Socialist government, in France.

missible. The French and Belgians promised to terminate economic control of the Ruhr as soon as the plan went into operation; economic control actually ceased in October, about six weeks after the machinery of the plan began functioning. A little less than a year later (August, 1925), military occupation of the Ruhr was likewise brought to an end.

At the time of writing this chapter (January, 1926), the Dawes plan has been in operation a little more than a year. At the outset the 800,000,000 gold marks loan was quickly and easily subscribed. Germany has been able to make all her payments in full and on time. For the time being at least, the reparations problem has been removed from the heated field of political controversy into the cooler sphere of business economics. According to the Agent General, Mr. Gilbert, "the plan has certainly marked the turning point in the recovery from the disorder and disorganization of the inflation. . . . Much progress has been made, but the readjustment is still in progress. Many difficulties remain to be overcome. German business and industry are still greatly in need of working capital, and in many fields face serious problems of reorganization." [1] The new rentenmark, which has at no time fallen below dollar par, had a circulation of approximately 2,500,000,000 in August, 1925, in striking contrast with the 1,500,000,000,000 billions of paper marks outstanding a year earlier, the *gold* value of which was then only one and a half billion marks.

The real test of the plan will probably come in its fourth and fifth years, for by that time the annual charges on the German budget and on German business will be serious items. From certain quarters misgivings have been expressed that unless the Allies—especially the United States—substantially reduce their tariff walls and are willing to buy German goods in large quantities, Germany will not be able to meet the scale of payments set up by the Dawes report. Many "liberal" critics of the plan predict that eventually the total sum due from Germany will have to be materially reduced. It is pointed out, moreover, that for a long time to come, the social effects of the plan may be a lower standard of living for the bulk of the German population. If the League plan for the financial reconstruction of Austria and Hun-

[1] From a speech in New York to the Council on Foreign Relations, Jan. 12, 1926. *Cf. New York Times*, Jan. 13, 1926.

gary, similar in operation to the Dawes plan for Germany, be taken into account, it may fairly be said that all Central Europe was, in 1925, "in receivership."[1] While bankers' control appears to be, on the whole, more enlightened than the spasmodic palliatives of befuddled politicians, it is possible that it may in time engender so much popular resentment against outside interference with national life as to sow the seeds of its own undoing.

Progress Toward Inter-Allied Debt Settlement and Financial Solvency. Along with the reparations problem, and intimately tied up with it, stalked the knotted question of inter-Allied indebtedness as a serious hindrance to European economic restoration. For some time after the Armistice, the governmental expenditures of most of the countries of western Europe continued to increase; so that the debtor countries on the Continent paid little or no attention either to the principal or to the interest of the obligations owing to Great Britain and the United States. Not only did the interest accrue, but additional sums for reconstruction and relief purposes were borrowed from America. This development brought the total debt of Allied governments to the United States up to approximately $12,000,000,000 by the end of 1923, Great Britain owing $4,577,000,00; France, $4,137,000,000; and Italy, $2,097,000,000. Unofficially if not officially, it was urged on the Continent, especially in France, "that in the Great War all Allied nations pooled their efforts, that where one gave men, another gave food, another munitions, and another money; that after the United States came into the war, but before American soldiers were in the field, men, food and munitions were lost and destroyed by the enemy, and that since none of these contributions can now be reimbursed, money contributions should likewise not be demanded."[2] This, of course, was a political, perhaps even a sentimental, argument for debt cancellation, although it received substantial support from many European economists. The point was made repeatedly, moreover, that the attempt to pay America would inevitably breed international bad will, as had been the case with the German reparations problem. Finally, economic considerations were advanced

[1] *Cf.* A. Salter, "The Reconstruction of Austria," *Foreign Affairs*, June 15, 1924, and A. Comstock, "The Technique of Reconstruction as Applied to Hungary," *Pol. Sci. Quart.*, June, 1925, for good discussions of the League plan of reconstruction.

[2] *Internat. Conciliation Pamphlets*, No, 215 (Dec., 1925), p. 16.

in favor of complete, or at least partial, cancellation. Here chief emphasis was placed upon what was termed "the practical impossibilities of collection without an undesirable derangement of national and international economy." [1] To America, it was suggested that the alternative to cancellation might be a low tariff and "dumping," the very thing American industry shunned.

For a considerable period after the war, the possibility of a general cancellation of inter-Allied indebtedness lingered on the horizon. In the famous Balfour Note of August, 1922, Great Britain "announced that only enough of the debts (due her) would be collected from her allies and Germany, that is, from friend and foe alike, to pay the British debt to the United States." [2] Since, the Russian debt and German reparations apart, Europe owed Britain about $6,000,000,000, while she owed America only $4,500,000,000, it is clear that this proposal was partly designed to transfer a share of the responsibility for the payment of Germany's obligations to the United States. It was also a veiled invitation that America should mark the bulk of Europe's war debt to her off the books. But sentiment for cancellation in the United States steadily dwindled as the memories of common war burdens faded. In line with dominant popular opinion, the American government adopted a policy based upon the integral repayment of the war obligations. On the one side, it was pointed out that from a third to a fourth of the total debt had not been used for "common war objects"; on the other, it was insisted that cancellation would tend to undermine the integrity of international obligations in the future. America, however, would not press for payment until the budgetary situation of her European debtors was relatively stabilized. Then the process of refunding the debts should begin.

To a large section of European opinion this seemed a hard-fisted attitude. Accordingly, America was frequently caricatured as "Shylock" during the six years following the peace settlement. Prior to the inauguration of the Dawes plan, only Great Britain, of the larger European powers, made a refunding settlement with the United States. In this settlement of January, 1923, England agreed to pay her total debt within sixty-two years, annual payments on the principal to begin in 1923 at $23,000,000, and increase

[1] *Cf.* Mr. Keynes' arguments for cancellation in the *New Republic*, Jan. 21, 1925.

[2] *Internat. Conciliation Pamphlets, op. cit.*, 18.

gradually to $175,000,000 by 1984; for the first ten years, she is to be charged interest at the rate of three per cent; thereafter, three and a half per cent. While this amounted to a reduction (on paper) of about thirty-five per cent of the total sum due, it no more than compensated for the difference in the purchasing power of the dollar between 1923 and the time the debt was contracted.[1] The British government was subjected to severe criticism both at home and on the Continent for accepting such severe terms "independently" of its Allies. The British press was quick to point out that the British tax burden (in 1923) was still almost £1,000,000,000, over half of which was in the form of direct taxes, and that the national debt service would consume almost half of the total expenditures in budget of 1923-24.[2] However, British finances after 1921 were definitely on the mend; by dint of economy, surpluses, even though small, replaced deficits; and by 1924 aggregate expenditures fell to less than £800,000, the lowest since 1915. But to accomplish this improvement, the British people bravely bore a tax burden of almost £16 per capita, which was nearly five times as high as in 1913-14.

By December, 1925, ten other European countries had funded their debts to the United States. The total (principal thus accrued interest) of these funding settlements, reached roughly $7,400,000,000, leaving about $5,000,000,000 still unfunded. The most important of these settlements were (1) the Belgian and (2) the Italian.[3] In the case of Belgium, the United States made a distinction between *pre-* and *post-*Armistice debt, the former to bear no interest whatsoever, the latter to pay three per cent during the first ten years and three and a half per cent thereafter until 1987. The American terms to Italy were still more liberal: for the first five years a flat payment of $5,000,000 per year is to cover instalments of both principal and interest; from 1930 on, interest is to be paid beginning at one-eighth of one per cent and gradually increasing to two per cent by 1980. This will mean an average rate of interest of less than one per cent on approximately $2,000,000,000 over a period of sixty-two years.[4]

[1] *Cf.* "Inter-Ally Debts and the United States," National Industrial Conference Board (June, 1925), 78.

[2] Actually, it consumed £347,000,000 out of £788,000,000.

[3] The other countries which have refunded their debts to the United States are Czechoslovakia, Esthonia, Finland, Hungary, Latvia, Lithuania, Poland, and Rumania.

[4] As these lines are written, a settlement of the Italian debt to Great

In making these debt funding agreements, the United States was unconsciously, if not deliberately, giving recognition to the principle of "capacity to pay" which was applied to Germany by the Dawes Report. The capacity of Italy, for instance, was estimated by the American Debt Funding Commission as only one-sixth as great as that of France; hence, the justification for the more lenient terms to Italy than were offered to the French representatives who went to the United States in September, 1925, with proposals for refunding their debt to America. Such marked generosity to Italy naturally aroused sharp criticism from the French press. If one may judge from the condition of the French budget and French currency after 1920, this criticism appears to have considerable merit. As a result of repeated borrowings, the total French national debt exceeded 300,000,000,000 francs by June, 1924. At no time was it possible to balance the "ordinary" budget without recourse to loans, and in addition, there was a "special" budget covering extraordinary expenditures—chiefly advances for reconstruction in the devastated areas. Up to 1924, this aggregated about 100,000,000,000 francs, all of which came from further internal loans, on the assumption that it would sooner or later be paid from the proceeds from German reparations. But since only insignificant amounts became available from Germany, the debt charge upon the budget grew with each passing year into a more and more ominous burden. How critical the French financial situation had become by 1924 is statistically revealed by the table on page 838.[1]

One effect of such a predicament was an alarming decline in the foreign exchange value of the franc, which fell, in the spring of 1924, to less than four cents in New York. While a special loan of $100,000,000 to the French government by the Morgan banking house in New York temporarily raised the value of the franc to about five and a half cents, more budgetary difficulties in 1925 caused it to drop again to even more disquieting levels. By December it was worth less than one-fifth of its pre-war parity. Fol-

Britain is announced, whereby Italy is to pay, in sixty-two annual instalments, a sum which is fifty-three per cent less than the capital of the debt. *Cf.* the *New York Times*, Jan. 28, 1926. Such unexpected leniency (the terms being considerably more liberal than those given Italy by the United States) evoked the comment in Paris that America and Britain had treated Fascism better than a "real democracy," i.e., France.

[1] Reproduced from D. S. Green, "French Finance," *Trade Inf. Bull.* No. 290 (U. S. Dept. of Commerce, Nov., 1924).

(In millions of paper francs)

	Total Expenditures				*Debt Service*		
Year	*General budget* (*Estimates*)	*Special budget*	*Final total*	*Actual revenue*	*Total*	*Per cent of expend.*	*Per cent of rev.*
1920	27,181	20,751	58,142	19,800	15,201	26	77
1921	26,499	15,317	52,023	21,500	16,000	31	74
1922	24,688	10,322	48,700	24,700	14,500	30	59
1923	23,402	13,582	36,984	24,500	15,263	41	62
1924	23,480	11,727	33,800	28,000	16,548	48	69

lowing repeated increases, the French paper note issue was approaching 50,000,000,000 francs by October; wholesale prices in Paris were nearly five times as high as before the war; while the tax burden represented about twenty per cent of the national income, a per capita rate of about 650 paper francs, or 177 gold francs.[1]

Even M. Caillaux, popularly acclaimed the "financial wizard," could not find a solution for this dilemma that was acceptable to Parliament. After effecting a tentative settlement of the French debt to Great Britain in August, 1925, whereby France was to pay sixty annual instalments of approximately $60,000,000 (roughly equivalent to two per cent interest on a debt of $3,021,000,000), he headed a mission to Washington in September to negotiate a settlement of the American debt. His offers, however, were regarded as inadequate by the American government and no agreement was reached.[2] By the end of the year successive French ministries were vainly wrestling with the paradoxical problem of achieving a balanced budget without resorting to one of two hard alternatives, each of which then seemed to be politically impracticable: either (1) a drastic increase in taxation, probably including some form of a capital levy; or (2) a direct or indirect repudiation of a large part of the internal debt.[3] Partial indirect repudiation might take place through further inflation, followed by permanent stabilization of the franc at a definitely fixed low

[1] In 1914 it was 104 gold francs.

[2] For a brief summary of these negotiations, *cf.* the *World Almanac* (New York, 1926), 172.

[3] The conclusion reached by Mr. H. G. Moulton, after an exhaustive study of the French financial situation, is that direct repudiation, by reducing the rate of interest on French bonds, is advisable. *Cf.* Moulton and C. Lewis, *The French Debt Problem* (New York, 1925).

level.[1] But it is doubtful if even this could be accomplished without a substantial scaling down of France's external debts to Great Britain and especially to the United States.

The New Rôles: Europe as Debtor, America as Creditor. The decade 1914-24 may truly be called a period of world financial transformation. From being a creditor to the rest of the world, Europe has had to assume what is likely to be a permanent rôle of debtor. In 1914, European investments abroad aggregated at least $35,000,000,000. Ten years later not only had the bulk of these investments been swept away by war-time and post-war financial operations, but America was lending to the rest of the world at the rate of $1,000,000,000 a year. While only about half of this sum was going to Europe, it is none the less significant that it was chiefly American capital, rather than British or French or German, that was financing industrial development in Canada, in Latin-America, and in Asia. Exclusive of the war debts due from Europe, the United States held by the middle of 1925 almost $10,000.000,000 worth of foreign securities, about $4,147,000,000 of which were governmental and $5,375,000,000 industrial, or private, in character. Once more, gold was being exported from the New World to the Old,—a thoroughly wholesome phenomenon from the standpoint of European recovery. But it is also a phenomenon which marks, silently but inescapably, the beginning of a fundamentally different relationship between the Old World and the New. How can Europe meet the interest and capital charges on these loans without selling more goods to America than she buys? Does this presage a change in the traditional tariff policy of the United States? Or will the new relationship at last compel nations, both American and European, to consider the international financial situation as a series of *world* problems, each being thoroughly susceptible of orderly international regulation and supervision?

These are pertinent queries that face the second quarter of the twentieth century. However they may be met, it behooves the statesmen and technicians who will have to struggle with the problems they entail to remember that one of the certain lessons of the World War of the first quarter of the century was that war is a destructive enterprise to all concerned, that its economic as

[1] This is Mr. Keynes's recommendation. *Cf.* his article, "The French Franc," in the *New Republic*, Jan. 27, 1926.

well as human costs remain irrecoverable losses both for victors and for vanquished.

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