

Intervention & Prices

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Describe (a) the industrial system as controlled by prices, and (b) the various means by which governments and other agencies are in the position to influence prices.

What significance has 'price' to an individual member of an industrial capitalist society?

The life of such an individual is concerned with the organisation of his own resources and the substitution of other people's resources for his own. The extent to which he ~~causes~~ ^{affects} such substitutions depends upon a method of ~~comparing~~ balancing the attractive features of his neighbours' properties against those of the properties he must offer in exchange.

Since every individual is making similar adjustments, a vast, complicated system of substitutions is created, and the factor of 'price' emerges as a controlling force.

The whole industrial mechanism is regulated by price movements. The prices of actual commodities have a function in rationing supplies. A shortage of any commodity can be eked out by raising its price; the disposal of an abundance of goods may be brought about by the development of new markets, through a lowered price. By the decisions he makes after balancing the relative attractions of all the properties, (of his neighbours) ^{which} he may substitute for his own, each individual, in common with his fellows, affects the resultant market prices of all

commodities. Market prices, in their turn, affect supply^{of} and demand for commodities. Similarly rent, the price paid for land and buildings, fluctuates and, in doing so, has the effect of rationing the available resources. Rents fall when it is difficult to obtain tenants, and rise when accommodation is scarce.

Thus, in the industrial system, price induces supply and demand, though it is itself determined by the vast complicated system of human substitutions already mentioned.

Within the modern industrial system, price not only influences supply and demand, but also determines what shall be produced and when production shall cease, since it is reflecting the interactions of the transactions of the individual members of that society. Only goods for which there is some demand are produced; production stops when the producer sees no chance of getting an adequate price.

Because of this, the 'price mechanism' also determines the occupations the individual members of an industrial community shall follow. The revival of one industry and the decline of another has its influence on wages (the price of labour —) since new workers are attracted by the wages offered in expanding industries, but fail to enter declining trades when they "can get better money elsewhere." 'The wage mechanism', itself a variant of the 'price mechanism', regulates thus the distribution of labour in industry ^{and therefore} ~~so that~~ only those things, for which there is demand, are produced.

Price also exerts some control over the supply and use of capital in industry, for saving and investment also have their price. This may be called interest or profit, and represents what the saver or investor gets for allowing others to use his property. Though it is open to question whether this is the only factor controlling the distribution of capital in the industrial field, it remains a fact that further investment in a given industry is encouraged when the price paid for that service rises. Just as the wage mechanism is the only force attempting to regulate the movement of labour in industry, so an 'interest mechanism' ^{is the only obvious factor} ~~has some control~~ in guiding investment in various industries.

Therefore, price represents the only regulating factor in the movement and distribution of capital and labour.

Since control of a capitalist industrial system is brought about almost automatically by ^{or} this price mechanism, the system can only function successfully if this price mechanism, in all its phases, functions without interference. A capitalist industrial system can only be self-regulating in a 'laissez-faire' economy.

As soon as government and other agencies attempt to influence prices, including wages, rent and interest, then they are cutting slowly but surely at the roots of the capitalist system, for prices alone induce supply and demand, the only regulat^{ive}~~ed~~ features of an unplanned economy. Interference with price makes

even this regulation less effective.

The following types of outside interference, through their effect on the price mechanism, tend to diminish capitalist economic efficiency, because they make more and more rigid a system which can only function successfully under laissez-faire conditions.

Banking Policies.

Since the real function of money is to make exchange of resources easier and avoid the inconveniences of barter, the ideal ^{monetary} banking policy will allow for the provision of enough money to buy goods produced.

But the orthodox method, of regulating the amount of money in circulation in relation to a quantity of gold or other precious metal in the possession of the authorities, takes no account of production of goods.

Such a method provides the first restriction limiting the free determination of prices (without which the capitalist system cannot function completely successfully.)

An almost equally disastrous result can follow if a policy of undue inflation is pursued. If new money, having no relation to real wealth in the form of goods and services, is created, prices of available wealth and services rise artificially as they did after the Great War. Such an artificial forcing up of prices interferes with the natural creation of prices on which the functioning of

the modern industrial system depends.

On the other hand,
Similarly a policy of deflation creates artificially low prices.

If the price mechanism is to control the industrial system, a smooth running monetary system, which will allow the creation of natural price levels, is essential.

Private agreements between sellers to refrain from production

These obviously represent attempts to create artificial price levels, but result in unemployment, reduced demand for the commodities affected and a general disturbance of the control of the industrial output.

Tariffs

Tariffs on imported goods artificially maintain prices of the goods produced in the 'protected' industry; thus, ^{they} interfere with the free determination of the price of goods, labour, interest etc and disturb the automatic control of supply and demand.

Social Insurance and laws regulating Wages, Conditions etc.

Such forms of interference, reflecting humanitarian considerations and Trade Union strength and policy, impose further restrictions, undermining the 'open market' principle on which the control of industry by

price depends. If prices of goods, wages, rents and interest rates are interfered with by Governments, Trade Unions or other agencies, these prices will not give ^{correct} index-figures for production or induce that self-regulative distribution of labour necessary in a smoothly running system.

If price represents the only controlling factor in our industrial system, the above means of interference all have their part in the disturbance of the efficiency of the system, in as far as they create artificial prices, wages etc. When the disturbance leads to partial or complete dislocation of industry, a capitalist crisis results.

Victoria Armstrong.

16th November, 1937.

The rôle of the working class in the struggle for the establishment of democratic institutions in England after 1832.

Dates	Achievement in the struggle for the establishment of democratic institutions.	Rôle of the Working class.
[1819 - 1832] <u>1832 - 1848</u>	<p>The achievements of this period were not concrete, but the workers were learning valuable lessons in organisation and self government. They began to understand the advantages of democracy, to develop a strong class consciousness, and to realize their potential power.</p>	<p>[The "Peterloo" incident of 1819 had been evidence of the emergence of a new type of English working class, the product of the <u>Industrial Revolution</u>.]</p> <p>(1) The growing <u>Trade Union movement</u> held its own in the face of temporary set-backs.</p> <p>(2) Ideas of <u>Co-operative Trading</u> began to spread and found expression in practical forms.</p> <p>(3) <u>Chartism</u> represented a completely working-class movement, repudiating middle class aid, <u>demanding the establishment of thoroughly democratic institutions.</u></p>

Dates	Achievement	Role of the working class.
1848 - 1866	<p>(The workers realised more and more their power, and their need for Parliamentary representation.)</p> <p>Fierce working class demonstrations, with middle class support, had a psychological effect, rousing in the hearts of the upper classes "that wise old English fear of their countrymen when thoroughly roused, which has done as much to save England as many more heroic virtues." (G.M. Trevelyan)</p>	<p>(1) <u>Trade Union Movement</u> consolidated its position, in this period of trade expansion.</p> <p>(2) <u>The Co-operative Movement</u> developed rapidly.</p> <p>[The Chartist Movement had died.]</p> <p>(3) <u>The Household Suffrage Movement</u>, led by J. Bright, represented an alliance of the working and lower middle classes on the Franchise question.</p>
<u>1867</u>	<p><u>The SECOND REFORM BILL</u>, passed into law by Disraeli's Conservative Ministry, extended the franchise to all ratepaying householders and £10 lodgers. (in the boroughs only)</p>	

Date	Achievement.	Role of the working class.
1866 - 1863		Attempts of the labourers to organise themselves into Agricultural Unions led to readily suppressed strikes and riots.
1872	Ballot Act	(under the influence of Joseph Arch)
1872 - 4		The political action of the enfranchised industrial workers, strengthened by the growing power of Trade Unionism, can be directly associated with the extension of the franchise to field labourers, miners etc.
<u>1884</u>	<u>THE THIRD REFORM BILL</u> When passed, gave the vote to every male householder in town and country, and every £10 lodger.	
1885 - 1917		<u>Trade Union strike successes.</u>
1892		Organised Labour Party formed to capture the state for the workers by political means.

Date.	Achievement	Role of the working class.
<u>1918</u>	While the War was still waging, the statesmen had to recognise the power of the organised workers by passing <u>THE FOURTH REFORM BILL</u> , which practically gave <u>Manhood Suffrage</u> , and, to a limited degree, <u>Woman's Suffrage</u> .	<u>The Great War showed the workers their strength</u> , and they were able to dictate their terms in respect of <u>Parliamentary reform</u> .
"REVOLUTION DOES NOT OCCUR IN THIS DEEPLY CONSERVATIVE COUNTRY BUT DEVELOPMENT" ("England" by Dibelius)		

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Contrast the role of the working class in the struggle for the establishment of democratic institutions in England (1642, 1688, 1832) and on the Continent (1789, 1848, 1917-18).

Date	Country	Progress in the direction of Establishment of Democratic Institutions.	Rôle of Working Class.
1642 1646	England	The Constitutional struggle between King and Parliament reached the stage of civil war. The surrender of Charles I marked the establishment of the principle that the king's subjects <u>had rights which he could not disregard.</u>	Dissatisfied noblemen, country gentlemen, and wealthy farmers, rich merchants and craftsmen had to hire or force the workers to fight in the Parliamentary cause.
(Experiments in Parliamentary Government, the Cromwell Dictatorship, and the Restored Stuart Monarchy fill the intervening years.)			
1688 1689		<p>Revolution because James II used the royal prerogative to nullify acts of Parliament. William and Mary began to reign, not by right, but by invitation of Parliament. They, therefore, ruled in accordance with the laws.</p> <p><u>"Bill of Rights"</u> <u>defined Parliament's limitation of the Royal Power:-</u></p> <ul style="list-style-type: none"> (a) made King's dispensing with laws impossible. (b) established Parliament's control over taxation. (c) controlled the maintenance of the King's 	<p>Influential landowners did not ask the aid of the workers to overthrow the King, but invited William of Orange to bring an army to drive James from the throne which the leaders of the Government offered to William and Mary. The mass of the people were against the Catholic King, and some rioting occurred, but the Revolution was brought about without the concentrated influence of the great mass of tenants, labourers and working townsmen.</p>

Date	Country	Progress-Democratic Institutions	Role of Working Class
1689	England	<p>army. Money voted to the King for one year at a time.</p>	
<p>(The intervening years were occupied with the working out of methods by which Parliament could exercise its control without recourse to rebellion:- (a) Budget system, (b) Cabinet system (c) Influence of Parties etc.)</p>			
1832		<p>The Industrial Revolution in England was followed by new political movements. The manufacturing and capitalist classes forced, through the influence of the Whig party, the abolition of the old Parliamentary electoral system. <u>The Reform Bill extended the franchise</u>, but a small "upper" class of land owners, manufacturers and capitalists still controlled Parliament. <u>This Bill therefore brought the middle class into power</u>, but did nothing for farm labourers and factory workers.</p>	<p>Since the new class of manufacturers and capitalists did not believe in democracy, they gained political political power without any appeal to the working class for support. On the other hand they did all they could, later, to crush the growing democratic working class movement which found expression in "Chartism".</p>
1789 to 1792	France	<p>The intelligent middle classes resented their exclusion from influence by the close association of the king and aristocracy. Liberal-minded reformers agitated for the calling of the Estates General meaning to insist on the on the drawing up of a democratic constitution.</p> <p>National Assembly adopted the Declaration for the Rights of man. (Equality)</p>	<p>The working class encouraged by the elections for the Estates General, and exasperated by the resistance of the King and privileged class, found extreme and impatient leaders. The Paris crowds and peasants throughout the country revolted.</p>

Date	Country	Progress-democratic institutions	Role of Working Class
1791	France	New Constitution drawn up to establish a constitutional monarchy	Radical leaders stirred the people up to renewed hostility against King, aristocrats and priests.
1792 Establishment of the French Republic.	Overthrow of the Legislative Monarchy. The assembly voted its suspension at the dictation of the Paris leaders. They also demanded the election of a Convention to draw up a new constitution.
<p>(The spread of the ideas of the FRENCH REVOLUTION led to a strong desire for natural independence among several conquered European races, e.g. 1817- partial independence of Serbia. 1829- formation of independence Greece. 1878- Rumania recognised as independent power after a prolonged struggle. The doctrine of the Rights of Man spread to most countries of Europe and was eagerly welcomed by the people.)</p>			
1848	France	A period of reaction against the principle of popular rights followed the defeat of Napoleon by the allied forces of Russia, Prussia, Austria and Great Britain. Between 1815 and 1848 the French liberals used the republican elements in their drive to establish a constitutional monarchy of the kind achieved in England with the passing of the Reform Bill of 1832 Establishment of the Second Republic.	Meanwhile the republican working men and the more radical Social-Democrats conspired to overthrow the monarchy and set up a democratic republic. The provisional government which followed the popular revolution of 1848 was composed of Republican and Socialist leaders with a strong working class backing.
<p>(The Second French Republic was short lived, and the rulers of Russia, Prussia and Austria had begun reactionary measures to repress the principles of popular rights. Other countries followed in reaction.)</p>			

Date	Country	Progress	Role of Working Class
1848	Germany	The effect of the ideas of the French Revolution had led to dissatisfaction. Frederick William IV retaliated by proclaiming a constitution of his own, preserving most of the King's autocratic power, and creating a parliament under the control of the upper class.	The Berlin workers demanded a convention to draw up a constitution. The workers achieved very limited rights.
1848	Austria	Emperor yielded to the demands of the people and called a constitutional assembly.	A people's rising in Vienna - influenced by the ideals of the French Revolution.
1849	The old government was restored.	
1848	Italy	Italian patriots, hating the yoke of reactionary Austria in the north, and Austria's help to the rulers of Italian states in suppressing popular uprisings, spread revolutionary doctrines.	The wave of revolution which began in France in 1848 aroused republican revolts in Milan, Venice, Tuscany, Naples, and in Rome under Garibaldi.
(In Germany, Austria, Italy and Russia the popular early 19th century were short-lived or immediately			uprisings of the repressed.)
1917-18	Russia	Deposition of the autocratic Tsar by the bourgeois leaders and formation for a moderate republican government.	Democratic principles had been spread for many years, by members of secret committees of working men, among their fellows. Extreme Socialists overthrew provisional republican government, and established control of government by the workers.
1917-18	Germany	Autocratic and militarist government crashed with	Nov. 1918.

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Date	Country	Progress	Role of Working Class
1917-18 Nov. 9th 1918. June 1919	Germany	defeat of German army. National Constituent Assembly selected.	Nov. 1918. Mutiny of fleet at Kiel- simultaneous revolt of workers and troops in many parts. Social Democrat Party proclaimed the REPUBLIC Council of People's Representatives had established universal suffrage.
1917-18 Aug. 1918 Oct. 1918 Nov. 12th 1918 Nov.-Dec. 1918. }	Austria- Hungary.	Provisional National Assembly - Members of former parliament. Emperor abdicated. Independent German Austrian Republic formed with a democratic founda- tion and broadest franchise.	Austrian Social- Democrats advised break up of Empire. Hungarian Social- Democrats advocated, Democratic reforms. Revolutionary move- ment broke out in Vienna.

(During the years between 1916 and 1921 the revolutionary movement in Central Europe led (mainly through nationalist and bourgeois activity) states with to the formation of the following states with liberal democratic constitutions:-

- (a) Finland.
- (b) Latvia.
- (c) Estonia.
- (d) Lithuania.
- (e) Poland.
- (f) Czechoslovakia.
- (g) Yugoslavia.

General Conclusions.

It seems strange to limit the study of the struggle for the establishment of democratic institutions in England to the period before 1832, and to continue the survey on the Continent until 1918. The electoral reforms of 1867, 1872, 1884, and 1918 all had their share in the establishment of English democratic institutions as we know them to-day.

It is true that, with the exception of the unsuccessful Chartist march on Westminster, the workers took no more direct action after 1832 than before this date in the attempt to establish democratic government. The preceding notes show how limited their interests and activity was before this date. On the other hand, the notes show the strength of the organised workers on the continent between 1789 and 1850. They show how, on more than one occasion, popular leaders were able to incite the workers to impose their wills on the liberal minded intelligentsia.

Since 1832 the English working class has tended to work for the establishment of economic liberty. The movement for political liberty expressed in Chartism had no widespread appeal, but the ideas lives on, while working-men turned their energies to experiments in Co-operative production and distribution, and Trade-Unionism. A public opinion in favour of the rights of the masses grew -- in the formation of this the workers had their share, though liberal minded bourgeois politicians translated the new outlook into measures of electoral reform.