

LET US FACE THE FUTURE

A
DECLARATION
OF LABOUR POLICY FOR
THE CONSIDERATION
OF THE
NATION

PUBLISHED
BY
THE LABOUR PARTY

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This Declaration of Policy is issued on the authority of the National Executive Committee of the Labour Party.

It will be submitted to and considered by the Annual Conference of the Labour Party, Whitsuntide, 1945.

Meantime, the Labour Party Executive invites the widest consideration and discussion of the Declaration, not only by the Labour Movement, but by all men and women, at home and in the Services overseas.

April, 1945.

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LET US FACE THE FUTURE

A DECLARATION OF LABOUR POLICY FOR THE CONSIDERATION OF THE NATION

I.

VICTORY IN WAR MUST BE FOLLOWED BY A PROSPEROUS PEACE

VICTORY is assured for us and our allies in the European war. The war in the East goes the same way. The British Labour Party is firmly resolved that Japanese barbarism shall be defeated just as decisively as Nazi aggression and tyranny. The people will have won both struggles. The gallant men and women in the Fighting Services, in the Merchant Navy, Home Guard and Civil Defence, in the factories and in the bombed areas—they deserve and must be assured a happier future than faced so many of them after the last war. Labour regards their welfare as a sacred trust.

So far as Britain's contribution is concerned, this war will have been won by its people, not by any one man or set of men, though strong and greatly valued leadership has been given to the high resolve of the people in the present struggle. And in this leadership the Labour Ministers have taken their full share of burdens and responsibilities. The record of the Labour Ministers has been one of hard tasks well done since that fateful day in May, 1940, when the initiative of Labour in Parliament brought about the fall of the Chamberlain Government and the formation of the new War Government which has led the country to victory.

The people made tremendous efforts to win the last war also. But when they had won it they lacked a lively interest in the social and economic problems of peace, and accepted the election promises of the leaders of the anti-Labour parties at their face value. So the "hard-faced men who had done well out of the war" were able to get the kind of peace that suited themselves. The people lost that peace. And when we say "peace" we mean not only the Treaty, but the social and economic policy which followed the fighting.

In the years that followed, the "hard-faced men" and their political friends kept control of the Government. They controlled the banks, the mines, the big industries, largely the press and the

cinema. They controlled the means by which the people got their living. They controlled the ways by which most of the people learned about the world outside. This happened in all the big industrialised countries.

Great economic blizzards swept the world in those years. The great inter-war slumps were not acts of God or of blind forces. They were the sure and certain result of the concentration of too much economic power in the hands of too few men. These men had only learned how to act in the interest of their own bureaucratically-run private monopolies which may be likened to totalitarian oligarchies within our democratic State. They had and they felt no responsibility to the nation.

Similar forces are at work to-day. The interests have not been able to make the same profits out of this war as they did out of the last. The determined propaganda of the Labour Party, helped by other progressive forces, had its effect in "taking the profit out of war." The 100% Excess Profits Tax, the controls over industry and transport, the fair rationing of food and control of prices—without which the Labour Party would not have remained in the Government—these all helped to win the war. With these measures the country has come nearer to making "fair shares" the national rule than ever before in its history.

But the war in the East is not yet over. There are grand pickings still to be had. A short boom period after the war, when savings, gratuities and post-war credits are there to be spent, can make a profiteer's paradise. But Big Business knows that this will happen only if the people vote into power the party which promises to get rid of the controls and so let the profiteers and racketeers have that freedom for which they are pleading eloquently on every Tory platform and in every Tory newspaper.

They accuse the Labour Party of wishing to impose controls for the sake of control. That is not true, and they know it. What is true is that the anti-controllers and anti-planners desire to sweep away public controls, simply in order to give the profiteering interests and the privileged rich an entirely free hand to plunder the rest of the nation as shamelessly as they did in the nineteen-twenties.

Does freedom for the profiteer mean freedom for the ordinary man and woman, whether they be wage-earners or small business or professional men or housewives? Just think back over the depressions of the 20 years between the wars, when there were precious few public controls of any kind and the Big Interests had things all their own way. Never was so much injury done to so many by so few. Freedom is not an abstract thing. To be real it must be won, it must be worked for.

The Labour Party stands for order as against the chaos which would follow the end of all public control. We stand for order, for positive constructive progress as against the chaos of economic do-as-they-please anarchy.

The Labour Party makes no baseless promises. The future will not be easy. But this time the peace must be won. The Labour Party offers the nation a plan which will win the Peace for the People.

II.

WHAT THE ELECTION WILL BE ABOUT

BRTAIN'S coming Election will be the greatest test in our history of the judgment and common sense of our people.

The nation wants food, work and homes. It wants more than that—it wants good food in plenty, useful work for all, and comfortable, labour-saving homes that take full advantage of the resources of modern science and productive industry. It wants a high and rising standard of living, security for all against a rainy day, an educational system that will give every boy and girl a chance to develop the best that is in them.

These are the aims. In themselves they are no more than words. All parties may declare that in principle they agree with them. But the test of a political programme is whether it is sufficiently in earnest about the objectives to adopt the means needed to realise them. It is very easy to set out a list of aims. What matters is whether it is backed up by a genuine workmanlike plan conceived without regard to sectional vested interests and carried through in a spirit of resolute concentration.

Point by point these national aims need analysis. Point by point it will be found that if they are to be turned into realities the nation and its post-war Governments will be called upon to put the nation above any sectional interest, above any cheap slogan about so-called free enterprise. The problems and pressures of the post-war world threaten our security and progress as surely as—though less dramatically than—the Germans threatened them in 1940. We need the spirit of Dunkirk and of the Blitz sustained over a period of years.

The Labour Party's programme is a practical expression of that spirit applied to the tasks of peace. It calls for hard work, energy and sound sense.

We must prevent another war, and that means we must have such an international organisation as will give all nations real security against future aggression. But Britain can only play her full part in such an international plan if our spirit as shown in our handling of home affairs is firm, wise and determined. This statement of policy, therefore, begins at home.

And in stating it we give clear notice that we will not tolerate obstruction of the people's will by the House of Lords.

The Labour Party stands for freedom—for freedom of worship, freedom of speech, freedom of the Press. The Labour Party will see to it that we keep and enlarge these freedoms, and that we enjoy again the personal civil liberties we have, of our own free will, sacrificed to win the war. The freedom of the Trade Unions, denied by the Trade Disputes and Trade Unions Act, 1927, must also be

restored. But there are certain so-called freedoms that Labour will not tolerate : freedom to exploit other people ; freedom to pay poor wages and to push up prices for selfish profit ; freedom to deprive the people of the means of living full, happy, healthy lives.

The nation needs a tremendous overhaul, a great programme of modernisation and re-equipment of its homes, its factories and machinery, its schools, its social services.

All parties say so—the Labour Party means it. For the Labour Party is prepared to achieve it by drastic policies of replanning and by keeping a firm constructive hand on our whole productive machinery ; the Labour Party will put the community first and the sectional interests of private business after. Labour will plan from the ground up—giving an appropriate place to constructive enterprise and private endeavour in the national plan, but dealing decisively with those interests which would use high-sounding talk about economic freedom to cloak their determination to put themselves and their wishes above those of the whole nation.

III.

JOBS FOR ALL

ALL parties pay lip service to the idea of jobs for all. All parties are ready to promise to achieve that end by keeping up the national purchasing power and controlling changes in the national expenditure through Government action. Where agreement ceases is in the degree of control of private industry that is necessary to achieve the desired end.

In hard fact, the success of a full employment programme will certainly turn upon the firmness and success with which the Government fits into that programme the investment and development policies of private as well as public industry.

Our opponents would be ready to use State action to do the best they can to bolster up private industry whenever it plunges the nation into heavy unemployment. But if the slumps in uncontrolled private industry are too severe to be balanced by public action—as they will certainly prove to be—our opponents are not ready to draw the conclusion that the sphere of public action must be extended.

They say, " Full employment. Yes ! If we can get it without interfering too much with private industry." We say, " Full employment in any case, and if we need to keep a firm public hand on industry in order to get jobs for all, very well. No more dole queues, in order to let the Czars of Big Business remain kings in their own castles. The price of so-called ' economic freedom ' for the few is too high if it is bought at the cost of idleness and misery for millions."

What will the Labour Party do?

First, the whole of the national resources, in land, material and labour must be fully employed. Production must be raised to the highest level and related to purchasing power. Over-production is not the cause of depression and unemployment ; it is under-consumption that is responsible. It is doubtful whether we have ever, except in war, used the whole of our productive capacity. This must be corrected because, upon our ability to produce and organise a fair and generous distribution of the product, the standard of living of our people depends.

Secondly, a high and constant purchasing power can be maintained through good wages, social services and insurance, and taxation which bears less heavily on the lower-income groups. But everybody knows that money and savings lose their value if prices rise, so rents and the prices of the necessities of life will be controlled.

Thirdly, planned investment in essential industries and on houses, schools, hospitals and civic centres will occupy a large field of capital expenditure. A National Investment Board will determine social priorities and promote better timing in private investment. In suitable cases we would transfer the use of efficient Government factories from war production to meet the needs of peace. The location of new factories will be suitably controlled, and where necessary the Government will itself build factories. There must be no depressed areas in the New Britain.

Fourthly, the Bank of England with its financial powers must be brought under public ownership, and the operations of the other banks harmonised with industrial needs.

By these and other means full employment can be achieved. But a policy of Jobs for All must be associated with a policy of general economic expansion and efficiency as set out in the next section of this Declaration. Indeed, it is not enough to ensure that there are jobs for all. If the standard of life is to be high—as it should be—the standard of production must be high. This means that industry must be thoroughly efficient if the needs of the nation are to be met.

IV.

INDUSTRY IN THE SERVICE OF THE NATION

BY the test of war some industries have shown themselves capable of rising to new heights of efficiency and expansion. Others, including some of our older industries fundamental to our economic structure, have wholly or partly failed.

To-day we live alongside economic giants—countries where science and technology take leaping strides year by year. Britain must match those strides—and we must take no chances about it. Britain needs an industry organised to enable it to yield the best that human

knowledge and skill can provide. Only so can our people reap the full benefits of this age of discovery and Britain keep her place as a Great Power.

The Labour Party intends to link the skill of British craftsmen and designers to the skill of British scientists in the service of our fellow men. The genius of British scientists and technicians who have produced radio-location, jet propulsion, penicillin, and the Mulberry Harbours in wartime, must be given full rein in peacetime too.

Each industry must have applied to it the test of national service. If it serves the nation, well and good; if it is inefficient and falls down on its job, the nation must see that things are put right.

These propositions seem indisputable, but for years before the war anti-Labour Governments set them aside, so that British industry over a large field fell into a state of depression, muddle and decay. Millions of working and middle-class people went through the horrors of unemployment and insecurity. It is not enough to sympathise with these victims: we must develop an acute feeling of national shame—and act.

The Labour Party is a Socialist Party, and proud of it. Its ultimate purpose at home is the establishment of the Socialist Commonwealth of Great Britain—free, democratic, efficient, progressive, public-spirited, its material resources organised in the service of the British people.

But Socialism cannot come overnight, as the product of a week-end revolution. The members of the Labour Party, like the British people, are practical-minded men and women.

There are basic industries ripe and over-ripe for public ownership and management in the direct service of the nation. There are many smaller businesses rendering good service which can be left to go on with their useful work.

There are big industries not yet ripe for public ownership which must nevertheless be required by constructive supervision to further the nation's needs and not to prejudice national interests by restrictive anti-social monopoly or cartel agreements—caring for their own capital structures and profits at the cost of a lower standard of living for all.

In the light of these considerations, the Labour Party submits to the nation the following industrial programme:—

1. Public ownership of the fuel and power industries.—

For a quarter of a century the coal industry, producing Britain's most precious national raw material, has been floundering chaotically under the ownership of many hundreds of independent companies. Amalgamation under public ownership will bring great economies in operation and make it possible to modernise production methods and to raise safety standards in every colliery in the country. Public ownership of gas and electricity undertakings will lower charges, prevent competitive waste, open the way for co-ordinated research and development, and lead to the reforming of uneconomic areas of distribution. Other industries will benefit.

2. **Public ownership of inland transport.**—Co-ordination of transport services by rail, road, air and canal cannot be achieved without unification. And unification without public ownership means a steady struggle with sectional interests or the enthronement of a private monopoly, which would be a menace to the rest of industry.

3. **Public ownership of iron and steel.**—Private monopoly has maintained high prices and kept inefficient high-cost plants in existence. Only if public ownership replaces private monopoly can the industry become efficient.

These socialised industries, taken over on a basis of fair compensation, to be conducted efficiently in the interests of consumers, coupled with proper status and conditions for the workers employed in them.

4. **Public supervision of monopolies and cartels** with the aim of advancing industrial efficiency in the service of the nation. Anti-social restrictive practices will be prohibited.

5. **A firm and clear-cut programme for the export trade.**—We would give State help in any necessary form to get our export trade on its feet and enable it to pay for the food and raw materials without which Britain must decay and die. But State help on conditions—conditions that industry is efficient and go-ahead. Laggards and obstructionists must be led or directed into better ways. Here we dare not fail.

6. **The shaping of suitable economic and price controls** to secure that first things shall come first in the transition from war to peace and that every citizen (including the demobilised Service men and women) shall get fair play. There must be priorities in the use of raw materials, food prices must be held, homes for the people must come before mansions, necessities for all before luxuries for the few. We do not want a short boom followed by collapse as after the last war; we do not want a wild rise in prices and inflation, followed by a smash and widespread unemployment. It is either sound economic controls—or smash.

7. **The better organisation of Government departments** and the Civil Service for work in relation to these ends. The economic purpose of government must be to spur industry forward and not to choke it with red tape.

V.

AGRICULTURE AND THE PEOPLE'S FOOD

AGRICULTURE is not only a job for the farmers; it is also a way of feeding the people. So we need a prosperous and efficient agricultural industry ensuring a fair return for the farmer and farm worker without excessive prices to the consumer. Our agriculture should be planned to give us the food we can best produce at home, and large enough to give us as much of those foods as possible.

In war time the County War Executive Committees have organised production in that way. They have been the means of increasing efficiency and have given much practical assistance, particularly to the small farmer. The Labour Party intends that, with suitable modifications and safeguards, their work shall continue in peacetime.

Our good farm lands are part of the wealth of the nation and that wealth should not be wasted. The land must be farmed, not starved. If a landlord cannot or will not provide proper facilities for his tenant farmers, the State should take over his land at a fair valuation. The people need food at prices they can afford to pay. This means that our food supplies will have to be planned. Never again should they be left at the mercy of the city financier or speculator. Instead there must be stable markets, to the great gain of both producer and consumer.

The Ministry of Food has done fine work for the housewife in war. The Labour Party intends to keep going as much of the work of the Ministry of Food as will be useful in peace conditions, including the bulk purchase of food from abroad and a well organised system of distribution at home, with no vested interests imposing unnecessary costs.

A Labour Government will keep the new food services, such as the factory canteens and British restaurants, free and cheap milk for mothers and children, fruit juices and food supplements, and will improve and extend these services.

VI.

HOUSES AND THE BUILDING PROGRAMME

EVERYBODY says that we must have houses. Only the Labour Party is ready to take the necessary steps—a full programme of land planning and drastic action to ensure an efficient building industry that will neither burden the community with a crippling financial load nor impose bad conditions and heavy unemployment on its workpeople. There must be no restrictive price rings to keep up prices and bleed the taxpayer, the owner-occupier and the tenant alike. Modern methods, modern materials will have to be the order of the day.

There must be a due balance between the housing programme, the building of schools and the urgent requirements of factory modernisation and construction which will enable industry to produce efficiently.

Housing will be one of the greatest and one of the earliest tests of a Government's real determination to put the nation first. Labour's pledge is firm and direct—it will proceed with a housing programme with the maximum practical speed until every family in this island has a good standard of accommodation. That may well mean

centralised purchasing and pooling of building materials and components by the State, together with price control. If that is necessary to get the houses as it was necessary to get the guns and planes, Labour is ready.

And housing ought to be dealt with in relation to good town planning—pleasant surroundings, attractive lay-out, efficient utility services, including the necessary transport facilities.

There should be a Ministry of Housing and Planning combining the housing powers of the Ministry of Health with the planning powers of the Ministry of Town and Country Planning ; and there must be a firm and united Government policy to enable the Ministry of Works to function as an efficient instrument in the service of all departments with building needs and of the nation as a whole.

VII.

THE LAND

IN the interests of agriculture, housing and town and country planning alike, we declare for a radical solution for the crippling problems of land acquisition and use in the service of the national plan.

Labour believes in land nationalisation and will work towards it, but as a first step the State and the local authorities must have wider and speedier powers to acquire land for public purposes wherever the public interest so requires. In this regard and for the purposes of controlling land use under town and country planning, we will provide for fair compensation ; but we will also provide for a revenue for public funds from "betterment."

VIII.

EDUCATION AND RECREATION

AN important step forward has been taken by the passing of the recent Education Act. Labour will put that Act not merely into legal force but into practical effect, including the raising of the school leaving age to 16 at the earliest possible moment, "further" or adult education, and free secondary education for all.

And, above all, let us remember that the great purpose of education is to give us individual citizens capable of thinking for themselves.

National and local authorities should co-operate to enable people to enjoy their leisure to the full, to have opportunities for healthy recreation. By the provision of concert halls, modern libraries, theatres and suitable civic centres, we desire to assure to our people full access to the great heritage of culture in this nation.

IX.

HEALTH OF THE NATION AND ITS CHILDREN

BY good food and good homes, much avoidable ill-health can be prevented. In addition the best health services should be available for all. Money must no longer be the passport to the best treatment.

In the new National Health Service there should be health centres where the people may get the best that modern science can offer, more and better hospitals, and proper conditions for our doctors and nurses. More research is required into the causes of disease and the ways to prevent and cure it.

Labour will work specially for the care of Britain's mothers and their children—children's allowances and school medical and feeding services, better maternity and child welfare services. A healthy family life must be fully ensured and parenthood must not be penalised if the population of Britain is to be prevented from dwindling.

X.

SOCIAL INSURANCE AGAINST THE RAINY DAY

THE Labour Party has played a leading part in the long campaign for proper social security for all—social provision against rainy days, coupled with economic policies calculated to reduce rainy days to a minimum. Labour led the fight against the mean and shabby treatment which was the lot of millions while Conservative Governments were in power over long years. A Labour Government will press on rapidly with legislation extending social insurance over the necessary wide field to all.

But great national programmes of education, health and social services are costly things. Only an efficient and prosperous nation can afford them in full measure. If, unhappily, bad times were to come, and our opponents were in power, then, running true to form, they would be likely to cut these social provisions on the plea that the nation could not meet the cost. That was the line they adopted on at least three occasions between the wars.

There is no good reason why Britain should not afford such programmes, but she will need full employment and the highest possible industrial efficiency in order to do so.

A WORLD OF PROGRESS AND PEACE

NO domestic policy, however wisely framed and courageously applied, can succeed in a world still threatened by war. Economic strife and political and military insecurity are enemies of peace. We cannot cut ourselves off from the rest of the world—and we ought not to try.

Now that victory has been won, at so great a cost of life and material destruction, we must make sure that Germany and Japan are deprived of all power to make war again. We must consolidate in peace the great war-time association of the British Commonwealth with the U.S.A. and the U.S.S.R. Let it not be forgotten that in the years leading up to the war the Tories were so scared of Russia that they missed the chance to establish a partnership which might well have prevented the war.

We must join with France and China and all others who have contributed to the common victory in forming an International Organisation capable of keeping the peace in years to come. All must work together in true comradeship to achieve continuous social and economic progress.

If peace is to be protected we must plan and act. Peace must not be regarded as a thing of passive inactivity: it must be a thing of life and action and work.

An internationally protected peace should make possible a known expenditure on armaments as our contribution to the protection of peace; an expenditure that should diminish as the world becomes accustomed to the prohibition of war through an effective collective security.

The economic well-being of each nation largely depends on world-wide prosperity. The essentials of prosperity for the world as for individual nations are high production and progressive efficiency, coupled with steady improvement in the standard of life, an increase in effective demand, and fair shares for all who by their effort contribute to the wealth of their community. We should build a new United Nations, allies in a new war on hunger, ignorance and want.

The British, while putting their own house in order, must play the part of brave and constructive leaders in international affairs. The British Labour Movement comes to the tasks of international organisation with one great asset: it has a common bond with the working peoples of all countries, who have achieved a new dignity and influence through their long struggles against Nazi tyranny.

And in all this worth-while work—whether political, military or economic—the Labour Party will seek to promote mutual understanding and cordial co-operation between the Dominions of the British Commonwealth, the advancement of India to responsible self-government, and the planned progress of our Colonial Dependencies.

XII.

LABOUR'S CALL TO ALL PROGRESSIVES

QUITE a number of political parties will be taking part in the coming Election. But by and large Britain is a country of two parties.

And the effective choice of the people in this Election will be between the Conservative Party, standing for the protection of the "rights" of private economic interest, and the Labour Party, allied with the great Trade Union and Co-operative Movements, standing for the wise organisation and use of the economic assets of the nation for the public good. Those are the two main parties ; and here is the fundamental issue which has to be settled.

The election will produce a Labour Government, a Conservative Government, or no clear majority for either party : this last might well mean parliamentary instability and confusion, or another Election.

In these circumstances we appeal to all men and women of progressive outlook, and who believe in constructive change, to support the Labour Party. We respect the views of those progressive Liberals and others who would wish to support one or other of the smaller parties of their choice. But by so doing they may help the Conservatives, or they may contribute to a situation in which there is no parliamentary majority for any major issue of policy.

In the interests of the nation and of the world, we earnestly urge all progressives to see to it—as they certainly can—that the next Government is not a Conservative Government but a Labour Government which will act on the principles of policy set out in the present Declaration.



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CO-OPERATIVE
DISCUSSION GROUP OUTLINES

No. 4.

THE CO-OPS. AND LABOUR

by

G. D. H. COLE, M.A. (Chairman of the Fabian Society.
Professor of Social and Political Theory, Oxford University.)

6^{D.}

ACTION THROUGH DISCUSSION

Issued by the Education Committee
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INTRODUCTION TO THE USE OF CO-OPERATIVE DISCUSSION GROUP OUTLINES

INFORMAL discussion is both a valuable form of Adult Education and an attribute of a virile and active democracy.

Our Co-operative Discussion Groups are animated by the desire to deliberate upon important problems confronting both the Co-operative Movement and society at large ; to come to certain conclusions which in their turn would finally lead to appropriate action.

To be successful and effective in this aim and purpose, the work of our Discussion Groups must be planned and systematic.

This and other outlines in the series are intended to meet this need. They should be regarded as an aid and guide to collective study, designed to provide the requisite factual information, suggest various ways of approaching the problem in hand and remove as many as possible of the difficulties which hinder a group from coming to grips with the subject.

The subject matter is divided into a number of sections, each section providing enough material for a discussion lasting about an hour and a half for a group of anything from eight to fifteen persons. Every section is complete in itself, although linked with those which precede or follow it.

The outlines attempt three things: (1) they indicate the scope of the discussion and its background ; (2) they pose questions to which the members of the group should strive to work out answers ; and (3) they give a list of books and other reference material for further study (which no amount of discussion can replace).

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The discussion at each meeting should be opened by the Group Leader, whose statement, though based on the outlines, should be an enlargement and elaboration of it. Every member should have a copy of the outline so as to be familiar with the ground to be covered and prepared to contribute to the pool of common knowledge.

But however detailed the outlines, each group is bound to profit by expert guidance. This is provided in the following manner: each group is supplied with special Report Forms on which the "communal" answers, together with minority opinions (if any) are to be recorded either to the set questions or to queries which the group may choose to formulate itself in the course of its discussions. These Report Forms are then transmitted to the expert adviser of the group (the author of the outlines in most cases) and returned to the group with comments and criticism. In order to make this system work, an interval of a fortnight between the groups appears desirable.

The recording of "communal" answers will not only accustom the group to give definite verbal expression to their thoughts and the exchange of opinion, they will also be extremely valuable in comparing the conclusions arrived at by different groups discussing the same subject.

We are firmly convinced that our discussion groups, when taken seriously, are capable of becoming a powerful vehicle of popular mass education, and a means of spreading the knowledge and practice of Co-operation, and that they can make a significant contribution to social progress.

It is with these ends in mind that we commend the outlines (for the contents of which their respective authors are solely responsible) to members and friends of our Movement.

THE EDUCATION COMMITTEE OF THE L.C.S.

NOTE:—Those interested in forming or joining Co-operative Discussion Groups should communicate with the Education Secretary, L.C.S. Education Department, 34 Tavistock Square, London, W.C.1 (Tel.: EUSon 6461)

“ 'Tis not for this little moment of time we're fighting, not for ourselves, our own little bodies, and their wants ; 'tis for all those that come after throughout all time.”

GALSWORTHY'S "STRIFE"

FIRST SECTION

THE RELATIVE STRENGTH OF CONSUMERS' CO-OPERATION, TRADE UNIONS, AND THE LABOUR PARTY

THE British working-class movement is organised in three main sections—industrial, political and co-operative. Of these three, the Co-operative Movement has the largest membership, with between nine and ten million persons organised in the retail consumers' societies in the United Kingdom. The Trade Unions, representing the industrial section, have about eight millions, of whom over 6½ millions are organised in unions belonging to the Trades Union Congress. The Labour Party, which with the Co-operative Party and a few other bodies represents the political side, has an affiliated membership of about 2½ millions, mostly made up of trade unionists who have contracted in to pay the political levy through their trade unions. The Co-operative Party includes societies with a total membership of about seven million, but has no “contracting-in” system like that of the trade unions, so that the figures of membership are not really comparable. One big co-operative society, the Royal Arsenal Society, belongs to the Labour Party, but is affiliated to it nationally only on behalf of quite a small fraction of its membership (37,000 in 1945): fees are, however, paid on behalf of almost the entire membership (on a “contracting-out” basis) to the various Local Labour Parties within the area covered by the society.

Thus, out of the total population of the United Kingdom, about one person in every five is a co-operator, and one in every six a trade unionist, whereas the Labour Party has enrolled about one in every fifteen. If adults only are counted, the proportions are of course much higher. In 1940 the Co-operative Movement held sugar registrations for 13¾ million consumers,*

*The figure for 1940 is taken because later figures reflect the extent of the call-up and the migration of war workers and evacuees.

out of a total population of about 47 million, including those on war service. About a third of the consumers were connected with the Co-operative Movement, while the Trade Unions had about the same proportion of the total *occupied* population, including employers and salaried persons as well as wage-workers.

To a very great extent (but no one knows the exact figures) trade unionists and co-operators are the same people, or belong to the same households. The strength of both movements is greatest in the industrial areas ; and, though anyone can join a co-operative society, and the Co-operative Movement has in some areas a considerable middle-class membership, whereas the trade unions, apart from a few professional associations, consist entirely of wage-earners and of the lower ranks of salary earners, in practice both movements have their main centres of strength in the same social groups. The more skilled and regularly employed sections of the working population have been mainly responsible for building up both the co-operative societies and the trade unions. Women have naturally played, especially in recent years, a bigger part in the Co-operative Movement than in most parts of the Trade Union Movement ; but the more active women co-operators, mostly organised in the Co-operative Women's Guild, have been largely the wives and daughters of trade unionists.

On the political side, in addition to the 2½ million trade unionists who are "contracting-in" members of the Labour Party, account has to be taken of the 270,000 individual members of the Local Labour Parties, of the 5,000 members of the Fabian Society, and of the membership, outside the Labour Party, attached to the Communist Party, the I.L.P., and Common Wealth. The Fabian Society is affiliated to the Labour Party for political purposes, but maintains its independent position as a society for socialist research and propaganda. Its members, including many local and national leaders and research workers, are influential far beyond what its membership would suggest. The other three socialist societies are outside the Labour Party, and have no official links either with it or with the Trade Union and Co-operative Movements.

The position of the Co-operative Party is discussed later in this outline. At this point it is enough to say that, though the Co-operative and Labour Parties have separate forms of con-

stituency organisation, and are independent of each other, they work in practice closely together. The Co-operative M.P.s sit in Parliament as members of the Labour Party as well as co-operators ; and some of them have been—and are to-day—members of a Labour Government. The programmes of the two parties are to a large extent the same, though the emphasis on particular issues is different at some points. It would be plainly impossible and mutually destructive for them not to act together, as they depend so largely on the same following.

Nationally, the Trade Union, Co-operative and political Labour Movements are joined together in a federal body, the National Council of Labour, which includes representatives of the Labour M.P.s. Its chief function is to co-ordinate policy, and to make pronouncements on important issues, on behalf of the whole working-class movement.

In the past, Trade Union membership (and with it Labour Party membership) has fluctuated much more than Co-operative membership. Trade Union membership is very much affected by the ups and downs of trade and employment, whereas usually Co-operative membership has gone up in periods of good and bad trade alike, though faster in periods of good trade. Here are the figures (in millions) of comparative growth from 1913 :—

	<i>Retail Co-operative Societies</i>	<i>Trade Unionists</i>	<i>Labour Party</i>
1913	2.9	4.1	1.6
1918	3.8	6.5	3.0
1920	4.5	8.3	4.4
1922	4.5	5.6	3.3
1924	4.7	5.5	3.2
1926	5.2	5.2	3.4
1928	5.9	4.8	2.3
1930	6.4	4.8	2.3
1932	6.8	4.4	2.4
1934	7.2	4.6	2.3
1936	7.8	5.3	2.4
1938	8.4	6.1	2.6
1940	8.7	6.5	2.6
1942	8.9	7.8	2.5
1944	—	—	2.7

Trade Union membership rose in 1920 to a peak which has barely been regained to-day. It fell sharply in the slump of 1921/22, and to a smaller extent after the General Strike of 1926, and in the depression of 1931/32. Labour Party membership, besides sharing in these fluctuations, was adversely affected by

the Trade Union Act of 1927, which substituted "contracting-in" for political purposes for "contracting-out." On the other hand, Co-operative membership has risen continuously—three-fold over the past thirty years. Consumers go on buying goods in depressions, though they may buy less, whereas trade unionists may cease to pay trade union contributions when they are long out of work. These facts largely explain the differences between the membership histories of the three movements—except that, of course, they do not explain the rapidity of the growth of consumers' co-operation.

Questions for Discussion and Collective Answer :—

- (1) "Why has Consumers' Co-operation grown so rapidly in membership in the past thirty years? Has the growth been accompanied by a parallel growth of real co-operative consciousness? What are the reasons for the failure of trade unionism to achieve a corresponding growth of membership?"
- (2) "Here are the approximate figures of co-operative membership as a percentage of total population in certain areas. How can the differences be accounted for?"

(a) Big City Areas	<i>Per cent. of population</i>			
Greater London	15
" Clydeside	16
" Manchester	17
" Birmingham	18
" Liverpool	}	25
" Tyneside				
" Sheffield				
" Leeds and Bradford				
 (b) Regions :				
South Wales	10
Mid and North Wales	11
Western Counties	12
South-East England	14
Eastern Counties	15
South-Western Counties	18
Scotland	}	21
West Midlands		
East Midlands		
Lancs. and Cheshire	}	25
Yorkshire		
Northern Counties	29

(See G. D. H. Cole, "A Century of Co-operation," pp. 382 and 391.)

SECOND SECTION

CO-OPERATION AND TRADE UNIONISM

IN the early days, trade unionism and co-operation were closely related. The Rochdale Pioneers' Society of 1844 arose, at any rate in part, out of a strike of flannel-weavers; and, well before that, Robert Owen had been the leader of both the Trade Union and the Co-operative Movements of the 1830's. The Owenite producers' co-operative societies were in many cases based on trade union groups; and the early consumers' societies dealt largely in their products and helped to set up producers' societies when they could. The conference which decided in 1833 to establish the Grand National Consolidated Trades Union was a gathering of delegates from co-operative societies as well as from trade unions. Both movements were then attempting to establish what they called sometimes the co-operative commonwealth and sometimes socialism. Socialism and co-operation were then regarded, not as two different movements, but usually as one and the same.

After the collapse of the Owenite movement, trade unionism and co-operation gradually drifted apart, though there were further attempts to bring them together in the 1840's (National Association of United Trades for the Employment of Labour, 1845), in the 1850's (Christian Socialists and the Amalgamated Society of Engineers), and in the 1860's and early 1870's (Macdonald's Miners' Association and other unions were helped to start producers' co-operative societies by the C.W.S. and by many local consumers' societies).

These comings-together were only sporadic, and for the most part from the middle of the nineteenth century co-operation and trade unionism developed separately, though the membership greatly overlapped. This was partly because co-operation found the way to legal recognition (Industrial and Provident Societies Act of 1852) very much easier than did the trade unions, which only won it after a stiff struggle twenty years later (Trade Union Acts of 1871-76). Co-operation, regarded mainly as an agency for mutual thrift and no longer supposed to threaten the basis of capitalism, found friends among Liberals and Tories alike, at a period when trade unions were still regarded

as dangerous conspiracies against the Victorian notions of "freedom of contract." Attacks by private traders on the Co-operative Movement did not become considerable until a good deal later, when the trade of the stores had grown big enough to seem dangerous to them. Even these attacks were for a long time almost limited to the grocers, because co-operative trade except in foodstuffs was still on quite a small scale.

Both trade unionism and co-operation seemed after 1850 to have lost their character as challenges to capitalism or as apostles of a new social order. Socialism for a time almost died out in Great Britain, and working-class political action also died away after the decline of Chartism. Co-operative stores came to be hardly more than shops for mutual cash trade in essential foodstuffs and agencies for mutual thrift; and trade unions, maintained only among skilled workers, became simply agencies for upholding wages and conditions and administering friendly benefits—valuable services indeed, but far removed from the high ambitions of the Owenite period. In the 1850's, the Christian Socialists tried for a time to bring a new idealism into producers' co-operation; but their societies failed, and the consumers' movement, though helped, was not much influenced by them.

A further factor was the decline of co-operative educational activity as the State and other agencies entered more largely into the field. Most co-operative societies became slack about educational activities, and few kept up the Rochdale Pioneers' principle of devoting to education $2\frac{1}{2}$ per cent. of their trading surplus. Consumers' co-operation continued to grow; but it lost most of its contacts with the other sections of the working-class movement, though of course when strikes occurred, especially in the mining areas, the local co-operative societies did what they could to help with supplies.

Trade unionism, after a period of decline during the depressions of the 1870's and 1880's, had a great revival about 1889 (Miners' Federation, 1888; London Dock Strike, 1889). There had been a revival of socialist propaganda a few years before this (Social Democratic Federation, 1881; William Morris's Socialist League, 1885), and it was largely under the leadership of a new generation of Socialists (Keir Hardie, John Burns, Tom Mann) that trade unionism spread rapidly to the less skilled workers, and a series of great and mostly successful

strikes occurred when trade improved after 1886. Co-operation, though it felt the benefit in a growth of membership (from one million in 1882 to 1,400,000 in 1892) experienced no similar revival, and was for the time hardly affected at all by socialist influences. Only the formation of the Women's Co-operative Guild in 1883 showed that new ideas were astir, and the Guild remained small and not of much influence till after the end of the century. It did, however, launch in 1896 a campaign for improving the conditions of co-operative employees, and it also campaigned for closer relations between the Trade Union and Co-operative Movements, as well as for an extension of co-operation among the lower-paid wage earners (Sunderland experiment of 1902).

The growth of consumers' co-operation had revived a number of problems in connection with the conditions of employment in the Movement. In 1882 the Co-operative Union and the Trades Union Congress had set up the Joint Committee of Trade Unionists and Co-operators to promote a closer understanding between the two movements and to adjudicate in disputes arising over conditions of co-operative employment. Workers in the distributive trades, including the Co-operative Movement, were then entirely unorganised, and conditions in co-operative societies were very bad, though probably no worse, if not better, than conditions in most branches of private trade. The Amalgamated Union of Co-operative Employees was formed in 1895, but did not become active till after 1900. The Shop Assistants' Union, founded in 1889, was very small, but had a co-operative following in London and a few other places. In 1893, William Maxwell, the Scottish co-operative leader, demanded in his presidential address at the Co-operative Congress better treatment of employees, but the immediate effect was small. Only in 1908 did the Joint Committee of Trade Unionists and Co-operators decide in favour of the general observance of trade union wages and conditions in co-operative employment. This did not cover most of the ground, as there were no effective trade union rates either for distributive workers or for most types of factory workers employed by the Wholesale societies. An agitation followed for a system of minimum wages, and there was a struggle over this issue in both the C.W.S. and the retail societies between 1908 and 1914. In 1911 the A.U.C.E. launched out on a militant strike policy, which embroiled it with the

Trades Union Congress as well as with the Co-operative Movement, because of its claim to enrol all co-operative employees irrespective of trade. But conditions through most of the Movement were considerably improved before 1914 and still more during and immediately after the first world war. The national miners' strike of 1912 required large-scale help from the co-operative societies in the mining areas, and from the Wholesale societies ; and this was true on a larger scale of the great mining disputes of 1921 and 1926 (the General Strike). These events led to closer relations between the Co-operative Movement and the Trades Union Congress, including a promise by the latter not to call co-operative workers out on strike in sympathetic strike movements. The machinery for settling disputes involving co-operative employees was also improved, both in the retail and in the Wholesale societies. Nevertheless, the Co-operative Movement held aloof from formal association with the trade unions until the outbreak of the second world war, when the Co-operative Union first sent "observers" to the National Council of Labour and later, in 1941, became a full member. (The growth of collaboration on the political side will be dealt with in a later section.)

Questions for Discussion and Collective Answer

- (1) "Why did co-operation and trade unionism drift apart after their close connection during the Owenite period?"
- (2) "Has the Co-operative Movement a satisfactory record in its dealings with its own employees? Should conditions in co-operative employment be different from those in private trade or industry?"
- (3) "How, and in what ways, could co-operation and trade unionism be brought closer together, in the economic and social field?"

THIRD SECTION

CO-OPERATION AND POLITICS

THE Labour Representation Committee was founded in 1900, and changed its name to Labour Party in 1906, when 30 Labour M.P.s were returned. The Co-operative Representation Committee, which developed into the Co-operative Party, was not set up until 1917, after many unsuccessful attempts to persuade the Co-operative Movement to give up its traditional attitude of political neutrality.

Indeed, the difference between trade unionism and co-operation, in respect of their attitude to political action, goes back a very long way. The trade unions took an active part in the campaign for the extension of the franchise in the 1860's (National Reform League, 1864 ; Second Reform Act, 1867). After the Second Reform Act was through they formed a Labour Representation League (1869) to promote the return of Labour candidates to Parliament ; and the first Labour M.P.s (Alexander Macdonald and Thomas Burt) were returned under the League's auspices in 1874. The League died out in the depression which began in the later seventies, but in 1886 the Trades Union Congress established a new body, the Labour Electoral Association, for a similar purpose. Neither the L.R.L. or the L.E.A., however, set out to establish an *independent* Labour Party. The M.P.s elected under their auspices joined the Liberals, and even took office in Liberal Governments. The movement for an independent working-class party, based on the trade unions, began with the foundation of the Scottish Labour Party, led by Keir Hardie, in 1888, and marched a further stage with the foundation of the Independent Labour Party in 1893. The I.L.P., under Hardie's leadership, worked from the first to get the trade unions to join hands with the Socialists in setting up an independent working-class party, into which Hardie also hoped to attract the co-operative societies. The establishment of the L.R.C. in 1900, as the sequel to a resolution passed at the Trades Union Congress in 1899, was the outcome of the spadework of the I.L.P. The co-operatives, however, save a single small society (Tunbridge Wells), refused to join the Labour Party.

Individual co-operators fought a number of parliamentary contests between 1892 and 1917 (see list in Cole, *A Century of Co-operation* p. 311), but the Co-operative Congress, though it passed a resolution in favour of co-operative parliamentary representation in 1897, rejected such action in 1900, after the sections of the Co-operative Union had debated the question and decided against by a majority of two to one. The question was raised again in 1905, when another, generally favourable, resolution was carried at Congress, but no action was taken. William Maxwell tried again in 1912; and in 1913 representatives of the Co-operative Union, the Trades Union Congress, and the Labour Party met to consider the question "How best can the forces of the Co-operative, Trade Union and Labour Movements be utilised to raise the economic status of the people?" But the 1913 Co-operative Congress rejected the proposals for closer unity on the grounds that they included the Labour Party. There were further discussions; but the war intervened before anything practical had been achieved. What finally did bring the Co-operative Movement over to political action in 1917 was the sense of unfairness felt by co-operators in their treatment during the war, in respect both of the allocation of supplies and of the making of co-operative surpluses subject to Excess Profits Duty.

Even in 1917, co-operators held aloof from direct association with the Labour Party. They set up a Co-operative Representation Committee, which was made subject to the Co-operative Union, and also approved a plan for mutual aid between the Co-operative and Trade Union Movements, leaving out the Labour Party. But in practice, from the outset, the Labour and Co-operative Parties had to work together, as they have done ever since.

This necessity became obvious in 1918, when the Labour Party adopted its new constitution and set out to organise local Labour Parties all over the country in preparation for a nationwide bid for power. Up to 1918 the Labour Party had fought only a fairly small number of seats (62 in 1910, or one in every ten seats in the House of Commons). It would have been quite possible for a Labour Party such as existed before 1918 and a Co-operative Party to exist side by side, each fighting a small number of seats, without serious jostling. But the situation was quite different as soon as the Labour Party became

a claimant to power, trying to win a majority in Parliament. Obviously, there could not be two really separate working-class parties in the House under such conditions without serious adverse effects. The Co-operative Congress would not have agreed to fusion with the Labour Party, though the Labour Party would probably have accepted fusion gladly. There had, therefore, to be devised some way in which the two parties, while nominally independent of each other, could work closely together as one. This was actually achieved. (For the detailed arrangements and for the subsequent changes and negotiations, see Cole, *A Century of Co-operation*, pages 310-334.) On the whole, the arrangements have worked smoothly, considering the difficulties; but this is partly because the Co-operative Movement has never yet attempted to take political action with anything approaching its full strength. Even in 1945, Co-operative candidates fought only 34 seats, winning 23—a very small effort in relation to the nominal membership of six millions and upwards in societies affiliated to the Co-operative Party. In effect, as the Labour Party was first in the field of politics, most co-operators who are also trade unionists and Socialists tend to act politically mainly through the Labour Party, and many co-operators still stand aloof from political action in either the Co-operative Party or the Labour Party.

Co-operators adopted the principle of political neutrality in 1844, when there was neither a Labour or Socialist Party, nor, for that matter, a Liberal or Conservative Party; but only Whigs, Tories and a few Radicals. Working men had then no votes, and the purpose of neutrality was mainly to prevent disputes between the various groups of Chartists and Owenites. Later, when the Liberal and Conservative Parties developed, and some workers got the vote, after 1867 (Second Reform Act), neutrality in politics was maintained as a way of avoiding friction, particularly between Liberal Dissenters, Tory Churchmen, and Irish Catholics (numerous in Lancashire and on Clydeside). In practice the leaders of co-operation in this period, as of trade unionism, were largely Liberals, but many Conservatives traded at the stores, as they do now, and it was feared that participation in politics might lead to splits. When Socialism developed in the '80's, most of the leaders of both co-operation and trade unionism were Liberals, but whereas pressure from below forced the Trades Union Congress to agree in 1900 to set up

the L.R.C., there was less pressure, and more counter-pressure, inside the Co-operative Movement, and co-operative political action began only in 1917, and even then on only a small scale. The Co-operative Representation Committee, like the L.R.C., began without a definite programme or declaration of aims. Only in 1933 did the Co-operative Party Conference declare that "the object of the Co-operative Party is the establishment of the Co-operative Commonwealth, wherein the means of production, distribution and exchange shall be collectively owned, and wherein the Co-operative Movement shall function as the medium for the provision of the personal and domestic requirements of the community."

Questions for Discussion and Answer :

- (1) "Is a separate Co-operative Party desirable? Should the Co-operative and Labour Parties be formed into a united People's Party, or should arrangements continue, broadly, along the existing lines?"
- (2) "What part should co-operators play in municipal elections and on local government bodies?"
- (3) "Are there any serious differences of attitude between the membership of the Labour and Co-operative Parties : (a) About organisation, (b) About policy?"

FOURTH SECTION

CO-OPERATION AND SOCIALISM

THE Labour Party has been since 1918, when it adopted its manifesto on *Labour and the New Social Order* (drafted mainly by Sidney Webb), a Socialist Party. The Co-operative Party does not use the word "Socialism"; but its declaration of 1933, quoted at the end of the preceding section, commits it to something very near Socialism, with the Co-operative Movement playing a special part in "the provision of the personal and domestic requirements of the community."

The Labour Party's most recent programme is *Let Us Face the Future*, issued in connection with the General Election of 1945. Its policy is stated more fully in *The Old World and the New Society* (1942) and in a series of policy pamphlets which have appeared over the last dozen years or so. All those issued up to 1939 are fully described in Cole, *A Plan for Democratic Britain* (1939), most of which still stands good to-day. The policy of the Co-operative Party was first fully expounded in a series of pamphlets issued under the title *Britain Reborn* summarised in a booklet: *Britain Reborn: Work and Wealth for All*. There is a shorter summary in a 2d. pamphlet, *The World We Want* (issued in 1943).

There is no essential difference between the two policies. The Labour Party is setting out to nationalise or municipalise, not all industries, but only a limited number of key industries and services (immediately, the Bank of England, fuel and power, transport and steel). The Co-operative Movement agrees that the great basic industries must be taken over by the State, and that such industries as the Labour Party is at present proposing to socialise cannot be taken over by the Co-operative Movement. The Labour Party agrees that co-operation will have a vital part to play in a Socialist community.

There remains a large group of industries and services of which the future has to be settled. These include:—

(a) Large-scale manufacturing industries, such as engineering, shipbuilding, cotton, wool, chemicals, rubber;

(b) Smaller manufacturing industries, such as the manufacture of clothes, boots and shoes, and a wide range of consumers' goods, and also printing and paper, and the industries dependent upon them ;

(c) Building and civil engineering, which include some very big and many very small-scale businesses.

(d) Distribution, embracing both wholesale and retail trade, and including coal and milk distribution as somewhat special cases ;

(e) Agriculture and forestry, with which is tied up the question of ownership and control of land ;

(f) Marketing, as distinct from distribution, including the marketing of exports, with which may be considered the bulk purchase of imports through Import Boards ;

(g) Banking, apart from the Bank of England, but including such financial services as are performed by city houses and merchant banks, as well as ordinary joint stock banking ;

(h) Insurance, including industrial insurance, which it was proposed to socialise in part under the Beveridge Report ;

(i) Such services as laundries, petrol stations, and garages, entertainments and sports, including the highly monopolised film industry ;

(j) Hotels, boarding houses and restaurants, and tourist services generally ;

(k) Shipping, which is not included in the Labour Party's immediate socialisation plans for transport ;

(l) Civil aviation, which the Labour Party proposes to socialise.

It is open for the Co-operative and Labour Movements to discuss, on the merits of each case, how these twelve groups of industries should in the future be controlled. Co-operators are specially interested in groups (b), (d), and (f), and also to a smaller extent in (c) *building* ; in (e) *agriculture* ; in (g) *C.W.S. Banking Department* ; in (h) *Co-operative Insurance Society* ; in (i) *laundries* ; and to a much smaller extent in (a) *textile manufacture* ; in (j) *hotels and restaurants* ; and in (k) *shipping*. The Co-operative Movement, with the exceptions mentioned, plays little or no part in most of (a), (c), (e), (g), (h), (i), (j), (k) and (l).

It should be discussed what further industries should be added, now or later, to the list that ought to be brought under national ownership.

Should the land be nationalised? Should all or some of the large-scale industries under (a) be nationalised? What should be done to the industries under (b)? Should they, or some of them, be nationalised, or should they be brought under some form of public control, in accordance with a national economic plan? Building (c) raises more complicated issues. Should most houses be built for letting and owned by public authorities? How far should the Co-operative Movement go in financing the building of houses or in erecting houses for its members? (Note recent developments in the C.W.S. and the Co-operative Permanent Building Society). Should the local authorities (or the co-operative societies) build through their own building departments, or employ private builders? How ought the supply of building materials and requisites to be organised and controlled? Should this be done wholly or partly in State factories (e.g., converted war factories)?

Under (d), do co-operators aim at taking over the big multiple and department stores, and if so, how? Do they expect the small independent shop to die out, or what do they propose about it? Should coal and milk retailing be either handed over entirely to the Co-operative Movement, or wholly or partly municipalised, or what is favoured?

Should the State begin farming on a large scale? Should co-operation extend its farming activities and if so, how far? What should be done about the Agricultural Marketing Boards? Should the State take them over, or how should they be reorganised? What attitude should co-operators take to proposals for bulk purchase of foodstuffs and materials through Import Boards or sale of British exports through special corporations or export boards?

Should the commercial banks, as well as the Bank of England, be nationalised? If so, what should be done about the C.W.S. Banking Department?

Should the State take over all voluntary insurance on a weekly basis, as the Beveridge Report in effect proposed? Should it take over other forms of insurance (fire, life, shipping, etc.), or how should these services be organised in the "Co-operative Commonwealth?"

Should the film industry be organised, wholly or partly, in a National Film Corporation under public ownership? How far should the co-operative societies go in acquiring cinemas, theatres, etc.? Should there be a public, or an all-co-operative laundry service? Should there be co-operative petrol supply, as in America?

Should the Co-operative Movement buy on a large scale hotels, restaurants, etc.? How far should it develop tourist services, either separately or in conjunction with the Workers' Travel Association, Co-operative Holidays Association, Holiday Fellowship, Youth Hostels Association, and similar bodies? What part should the State and the local authorities play in these fields?

Should shipping and civil aviation be nationalised (or internationalised)?

Here are plenty of points for discussion, of which the upshot should be to work out a solution that will satisfy, reasonably, both Labour Party and co-operative aspirations—i.e., to seek, not disagreement, but agreement on a common policy, which should be practicable in view of the community of fundamental ideals.

Questions for Discussion and Answer.

- (1) "Do the immediate programmes of the Labour and Co-operative Parties differ on any essential issues?"
- (2) "Does the experience of the Soviet Union throw any useful light on the solution of the problems raised in this section?"
- (3) "What should be the place of the Co-operative Movement in a community organised in accordance with Labour and Co-operative ideals?"

FIFTH SECTION

INTERNATIONAL ISSUES

THE three sections of the working-class movement have hitherto belonged to separate "Internationals"—the International Co-operative Alliance, the International Federation of Trade Unions, and the Labour and Socialist International (rivalled by the Communist International—now wound up).

The International Co-operative Alliance was founded in 1895 in London. In 1938 it had an affiliated membership of 71 millions, of whom 41 millions were in the Soviet Union. The German and other important European movements had dropped out when their countries were conquered by Fascism, but are now due to come back, with the movements of the countries overrun by the Nazis during the war. The International Labour Office records, for 1937, a total world co-operative membership of 143 millions, of whom nearly 60 millions were in consumers' societies and nearly 64 millions in agricultural societies. The Soviet Union had over 60 million co-operators; the rest of Europe 52½ millions; Asia 15 millions; America 14½ millions; Australasia about half-a-million; and Africa about 330,000. The I.C.A. was open to co-operative societies of many types, but was in practice based mainly, though not exclusively, on the consumers' societies.

The International Federation of Trade Unions is now being superseded by a new World Trade Union Federation set up in 1945, including most of the national trade union movements of the world, except the American Federation of Labour. It includes the American Federation of Labour's younger rival, the Congress of Industrial Organisations, and also the trade union movements of Latin America and of the Soviet Union. The trade unions of the British Dominions are also members. Thus, the new body, despite the absence of the American Federation of Labour, looks likely to be much more representative than the old International Federation of Trade Unions. The International Trade Secretariats, such as the International Transport Workers' Federation, which group together the workers from different countries belonging to the same industry, will be given a special place in the new World Trade Union Federation.

The political side of the international working-class movement is still in a state of confusion. The pre-war Labour and Socialist International has practically disappeared ; and its rival, the Communist International, has been definitely wound up by the Russians, who supplied the main part of its membership. Over a large part of Europe, the state of parties is still fluid ; and even where Socialist and Communist parties have been separately reconstituted, their relations and respective influences are still uncertain. It remains to be seen whether it will become practicable to construct a single Socialist International.

It is also uncertain what will be the post-war structure of inter-governmental economic and social organisations. The functions of the Economic and Social Council set up at the San Francisco Conference as part of the new United Nations Organisation have still to be defined ; and no decision has yet been made about the position of the International Labour Organisation in relation to these bodies. The tripartite structure of the International Labour Organisation, representing employers and workers as well as Governments, constitutes a difficulty from the standpoint of the Soviet Union, which has no employing class to be represented. The International Co-operative Movement has worked on friendly terms with the International Labour Organisation, which helped in the setting up in 1931 of an international committee for inter-co-operative relations, formed in collaboration with the International Co-operative Alliance and the International Confederation of Agriculture.

There have been hitherto no international links between the co-operative, trade union and political Labour movements. The co-operatives had no official place in either the League or the I.L.O. ; and there were no official connections between the I.C.A., the I.F.T.U. and the Labour and Socialist International. It has now to be considered whether such links need to be made.

Questions for Discussion and Answer.

- (1) "Should official links be established between the international bodies representing Co-operation, Trade Unionism, and Socialism?"
- (2) "What part should the Co-operative Movement play in the future working of the United Nations Economic and Social Council, the International Labour Organisation, and other international official bodies?"

SIXTH SECTION

MAINLY LOCAL PROBLEMS

THERE is now in most places of any considerable size a retail co-operative society, a local Trades Council representing the trade union branches in the area, and one or more constituency local Labour Parties. There may be in addition a local Co-operative Party, and a political section of one or more co-operative societies; a local Fabian Society; a local branch of the Workers' Educational Association, and/or the National Council of Labour Colleges; youth organisations attached to the Labour or Communist Party, or to the Co-operative Movement (Co-operative Youth and British Federation of Young Co-operators), a branch of Common Wealth, the I.L.P. or the Communist Party, and perhaps other local organisations varying from place to place.

In connection with the Co-operative Movement there will also be one or more Women's Guilds and perhaps Men's Guilds and a branch of the National Guild of Co-operators. The co-operative society will have its more or less active educational committee, and in some places there will be producers' societies attached to the Co-operative Productive Federation, or factories run by the Co-operative Wholesale Society (or S.C.W.S.).

How ought these local bodies to be related and how far ought they to work together? The co-operative societies have often much to offer—the best halls and meeting places, catering facilities, perhaps week-end conference houses, and sometimes a cinema or a theatre. Trade unions sometimes have clubs or halls of their own, and so have a few local Labour Parties.

One difficulty of collaboration is that areas often fail to coincide. The Labour Party is organised on a constituency basis, with Central Labour Parties for large towns and county and urban regional federations. Trade union districts and divisions vary from union to union; and often important trade union bodies do not belong to the local Trades Councils. There is no trade union federation on a regional basis, except a few county or district federations of Trades Councils. Co-operative organisation is based mainly on the consumers' societies, which sometimes cover very wide areas (e.g., Plymouth, and Barnsley British)

but sometimes divide the area of a single town or even overlap in one town (e.g., Manchester). The co-operative societies and their educational committees are grouped in the districts and sections of the Co-operative Union, which do not coincide with the groupings of the other movements.

In these circumstances, no tidy pattern of collaboration is practicable. The forms of joint action are bound to vary from place to place, but it should be considered how best local relations can be made closer. Special difficulties arise on the political side, where the separate local existence of the Labour and Co-operative Party organisations, appealing mainly to the same people, sometimes gives rise to awkward problems. Local Co-operative Party organisations are still in a fluid state, with widely differing arrangements in different areas; and it should be considered which of the alternative patterns is to be preferred and how relations with the local Labour Parties can be put on a more satisfactory footing.

There are also special problems on the educational side, both local and national. Co-operative education, in one of its aspects, deals mainly with co-operative employees and with technical subjects; but it also covers a wider field with very different degrees and forms of activity in different areas. Some co-operative societies work in closely with the Workers' Educational Association, some with the National Council of Labour Colleges, and some with both, while some societies run extensive programmes of educational classes on their own, or in collaboration with local education authorities. The central educational work of the Co-operative Union has declined considerably during the war, and, in getting it back into working order, attention ought to be paid to the problems of collaboration with other bodies, both centrally and locally.

There is also the problem of adult colleges. The Co-operative Movement has recently acquired big new premises for the Co-operative College, and is raising a considerable endowment fund. Ruskin College, Oxford, receives co-operative as well as trade union support. The Trades Union Congress has been considering the establishment of its own College, but has for the present made arrangements for special courses for trade unionists to be organised in conjunction with the London School of Economics. Co-operators, the Trades Union Congress, the Workers' Educational Association, and the Fabian Society all

conduct important summer schools, and there has been a large growth of week-end schools in connection with these and other working-class agencies. It should be discussed how far more collaboration in these educational activities is to be desired as against the recent tendency towards quite separate developments under the various auspices.

Similar problems arise in relation to research and information services, in which there is at present very little collaboration. The Co-operative Union, the Trades Union Congress, and the Labour Party have all their separate research departments, mainly serving their own movements. The Fabian Society conducts a large amount of research into socialist and labour problems, including issues in which co-operators are vitally concerned. The Labour Research Department is an independent federation, mainly of trade union, Labour Party, and co-operative bodies, engaged chiefly in day-to-day information services rather than in long-distance research. Should there be more joint action in this important field, especially now that there is need to translate the social aspirations of the various movements into agreed and workable plans of action?

Questions for Discussion and Answer.

- (1) "How can local arrangements for common action by the co-operative, trade union and Labour movements be improved?"
- (2) "Should there be more co-ordination in educational work between the co-operative and trade union movements and such bodies as the Workers' Educational Association and the National Council of Labour Colleges?"
- (3) "Should there be more collaboration in research between the various agencies mentioned in the last paragraph of this section?"

A Note on Reading

Most of the problems raised in this outline are discussed in their historical setting in my recent book, *A Century of Co-operation*, G. D. H. Cole (Co-operative Union and G. Allen & Unwin).

A fairly full outline of the present organisation of the Co-operative, Trade Union, Labour and Socialist Movements

is given in my booklet, *The British Working-class Movement; an Outline Study Guide* (Fabian Society, 6d.).

The history of the British working-class movement is told, more fully, either in *A Short History of the British Working-class Movement* (to 1937) by G. D. H. Cole (Allen & Unwin); or in *The Common People, 1746-1938*, by G. D. H. Cole and Raymond Postgate (Methuen). The political side is dealt with in more detail in *British Working-class Politics, 1832-1914*, by G. D. H. Cole (Routledge and Labour Book Service). I have also recently written for the Labour Party a pamphlet *History of the Labour Party* designed as a study-guide.

For the history of Socialism, see Max Beer's *History of British Socialism*, 2 vols. (Bell) and H. W. Laidler's *History of Socialist Thought* (Constable), recently re-issued in the United States only in a revised and up-to-date form as *Social-Economic Movements*.

For the history of trade unionism, see Sidney and Beatrice Webb, *History of Trade Unionism* (Longmans) and for contemporary description, *Organised Labour in Four Continents*, by H. A. Marquand (Methuen).

For co-operation see, in addition to the above, *Co-operation*, by F. Hall and W. P. Watkins—the official text-book—and several smaller books issued in connection with the Rochdale Centenary in 1944. N. Barou's *World Co-operation, 1844-1944* (Fabian Society) is a useful descriptive booklet.

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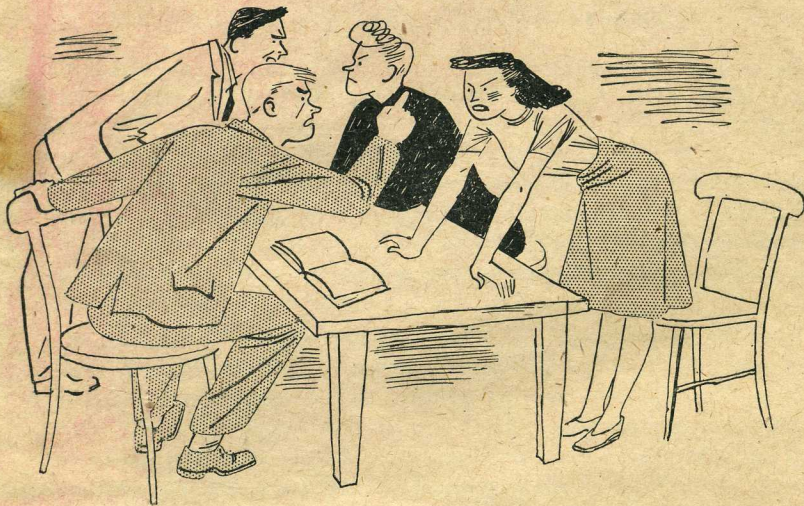
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Do's and Don'ts



For a Labour Discussion Group

Labour Party Publication

ONE PENNY

DO'S AND DON'TS FOR A LABOUR DISCUSSION GROUP

HINTS FOR LABOUR PARTY MEMBERS CONCERNED WITH STARTING DISCUSSION GROUPS IN THE CONSTITUENCIES

The people have called the Labour Party to power, both nationally and on a growing number of Councils, at one of the most critical periods in the history of Britain and the world. A heavy responsibility now falls upon every single member of the Party—for the Labour Party is not just a collection of a few outstanding leaders: it is a great national team working, in many different fields, for one common Socialist purpose. But to work as an effective member of a team requires training, especially for the many new members of the Party, and a growing understanding of ever more complex problems of public policy.

The Labour Discussion Series pamphlets are designed to help this process of understanding. Most pamphlets will deal with some major issue of Labour Government policy, keeping pace so far as possible with the Government's legislative and administrative programme, and covering some of the important topics of current politics. Among the first dozen subjects to be covered will be: The History of the Party; Present Shortages of Goods; Nationalising the Bank of England and Investment Control; Coal; Exports; Local Government Reform; Housing; and Agriculture.

POINTS FOR DISCUSSION and a book list will be included in each pamphlet.

HOW TO USE THE PAMPHLETS

It is hoped that many individual members of the Party will read the pamphlets. But primarily they are for group discussion within the Party. Interchange of views leads to greater clarity. Discussion should enable all members to counter political opponents, win the apathetic, and gain confidence for canvassing and public speaking.

A good way to begin would be for a D.L.P. General Management Committee to appoint a Discussion Group Secretary, with a Sub-Committee if considered necessary. Don't choose someone who is already overburdened with Party activities: try to pick out someone, preferably one of the younger members, who has had experience in the existing adult educational bodies, or in discussion groups in the Forces or in Civil Defence.

The Discussion Group Secretary would then help to find the right discussion leaders and see to it that arrangements were made, and a programme drawn up, for discussions at Ward meetings or, in the countryside,

at local Party meetings. The Ward or local Party could, in its turn, appoint its own responsible Discussion Group Secretary. Some time might be set aside at each Ward meeting for discussion after the routine business has been completed; or alternative meetings could be wholly set aside for discussion; or special meetings arranged. But experience shows that if there are more than 20-25 people in a discussion group, not everyone gets a chance of taking part. So if there are many more than this number at a Ward meeting, it will probably be advisable to split up into two or more groups.

Women's Sections should be brought into the scheme. If there is a Women's Central Committee (or Federation) in the constituency, it should be asked to appoint a Discussion Group Secretary to develop discussion groups in the Sections. Members of Sections should also be encouraged to take part in Ward or local Party groups.

THE DISCUSSION GROUP LEADER

There should always be someone to open the discussion. Usually you will have to rely on members of your local Party. If there are members with experience of this kind of adult education, so much the better. But any bright person can learn what tens of thousands of people in the Services and in Civil Defence have learnt; and for those taking a leading part in this work, Regional Schools will be arranged, leading up to the National Summer School at Bangor in the Summer of 1946. The discussion should not always be led by the same person: different people know about different things and are interested in reading up special topics. But whoever it is, the method should be broadly the same.

PREPARING THE TALK

The first thing is to choose the subject. There is no reason why you should be restricted only to the subjects of the L.D.S. pamphlets; some other useful pamphlets are listed later on. Then prepare a short introductory talk, which should, if about 1½ hours are available for discussion, not last more than about 15 minutes or so. But if people present have a good knowledge of the subject, as little as five minutes may be enough for the opening.

Read the pamphlet carefully; and other members should be encouraged to read it as well. If you can, get together one or two of the recommended books from your local library (if they are not in your library, that is something to take up through one of the Labour councillors). Don't attempt to read too much—*it's better to digest thoroughly a little at a time than to try to swallow a great deal all at once*. Don't do your reading only a few minutes before the meeting. Give yourself time. Think about it, perhaps sleep on it, get your own ideas clear and then plan the talk.

Get the plan down on paper—the beginning, the body and the end. Bring in all the points so that they follow on naturally one from the other. And don't attempt too much: concentrate on four or five aspects of the subject instead of trying to say everything all at once. Be provocative, provide fresh information and bring out the knowledge of those in the group. Illustrate with local examples. Look out for local references in the local or national press. Think out in your own mind what those attending are likely to have read or seen about the subject. If you can draw diagrams or can get someone to draw some out for you, you may find you can get your argument across better by a chart or a sketch than by talking.

The most important point is to make the interests and experiences of members of the group your starting point. Don't talk about the issues of high national policy in an abstract way; show how these issues affect your neighbourhood and the lives of those in the group. If shortages is the subject, talk about the goods it is most difficult to buy locally. If it's housing, speak about housing in your district, its needs and what was done before the war by private and local authority building. If health is the subject, mention the local hospital and the local child mortality figures (which you should be able to get out of the Report of the Medical Officer for Health). Finally select some of the controversial questions, on the lines of those at the end of the pamphlets, and throw them out for discussion.

PURPOSE OF THE DISCUSSION

This leads on to one of the chief purposes of the discussion, which is to get *everyone* to join in. The leader should have ready a number of questions, and have thought about the questions which are likely to get a rise out of particular members of the group. So if there's a slight lull in the discussion ask one of the members if he or she would like to give his or her views on the local schools (if the subject is education), or ask one of the older members to comment on the changes noticed in the Labour Party over a period of time (if the subject is Party history and organisation). Ask a Trade Union member to make a comment on conditions in his industry (if the subject is industrial organisation). In the course of time try to draw everyone out, for the aim is to give everyone a chance to express ideas, get practice in expression and gain confidence. **Don't on any account be a one man Brains Trust yourself.**

But while some members will be silent, others may be too talkative. Don't hurt the feelings of the talkative person, who is a valuable asset, specially when the discussion drags, by shutting him up; take his point and get someone else to comment upon it. But don't let one person monopolise the discussion by airing a pet subject. And so far as you can, steer the discussion away from the red herrings that are almost bound to be produced from time to time. Learning to keep to the point is the best training for politics itself whether in the Party, the local Council or Par-

liament. To be effective in any of those bodies, a member must "stick to the point."

At the end of the discussion sum up on what has been said. Bring out the **main** points that have been made and relate them to the facts and arguments set out in the pamphlet. The aim is to avoid leaving members with a confused impression of a discursive discussion. Finally, ask whether members would like to continue with the same subject on the next occasion or take another subject.

OUTSIDE EXPERTS AND M.P.s

Once a subject has been pretty thoroughly discussed and views clarified, it is useful to invite in an outside expert to attend the group. If you are discussing health it would, for instance, be valuable to invite a sympathetic local doctor to answer questions and join in the discussion; if it's housing, an architect or builder; or if education, a teacher. Labour Councillors could be asked to make their expert contribution about the work of the Council Committees on which they sit.

For some purposes all the members of groups in a constituency might come together. Thus your D.L.P. should sometimes be able to make arrangements with your Labour M.P. to discuss the current work of Parliament; and if you are not fortunate enough to have a Labour M.P. for your constituency you may be able to arrange, through your Regional Organiser or the Propaganda Officer at Transport House, for a Labour M.P. from another constituency to attend an occasional meeting. D.L.P.s may also be able to organise One-day Schools for discussion purposes or hire a film about one of the discussion topics from the Workers' Film Association at Transport House, or from the Central Film Library (Imperial Institute, London, S.W.7), who will supply films free of charge if they are not for showing to the general public.

LOCAL SURVEYS

It will sometimes be found that some members of the group will be specially keen about a subject and will want to learn more about it. They can be referred to one of the existing educational organisations (see below). Or, where there is some knowledgeable person to take charge, they can be encouraged to make their own further study. A good idea is to make a local survey. The subject may, for instance, be housing, or health or local government reform. In this case the study group could find out everything that is known about the local housing conditions, or whatever it is, getting help from Councillors and from the local library, and then produce a report. If this is well done it could, after further discussion, be referred to the Labour Group on the Council.

Local Labour Parties will develop their own useful ideas about how to operate Labour Discussion Groups, which are bound to be experimental for a time. Don't keep these ideas to yourselves. Instead, send them

along to Transport House. The *Labour Party Bulletin* will be publishing information about the developments and methods of discussion groups. And if you have criticisms or suggestions about the pamphlets in the Labour Discussion Series (which will certainly need improvement as experience grows) send them along also to Michael Young in the Research Department at Transport House.

FOLLOW-UP EDUCATION

If your discussion group is a success some members may want to go beyond formal discussion and to take up a rather more formal course. It would obviously be senseless for the Labour Party to handle this, for there are already in the field some local authorities with Evening Classes as well as excellent voluntary organisations.

W.E.A.

The Workers' Educational Association is one of these. If there are from 12-18 Labour Party members who are prepared to take a course, meeting for 1½-2 hours every week for from 10-24 weeks, the W.E.A. is prepared to do its best to provide a qualified tutor free of charge (apart from a membership fee of 2s. 6d.-5s. a year). The subjects offered by the W.E.A. include political, industrial or social history, international affairs, central and local government, economics, problems of reconstruction, history of trade unionism, political and social theory, social psychology, economic geography, history of political ideas and sociology. A group can suggest its own subject, and if it falls within the province of the W.E.A., the W.E.A. will supply a tutor if at all possible. The classes need not be restricted only to members of the Labour Party. If the numbers interested are not sufficient to form a class there may be a W.E.A. course already organised which they could join; and for individual students W.E.A. correspondence courses are available. The W.E.A. would also help to run Week-End Schools.

If you need help on this, write to your nearest District Secretary. The addresses are as follows:—

EASTERN: F. M. Jacques, 7, Hills Road, Cambridge.

NORTHERN: B. W. Abraham, 51, Grainger Street, Newcastle-on-Tyne, 1.

SOUTH-EASTERN: Mrs. I. W. Cooper-Marsh, 6, New Road, Chatham.

WEST LANCS. AND CHESHIRE: F. Garstang, 62, Hope Street, Liverpool, 1.

LONDON: W. Lowth, 28, Woburn Square, London, W.C.1.

EAST MIDLAND: H. Nutt, 14, Shakespeare Street, Nottingham.

WEST MIDLAND: E. J. Studd, The University, Edmund Street, Birmingham.

SOUTHERN: J. H. Matthews, 1, Cranbury Terrace, Southampton.

BERKS, BUCKS AND OXON: M. Lower, Rewley House, Wellington Square, Oxford.
NORTH STAFFS: Mrs. M. Stringer, Miss G. Malbon, The Elms, Snow Hill, Hanley, Stoke-on-Trent.
WESTERN: F. Parker, 91, Redland Road, Redland, Bristol, 6.
NORTH-WESTERN: E. A. Kirman, 423, Oxford Road, Manchester, 13.
SOUTH-WESTERN: J. G. Trevena, Rotherfold, High Street, Totnes.
YORKSHIRE (NORTH): G. F. Sedgwick, Blenheim Institute, Blackman Lane, Leeds, 2.
YORKSHIRE (SOUTH): E. Fisher, Campo Chambers, 26, Campo Lane, Sheffield, 1.
NORTH WALES: C. E. Thomas, W.E.A. District Office, University College, Bangor.
SOUTH WALES: D. T. Guy, 38, Charles Street, Cardiff.
SCOTLAND: The Secretary, 177, Hill Street, Charing Cross, Glasgow, C.3.

N.C.L.C.

The National Council of Labour Colleges runs classes and Day and Week-end Schools throughout Great Britain and Northern Ireland and makes a special point of its postal courses. It also runs a Branch Lecture service for Trade Unions and Labour Parties. Many Trade Unions are already affiliated to the N.C.L.C. and members of those Unions may attend N.C.L.C. classes and schools free of charge and also have the postal courses free. Local Labour Parties by paying an affiliation fee of 2d. per member to the N.C.L.C. may have the services of N.C.L.C. tutors free to run a class or a branch lecture and their members may attend any N.C.L.C. classes free. The full cost of a postal course is 42s. for 12 lessons, 32s. for 9 lessons, and 22s. for 6 lessons. Members of an affiliated Labour Party get a 25 per cent. discount. Some of the subjects covered by the courses are Economics, English, Local Government, Public Speaking, Social History, Planning for Re-construction, Finance, Industrial History of Modern Europe, Europe Since 1914, Orthodox and Marxian Economics, Socialism, and Economic Geography. For postal courses write to J. P. M. Millar, General Secretary, National Council of Labour Colleges, Tillicoultry, Scotland. For particulars of class work write to the nearest N.C.L.C. Organiser. The Organisers' addresses are as follows:—

Division 1—Area: London, Middlesex, Kent, E. Surrey and E. Sussex, Bucks, Herts and Lower Essex (see Division 3). Arranged in two sections.

Organisers North of Thames—G. Phippen, 71, Prebend Gardens, Stamford Brook, W.6. 'Phone: Riverside 4521.
South of Thames—H. Sara, 24, Terrapin Road, London, S.W.17. 'Phone: Streatham 4582.

Division 2—Area: Berks, Oxford, West Surrey, West Sussex, Hants, South Wilts and Dorset.

Organiser G. E. Humphreys, 46, Pentire Avenue, Southampton.

Division 3—Area: Beds., Cambs., Norfolk, Hunts., Suffolk, and that part of Essex above a line drawn from Epping to Burnham-on-Crouch.

Organiser J. Crispin, 46, Avondale Road, Ipswich.

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Organiser T. J. Morgan, 3, Cefn Place, Aberdare.

Division 5—Area: Gloucester, Somerset, Cornwall, Devon and North Wilts.

Organiser S. Walker, N.C.L.C.; 98, Whiteladies Road, Bristol.

Division 6—Area: Warwick, Worcester, Staffs. and South Shrops.

Organiser E. Milne, 25a, Paradise Street, Birmingham.

Division 7—Area: Lincoln (above Gainsborough), Yorks.

Organiser F. Shaw, 1, Fernleigh, Longwood, Huddersfield.

Division 8—Area: Cheshire, N. Shrops., N. Wales, Lancs. (including Barrow), arranged in two Sections.

Organisers Liverpool and West Lancs.—P. H. W. Couldry, 133, Salisbury Road, Wavertree, Liverpool, 15. 'Phone: Garston 519, Manchester and East Lancs.—J. Owen, 39, Panfield Road, Brownley Green, Northenden, Manchester. 'Phone: Wythenshaw 2832.

Division 9—Area: Northumberland, Durham, Cumberland, and Westmorland.

Organiser S. Rees, 18, Derwentdale Gardens, High Heaton, Newcastle-on-Tyne. 'Phone: Benton 61515.

Division 10—Scotland, divided into two areas, as shown below.

Hon. Sec. J. Hedderwick, "St. Roque," Glebe Road, Cramond, Midlothian.

Organisers Glasgow and West of Scotland Area—G. Lawson, 114, West Campbell Street, Glasgow, C.2. 'Phone: Douglas 1620. Edinburgh and East of Scotland Area—W. R. Hattan, 5, Hillside Crescent, Edinburgh. 'Phone: Edinburgh 30860.

Division 11—Area: Northern Ireland.

Organiser J. T. Dorricott, 17, Seagrove Parade, Belfast.

Division 12—Area: Derby (except North-West corner), Nottingham, Lincoln (south from Gainsborough), Leicester, Rutland, Northampton.

Organiser E. Redfern, 20, Regent Street, Nottingham. 'Phone: Arnold 68300.

CO-OP. EDUCATION

Many Co-operative Societies organise schools, classes and lectures. Any member of the Labour Party, even if not already a Co-op. member, is entitled to attend these on paying the usual fee. The Co-operative Union, Ltd., is considering asking all Co-op. educational secretaries to advise their local Labour Parties about their educational programmes.

LIST OF PAMPHLETS

LABOUR PARTY,

Transport House, Smith Square, London, S.W.1.

The Speaker's Handbook, 1945 (2s. 6d. post free) is still available from Transport House. It covers all aspects of Labour Party policy.

National Service for Health	3d. post free
Our Land	3d. " "
The Nation's Food	3d. " "
The Future of Local Government	3d. " "
International Post-War Settlement	3d. " "
Full Employment and Financial Policy	3d. " "
Social Progress in New Zealand, Walter Nash, M.P.	3d. " "
About the Labour Party, Morgan Phillips	3d. " "
Let Us Face The Future	3d. " "
The Railways—Retrospect and Prospect, G. Ridley	3d. " "
Coal, James Griffiths, M.P.	3d. " "
Plan for Peace, Ellen Wilkinson, M.P.	3d. " "
Wings for Peace	3d. " "
Coal and Power	3d. " "
Post-War Organisation of British Transport	4d. " "
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TRADES UNION CONGRESS,

Transport House, Smith Square, London, S.W.1.

Four T.U.C. Documents approved by the Blackpool Congress, 1945:—

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64 pages. Price 6d. ; post free, 7½d.

FABIAN SOCIETY, 11, Dartmouth Street, S.W.1.

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The British Gas Industry—Present and Future	1s. 0d.
Cotton—A Working Policy	6d.

ASSOCIATION FOR EDUCATION IN CITIZENSHIP,

51, Tothill Street, London, S.W.1.

Handbooks for Discussion Groups, prices from 4d. to 6d.

How to Lead Discussion Groups, E. M. Hubback, M.A.

The Democratic Idea, Francis Williams.

Is Britain a Democracy? Frank Hardie, M.A., D.Phil.

Our Towns, Elizabeth Halton, A.T.P.I.

Economic Reconstruction After the War. M. Joseph and N. Kaldor.

Health, Major J. N. Morris.

The Schools of To-day and To-morrow, Joan Simon.

Problems of Population, R. M. Titmuss.

The Cinema, Ernest Lindgren.

Private Enterprise or Public Control, Joan Robinson.

Democracy and Local Government, David M. Goodfellow.

Women in the Post-War World, Barbara Drake, L.C.C.

Social Security, Joan Simeon Clarke.

The Content of Education, J. A. Lauwerys.

Planning our Country, J. F. Adburgham and E. E. Halton.

W.E.A., 38a, St. George's Drive, London, S.W.1.

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The Films, S. B. Carter	4d.
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 - Youth in a Changed World.
 - Residential Colleges and Local Centres for Adult Education.
 - Making a Fresh Start.
- N.B.—K. S. Spreadbury has written a useful pamphlet on "The Discussion Group Leader," published by Harrap for 2s., which will be available in a new edition in January, 1946.

January, 1946.

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FORWARD

Interim Report
on
POST-WAR
RECONSTRUCTION

FOREWORD

INTERIM REPORT ON POST-WAR RECONSTRUCTION

This Interim Report, which was approved by the 1944 Blackpool Congress, deals with many of the matters raised in a Resolution adopted by the 1943 Congress authorising the General Council "to prepare and to circulate a general plan for the post-war reconstruction of the industries of this country."

The following Report is indicative of the development which has taken place in the attitude of the British Trade Union Movement towards the broader problems of industrial and economic policy. As early as 1932 the T.U.C., in a Report entitled "Public Control and Regulation of Industry and Trade" set out in some detail the wider objectives relating to the organisation of industry towards which it was striving.

The principles on which this Interim Report is based closely accord with those laid down in the earlier Report. At the same time, full regard has been paid to subsequent developments in industry and economic life, to new ideas in economic theory and particularly to the important lessons of the war-time experience of a controlled economy.

The Trade Union Movement has long held the view that the existing forms of industrial and economic organisation are not suited, if they were ever intended, to promote such aims as social security and full employment. These aims are now universally recognised as being a responsibility of Government as well as the practical foundations of social progress. It is important, therefore, that an appropriate economic structure is built up to secure their fulfilment.

In the light of these and other considerations, this Interim Report proposes the transfer of given industries to public ownership and a wide measure of public control over all important industries with full participation by workpeople and their representatives in the affairs of industry. It will be obvious to all who read this Report that such changes in the forms of control are not advocated for their own sake or on the basis of a pre-conceived doctrine but as a means of protection for workpeople and to ensure that public well-being is the aim of economic policy. The Report, in fact, contains proposals designed to ensure that there is a progressive advancement in working conditions and living standards and that this development is combined with the growing democratisation of industry.

Trades Union Congress

INTERIM REPORT ON POST - WAR RECONSTRUCTION

I.—INTRODUCTORY

1943 T.U.C. Resolution

1. For the Southport 1943 Trades Union Congress resolutions on general industrial post-war reconstruction were placed on the agenda by the National Union of Public Employees, the National Amalgamated Furnishing Trades Association, the Transport and General Workers' Union, and the National Union of Boot and Shoe Operatives.

2. In accordance with the usual practice of Congress when dealing with separate resolutions on the same subject, a single resolution composed out of the four separate resolutions was drawn up and submitted to Congress.

3. The terms of this composite resolution, which was passed without opposition, are as follows:—

This Congress registers its deep concern lest the end of the war shall not find the nation any better prepared for the tasks of peace than it was for those of war and urges upon the Government the pressing need for making clear to the nation and to the peoples of the subjugated countries its policy in relation to post-war social and economic affairs.

Recognising that Trade Unions constitute an integral part of the industrial and social life of the nation and that the industries of this country will require considerable reconstruction if a progressive standard of industrial and social security is to be attained, Congress authorises the General Council to prepare and to circulate a general plan for the post-war reconstruction of the industries of this country.

The plan to have specific regard to the maintenance of full employment; the degree of national ownership or control to which each industry shall be subject; the extent to which the supply of raw materials, the output of finished goods, prices, standards of quality, etc., shall be subject to public control and direction; and the place and responsibility of Trade Unions and the Trades Union Congress in such a plan. The plan to be so formulated as to allow for its adaptation by Trade Unions to the industries with which they are associated.

Congress recognises that the cost of additional staff necessary for the preparation and the publicising of the proposed reconstruction programme will be considerable, and in order to meet this cost the affiliated Unions shall, if required, contribute to a special Social Ownership and Reconstruction Fund the sum of one half-penny per member per annum in addition to their present affiliation fee.

Congress believes that unless this positive course is pursued the country will be confused and deceived by the propaganda of the reactionary elements and the hopes and aspirations of the people for a new and better world after the war will be defeated.

4. This resolution was first considered by the General Council and referred by them to the Economic Committee. The Economic Committee has met on seventeen occasions during the year and at each of these meetings the resolution, or some particular aspect of it, has been under consideration.

5. It was, however, clear to the General Council from the start that detailed consideration of the extensive and varied range of problems raised by the resolution would impose a considerable strain upon the Economic Committee and the staff of the T.U.C. The resolution itself envisaged the engagement of additional full-time staff and three additional research assistants were engaged and took up their duties in the early part of this year.

Advisory Assistance

6. The General Council also authorised the General Secretary to seek outside assistance in the form of expert advice from persons of experience and distinction in the handling of economic and political problems. Invitations were sent to a number of eminent economists known to be in sympathy with the aims of the Trade Union Movement. Three were able to accept and have rendered valuable assistance in an advisory capacity in the preparation of this report. Extensive calls were made upon them and the General Council is profoundly grateful for their help. Others who have become Civil Servants for the period of the war had, very regretfully, to withdraw when the Treasury reminded all Civil Servants that they were not permitted to engage in discussions with persons outside the Government on subjects with which they were officially concerned.

Publications and Reports on Reconstruction

7. It is a considerable task in itself to keep informed of current views and proposals on post-war reconstruction matters. In the course of the year the Committee has examined in greater or less detail a substantial number of publications and reports issued by individual Trade Unions, employers' organisations, Chambers of Commerce, political parties, H.M. Stationery Office, academic and research bodies, and individuals. A full list of the pamphlets and reports circulated to the Economic Committee and to the advisory economists provides a useful post-war reconstruction bibliography and is printed at the end of this report (see Appendix).

8. At the outset of its discussions, the General Secretary invited the four Unions associated with the resolution to amplify their views for the guidance of the Economic Committee. Memoranda were received from the National Union of Public Employees and the National Amalgamated Furnishing Trades Association. The National Union of Boot and Shoe Operatives supplied us with copies of their printed report.

Informal Consultations with Unions

9. At a later stage the Committee thought that it would be useful to seek informally the views of as many of our affiliated Unions as possible on an outline of a contemplated report. A number of Unions were therefore invited to send representatives to meet the General Secretary and the Chairman of the Economic Committee. Reasons of time compelled the General Council to limit the range of these informal discussions and, in the circumstances, the invitations were confined to the Unions responsible for the resolution, those with a substantial membership in an industry specifically to be dealt with in the contemplated report, and those which had on their own account issued some statement on post-war reconstruction.

10. Altogether fifteen meetings with representatives of various Unions were held during July, 1944. The discussion at these meetings was entirely informal and non-committal. Usually, the General Secretary described the way the Economic Committee had approached the questions raised in the resolution and the lines upon which the Committee were proceeding. The Union representatives were invited to express without commitment any views they thought ought to be taken into account.

Labour Party Reports on Nationalisation

11. Contact between the T.U.C. and the Labour Party on questions of economic policy has been maintained through the long-standing arrangement whereby two persons appointed by the Labour Party Executive attend meetings of the Economic Committee of the T.U.C. The Labour Party itself has had various sub-committees at work under the supervision of its Policy Committee on different aspects of post-war reconstruction policy. Reports on the nationalisation of transport and fuel and power were issued by the Labour Party Executive and would have been considered at the Party Conference at Whitsuntide had the Conference not been postponed. The T.U.C. Economic Committee has naturally had considerable regard to the contents of these reports though, not having been accepted by Conference, they are not yet official Party policy.

Sir William Beveridge's Investigation

12. At his request the Economic Committee met Sir William Beveridge who is engaged as a private individual in an independent investigation into the possibilities of maintaining full employment after the war. Sir William was anxious to have the views of the T.U.C. on certain questions which had occurred to him, particularly (1) if under full employment it was inevitable that there would be a rising spiral of wages and prices leading to inflation, and (2) if a steady demand for labour would fail to produce full employment unless labour is willing to be more mobile than it has been and whether this was possible?

13. The Economic Committee drew up a memorandum of observations dealing specifically with these two questions. This memorandum was approved by the General Council and forwarded to Sir William Beveridge for his information. It is reproduced in the section of this report on "The Maintenance of Full Employment."

14. Subsequently, the Committee received from Sir William Beveridge copies of early drafts of some chapters of a contemplated report on "Full Employment in a Free Society." After considering these drafts the Economic Committee advised the General Council that Sir William's report was likely to constitute a valuable contribution to discussions of the problems of full employment and would prove to be of considerable assistance to the Trade Union Movement. At the same time the T.U.C. could not be expected to give unqualified support to the separate proposals of the contemplated report or to the methods by which it may be sought to apply them.

Government's Employment Policy

15. When the Government issued its White Paper on "Employment Policy" in May, 1944, the Minister of Reconstruction suggested that he should arrange for an early meeting of the Reconstruction Joint Advisory Council for a discussion of the policy outlined in the White Paper and of the further steps to be taken to implement that policy. In preparation for this meeting, the Economic Committee gave specific consideration to the White Paper and agreed that whilst its declaration of the responsibility of the Government to maintain employment was to be welcomed as a tremendous advance on anything previously officially issued, the T.U.C. ought to make it quite clear that the Trade Union Movement would not accept as adequate a policy which merely aimed at stabilising employment by evening out the major fluctuations in trade. T.U.C. members of the Reconstruction Joint Advisory Council were accordingly instructed to seek further information as to the implications of the statements in the White Paper regarding "a high and steady level of

employment," export trade, the regulation of investment, budgetary policy and the maintenance of employment from the side of consumption expenditure.

16. It proved impossible, however, to raise these detailed queries at the meeting of the Joint Advisory Council which was held in June. A further meeting of the Council for a fuller discussion of the White Paper is to be held and, in the meantime, the three organisations represented on the Council—the F.B.I., the British Employers' Confederation and the T.U.C.—will each formulate their specific comments for discussion. The three organisations may meet jointly before the next meeting of the Reconstruction Advisory Council to see if there is a measure of common agreement on the comments to be made on the White Paper.

T.U.C. 1932 Report

17. In its approach to the 1943 resolution as a whole, the Economic Committee naturally first examined the Report on The Public Control and Regulation of Industry and Trade which the General Council submitted to Congress in 1932, to see how far its arguments and conclusions were relevant to the consideration of the 1943 resolution. The Committee came to the conclusion that the general principles outlined in the 1932 Report did not require any substantial modification. At the same time the Committee thought it would not be sufficient merely to resubmit the Report as a statement of the current views of the T.U.C. on public ownership. It would be necessary to set out more specifically and with some regard to priorities the industries which the T.U.C. proposed should be transferred immediately to public ownership, and also to extend and amplify the arguments of the 1932 Report in the light of subsequent developments, including the experience of war-time controls.

An Interim Statement

18. It should perhaps be pointed out that the problems of post-war reconstruction which have to be dealt with by the T.U.C. are not limited to those mentioned in the 1943 composite resolution. Nor does that resolution, by specifying a number of particular items, thereby impose limits on the matters which may have to be covered in a general industrial plan. Besides the composite resolution on general industrial reconstruction, the 1943 Congress also passed resolutions dealing with the post-war organisation of building, electricity supply and the ownership of land. The terms of these resolutions have been taken into account in the drafting of this report.

19. On the other hand, the scope of the 1943 resolution itself is very extensive involving a very wide range of detailed investigation. This report, which is the first statement of the observations and proposals of the T.U.C. on the larger issues of post-war industrial and economic reconstruction, is therefore submitted as an interim statement and not as a final and complete report on all the matters covered by the 1943 resolution. There are many questions which bear directly on the problems of industrial reconstruction mentioned in this report which it has not been possible to deal with in detail. These include :—

The organisation of the industries for which public ownership is proposed, and the basis and form of compensation for undertakings acquired,

The organisation of individual industries and services for which public regulation is required,

Trade Union participation in the formulation of national industrial policy,

The maintenance of war-time economic and industrial controls,

Foreign and international trade,

Taxation policy,

The problems of industrial and commercial monopoly,

The maintenance of full employment.

The General Council therefore intends to proceed to give further detailed consideration to these matters and hopes to be able to submit a final report on all the main issues of post-war reconstruction to the 1945 Trades Union Congress.

THE OBJECTIVES OF THE TRADE UNION MOVEMENT

20. We think it necessary at the outset of our report to set out at least the main objectives of the Trade Union Movement which bear on the formulation of its economic policy.

21. The first of these is unquestionably that of maintaining and improving wages, hours and conditions of labour. This in itself relates to more than rates of wages or earnings measured in monetary terms or other payments and conditions settled by collective bargaining. We are also concerned with what wages can buy—with the cost of living and the general level of prices. We are in fact concerned with increasing the size of the real national income and with the share of it which should accrue to workpeople in terms of goods and services, conditions of work and leisure, as well as opportunities for individual and social development.

22. Secondly, the Trade Union Movement is concerned with the opportunities which exist for the worker to obtain work. "Full employment" is an aim which the Trade Unions have always pursued. It must be emphasised, however, that the "right to work" which the Trade Unions have sought to establish, is not merely a claim for a job of any kind. We are concerned to ensure that every worker shall be able, within limits determined only by the need to safeguard the reasonable freedom of others, to choose freely work which he prefers and for which he is trained at rates of wages and in conditions commensurate with his skill and the nature of the work.

23. Thirdly, the Trade Union Movement exists to extend the influence of workpeople over the policies and purposes of industry and to arrange for their participation in its management.

24. The claim to share in the control of industry rests primarily on the simple democratic right of workpeople to have a voice in the determination of their industrial destinies. It is supported by the knowledge that it is only by recognition of this claim that the potentialities, experience and good sense of the workers can be drawn upon and the full productive powers of industry be effectively realised.

25. The General Council wish to re-emphasise the view which has been expressed in previous statements of policy issued by the T.U.C. that it is only within a system of public control that much of what is implied in the above objectives can be fulfilled.

THE REASONS FOR PUBLIC CONTROL

26. It is not only the Trade Union Movement, however, which recognises the importance of establishing some measure of public control over industry and trade. Full employment; price stability; the protection of the people, either as workers or consumers, against exploitation; the equitable distribution of income and economic opportunity, and the promotion of national development and national security are all aims widely acknowledged to be a responsibility of government which demand some measure of planning, regulation and control if they are to be fulfilled.

27. The modern economic system bears little resemblance to the *laissez faire* form of capitalism of a century ago. Before the present war it was a system subject to a considerable amount of control exercised in many cases by private individuals and organisations and not infrequently in a manner in which public responsibility was not clearly defined or accepted. Technical development and the greater complexity of economic relationships have made higher forms of business organisation advantageous, and, indeed, inevitable, but the concentration of economic power in private hands, which so far has been a consequence of this development, brings with it dangers of which the whole community is now acutely aware. Although the supporters of private enterprise still frequently plead their cases in the name of freedom, it is now abundantly clear that the liberty of the individual is most endangered by a system of unrestrained private enterprise.

28. Equally fallacious is the claim that only free private enterprise can provide a rising level of industrial efficiency. On the contrary the development of scientific research and productive technique and, even more, their full utilisation to meet the needs of the people, have been continually hampered on the one hand by lack of industrial co-ordination and organisation, and, on the other hand, by the restrictive policies of private monopolies. One of the strongest arguments for the transfer to public ownership of key industries and for the introduction of those other forms of public control which we propose is that these changes are essential for efficient industrial organisation and to ensure that industrial efficiency serves its proper purpose of improving the standard of life of the community. A controlled economic system is a modern necessity in advanced industrial communities. The choice before us is not between control or no control, but, in principle, between control by public authority responsible to the community, or control by private groups and persons owing a final responsibility to themselves alone and, in detail, between degrees of control and types of control.

THE TRANSITION TO PUBLIC OWNERSHIP

29. The attitude of the Trades Union Congress towards the **Public Control and Regulation of Industry and Trade** was broadly defined in the report issued under that title submitted to Congress in 1932. The report opened by calling attention to the fact that :

Labour policy . . . is tending to emphasise the transitional forms of public control and the immediate steps to be taken rather than the more ideal programme of complete socialisation with the entire elimination of private enterprise. As a practical policy this would appear to be inevitable, given present conditions and the existing psychology of the British people. We may therefore expect that the change from undiluted private enterprise in many industries and services will be by way of general governmental regulation leading to operation by public corporations.

This conception of a gradual transition of the economic system involves more than a change in the organisation of separate industries. There are certain minimum objectives of Trade Unionism which coincide with the general public interest and whose fulfilment ought not to wait upon the complete realisation of any long-term policy. The abolition of unemployment, the provision of an adequate number of good houses, reduced hours of labour, better working conditions and progressive improvements in the standard of living generally, for example, are objectives which must be achieved in the post-war world even if private ownership continues in a substantial section of the economic system. The achievement of such objectives, moreover, prepares the ground for further developments in the scope and form of public ownership ; and all forms of public control and regulation can be examined according to the contribution which they can make to that development.

30. The 1932 Report defined three categories into which industries and services fell :—

- (a) Those immediately ripe for socialisation.
- (b) Those less important or less unified but needing some measure of regulation in the public interest.
- (c) Those of minor importance which can be left for the time being under completely private enterprise.

31. The report did not consider it possible to say “ with any exactness or finality ” into which of those categories the various industries and services fell but that amongst the criteria of fitness of an industry or service for socialisation or public control were :—

- (a) The importance of the industry to the life and safety of the community.
- (b) The existence of monopoly or unification in an industry serving a wide demand.
- (c) The importance of an industry as a source of demand for new investment.

The Priority of Certain Industries

32. There are some industries which are of vital importance to the life and well-being of the community in that all other industries depend to a greater or less extent upon the goods or services they supply. It is to these industries that the first criteria of the 1932 report particularly applies. They are notably two groups of industries namely :—

- (a) Fuel and power (including coal, gas and electricity) ; and
- (b) Transport (including railways, canals, road transport, coastwise shipping, and internal airways).

33. The public ownership of these industries is not only desirable for their own development but as an essential condition for any effective economic planning because of the influence which they exert on the location and efficient working of many major industries. Furthermore, their internal co-ordination is equally essential for the effective and orderly development of their constituent parts which are uniquely related to each other. This latter point has been fully recognised during the war by the setting up of the Ministry of Fuel and Power and the Ministry of War Transport.

34. In both of these groups of industries there is one industry—coal-mining in the case of fuel and power and the railways in the case of transport—on which public opinion is most strongly prepared for their transfer to public ownership. We think that there are unchallengable economic reasons for the complete co-ordination of both of these groups of industries though it may well increase political opposition and the legislative difficulties to link them together and insist upon their complete transference to public ownership under one Act of Parliament. We would emphasise, therefore, that in the matter of priorities the public ownership of the coal-mines and the railways is a matter of immediate urgency, which should on no account be delayed. If it should not prove possible to nationalise the other sections of the two industries immediately, it would at least be imperative to secure the co-ordination of fuel and power as a whole and transport as a whole by bringing those other sections under public control at the same time as coal-mining and rail transport are nationalised.

We propose to make each of these groups of industries the subject of a special detailed report.

35. Next in urgency and importance for public ownership is the iron and steel industry which is already highly integrated under private ownership. For the nationalisation of this industry the T.U.C. has already published a detailed programme.

36. The cotton industry is of considerable importance, especially in relation to exports of which Great Britain will, after the war, stand in very great need. The industry is also recognised to be in need of unification and more centralised control. Ultimately it must be brought under public ownership but it is doubtful if that could or should be done immediately. In the meantime it is obviously an industry which should immediately be brought under a form of public control, possibly in association with rayon, which would prepare the way for complete public ownership. Our subsequent proposal for the formation of Industrial Boards has particular application to this industry.

The Form of Public Ownership

37. For each of the above industries the most suitable form of public ownership is a Public Corporation of the kind proposed in the 1932 T.U.C. report on "Public Control and Regulation of Industry and Trade" and described in greater detail in the T.U.C. plans for the public ownership of particular industries. The main argument for the establishment of Public Corporations was set out clearly in the 1932 Report, and is important enough to quote again in full. In the words of that Report :—

. . . it is doubtful, according to modern Socialist ideas, whether there is ever any advantage in conducting an industry or a commercial service by the method of direct State operation, i.e., by a Government Department. State activities such as the general supervision and administration of national education, public health, postal service, and trade, as well as the older functions in relation to foreign affairs, finance, and the rest, are obviously different in kind from the operation of services like Transport, Coal-Mining, etc. The former are typical Governmental functions which cannot be divorced from the machinery of the State and Parliament. The latter are really commercial undertakings, whose business is production, not regulation and supervision.

The idea that socialisation and public control of industries necessarily mean administration directly by a Government department dies hard, but it is dying in every country. The importance of flexibility and expert management on the one hand, and of freedom from party political domination on the other hand, has so far been recognised that (as in the Labour Government's London Passenger Transport Bill) the tendency is to secure public control and the elimination of the profit motive while keeping the actual management in the hands of a body not susceptible to party political pressure and interference.

38. For those industries for which nationalisation is proposed, therefore, a Public Corporation would be established by Act of Parliament to take over all the undertakings in the particular industry or group of related industries. In relation to corporations of this type, it is essential that responsibility to the public shall be maintained by the appointment of the members of its governing body by a Minister responsible to Parliament, and they should therefore be selected on the basis of their competence and ability to administer the industry efficiently in the public interest. It is further essential that their organisation shall make proper provision for the representation and participation of workpeople, and to this end statutory provision should be made for the interests of workpeople to be represented on the Governing Board.

39. It will be necessary also to provide for the ultimate responsibility of the managements of socialised industries to a Minister in order to ensure the proper co-ordination of their policies and that the industries are conducted in full accordance with the Government's general plans for the maintenance of employment, the control and the location of industry, and the furtherance of socially desirable expansions of consumption.

40. Where the policy of the industry is required to be determined in part at a sectional or regional level, it would of course be necessary to establish subsidiary Boards, similarly constituted, for the sections or regions concerned.

Subsidiary Boards might also be established to perform special functions, such as marketing at home or abroad, the bulk purchase of materials or imports or products to supplement home supplies, where the organisation of the industry required it.

Financial Aspects of the Transfer to Public Ownership

41. In discussing the question of the finance of the transfer of industries from private to public ownership it is reasonable to assume, as did our 1932 report, that "whether on grounds of equity or because of political expediency the policy of outright confiscation will not be adopted." It was pointed out in that report that :—

It appears to be generally agreed in the Labour Movement that fair compensation should be paid, and this policy has obvious advantages. For one thing, the right of the State or Public Authorities to take property for which a fair compensation is paid is fully recognised in English law. As has often been pointed out, any unfairness and inequality that may be thought to result by handing over large sums to private individuals may be rectified by taxation.

We propose, therefore, that undertakings transferred to public ownership shall be purchased at a fair price, estimated by a Purchasing Commission on lines which are applicable in principle, if not in detail, to all purchases of private businesses on behalf of the public.

42. We have considered four possible bases of valuation :—

(a) **Market Value of Shares and Stock.**

This basis has the superficial advantage of providing precise figures whether taken at one particular day or as an average of the quotations on a number of days but has the serious objection—apart from the fact that no quotations are available for private companies—that stock exchange quotations are only indirectly connected with the real value of any undertaking. They are in fact merely the price levels at which there is a rough balance at any particular time between holders who are prepared to sell and people who are prepared to buy in the light of their separate anticipations of income and capital appreciation during the period for which they wish to hold the shares or stock. Moreover such quotations may include capitalised estimates of ability to exploit monopoly or subsidy conditions and on occasion can be manipulated.

(b) **Total Capital Expenditure less Depreciation.**

This method is at first attractive, especially for the purchase of undertakings which are making large profits in relation to their net capital. But it would give a grossly inflated figure for the railways and canals whose economic value to the community is now low in relation to the figure of investment most of which took place many years ago. Moreover, this method is dependent on the agreement of rates of depreciation for the various types of assets.

(c) **Valuation of the Physical Assets of an Undertaking.**

This method would inevitably entail considerable costs in valuation and perhaps in arbitration, objections which are obvious when the method is applied to assets such as an occasionally used and semi-derelict railway station. It may however be necessary to use it where only part of an undertaking is being acquired.

(d) **Reasonable Net Maintainable Revenue.**

This method has the advantage of relating the purchase price and therefore the capitalisation of the acquired undertaking directly to its earning powers. It is necessary to make it clear that "Reasonable" Net Maintainable Revenue would preclude any computation of worth based on the high profits of war-time operations and permits special consideration of that part of past earnings which has been due to monopoly or semi-monopoly activities, or any direct or indirect subsidy previously granted by the State.

43. In general, we retain the view of the 1932 Report that compensation should be based on Reasonable Net Maintainable Revenue, i.e., on the actual earnings over a period of years modified in the light of existing circumstances and the probability of the continuance of those earnings.

44. The actual payment of the compensation could be made in several ways. In general the scale of the transaction would be too great for cash payment, and the former owners would be recompensed with stock carrying no powers of control. This might be stock issued by the new Board itself, entitling the owners to receive interest at fixed or variable rates out of the proceeds of the industry, with or without a State guarantee. We are of the opinion that bonds issued as compensation should be divorced entirely from the industry and that normal government stock shall be issued, carrying a fixed rate of interest.

We propose, however, to investigate the whole question of compensation in more detail and to prepare a further report.

THE METHODS OF PUBLIC CONTROL

45. In deciding upon our attitude to the retention of war-time controls and generally to the forms of public control which we wish to promote in the post-war world, it seems to be necessary to distinguish broadly between the various ways in which the Government and public authorities can exert an influence over economic activity.

46. In this respect various methods of State control which have operated during the war provide important experience in the public direction of economic resources to national needs from which we can learn. Many of these controls will, in any case, have to be retained for a considerable transitional period and some of them can certainly be transformed to serve the demands of peace.

47. In the first place the Government may prohibit, either by specific legislation or through its administrative machinery, those forms of economic activity which are essentially anti-social. This form of control by regulation has existed almost from the inception of the modern economic system and is employed to an ever-increasing extent. The ban on the employment of child labour is a simple example of control by regulation. The Government can also intervene to regulate operations which may develop in a direction contrary to the public interest. The war-time system of price control is an instance of this type of regulation.

48. Since control by regulation must ultimately depend upon the imposition of penalties, to be effective it must receive a large measure of public support. Furthermore, it depends for success on there being access to adequate information. It is here in particular that participation by the Trade Unions as organisations of workpeople can offer valuable assistance to public authority. It is also a matter of considerable importance that the public at large shall have access to information on those aspects of economic relations which affect its interest. Not only must the Government and industry itself be in possession of adequate information on which to plan and regulate economic development in a purposeful fashion; publicity and disclosure are in themselves a means of control since they reinforce a vigilant public opinion concerned with preventing anti-social practices. In submitting evidence to the Company Law Amendment Committee on behalf of the T.U.C., the General Council were particularly concerned with securing reforms which would meet this need.

49. Secondly, since public control is not an end in itself, the Government can foster and encourage those forms of economic activity which tend towards the end it wishes to promote. An important example of such activity is undoubtedly co-operative organisation both in production and distribution. Always provided that there is effective public control as a necessary guarantee

of its operation in the public interest, the collective organisation in industry of the employers as well as the workers is also a development which should be encouraged.

50. Thirdly, the State can, by the exercise of those functions which are peculiarly its own, such as taxation or monetary policy, influence the conditions under which economic activity takes place and make it more closely accord with public policy.

51. Finally, but most important of all, the State can itself participate in economic affairs and directly or indirectly influence the manner in which they are conducted. It may do so by assuming the ownership of industries of key importance or by actively undertaking, on behalf of the community, the production, purchase or sale of goods and services vital to its welfare as it has done in relation to raw materials and agricultural products during the war. In the latter case the State actually becomes a partner to major contracts and is thereby able directly to determine their terms.

52. Apart from these broad distinctions between the various methods of public control it is also necessary to distinguish, as did the 1932 Report, between three levels in industrial organisation at which control can be exercised over the economic life of the community. They are :—

- (a) The national level, i.e., over industry as a whole ;
- (b) The industrial level, i.e., over entire industries or services ; and
- (c) The workshop level, i.e., over individual establishments.

Control at the National Level

53. In considering control at the national level it is important to recognise that there are certain strategic points from which great influence can be exercised over the whole of the economic development and the material welfare of the people. Many of these vantage points are still occupied by private individuals or institutions. In these circumstances economic planning in the public interest becomes an impossibility.

54. Specifically, we therefore suggest that in order to safeguard the public interest the Government must have adequate control over at least the following elements in the economic life of the country :—

- (a) The utilisation of land, the supply of water, the use of other natural resources ;
- (b) The supply and availability of cash and credit money ;
- (c) The rate of gross investment and the supply of capital for investment ;
- (d) The location of industry and general physical planning ; and
- (e) Foreign trade and foreign lending and investment.

55. Apart from the control which can be exercised at the national level from these economic vantage points there remain to be considered the various forms of control, legislative, administrative, or financial, which affect the conditions under which every industry operates. Included here is such legislation as relates to :—

- (a) The determination and observance of wages and working conditions ;
- (b) The control of prices ; and
- (c) The control of monopolies, etc.

Taxation and fiscal problems obviously require detailed consideration in this connection.

56. It is impossible, in fact, to outline in this preliminary report all the legislation which might be imperatively needed to safeguard public interests. We propose carefully to examine the various systems of war-time controls to see which of them can, modified or extended where necessary, become a permanent feature of our economic life. It can, however, be said that the formulation and the effective implementation of all such Government policy must involve the participation of the Trades Union Congress so that full and detailed industrial experience may be available to the Government.

57. Some machinery to enable all responsible for economic and industrial development to be consulted in the formulation of policy will certainly be required if the exercise of public control is to be effective. In this connection we make detailed proposals elsewhere for an Advisory Council to assist the Government in formulation and implementation of industrial policy. This, and the whole question of workpeople's participation in the conduct of industry is examined separately in the section of the report dealing with "Trade Union Participation in Public Control."

Control at the Industrial Level

58. Public ownership is one form of control, namely complete public control, at the industrial level. Short of the complete public ownership of a whole industry, the State can also participate in the conduct of an industry by the direct acquisition of a "key" section of the industry or by acquiring a financial interest in particularly important companies.

59. The Boot and Shoe Industry provides an example of how the former method of control by participation could be employed. The greater part of the production of boots and shoes, although carried on by a relatively large number of independent firms, is undertaken on machines rented to the manufacturers by the British United Shoe Machinery Company Limited. By the exploitation of patents and by means of a contract of hiring which precludes manufacturing firms from installing machines other than its own without permission the company has obtained a dominant position in the industry although it does not itself produce a single pair of boots or shoes. The outright acquisition by the Government of this private monopoly would enable it to exercise substantial control over boot and shoe manufacturers and free the industry from the limitations under which it is now compelled to work.

60. Examples of the second method of control by financial participation on the part of the Government were given in the 1932 Report, i.e., the Anglo-Persian (now Anglo-Iranian) Oil Company, the Suez Canal Company and Imperial Airways (now incorporated in British Overseas Airways Corporation).

61. Another method of public control which may be exercised over a complete industry is that of Government wholesaling. This method could be used so as to promote the production of standard goods of good peace-time quality at controlled prices and trading margins. In the case of building materials, for example, it will be necessary for many years after the war at least to maintain standards and control prices. The Government could best do this by acting itself, or through a specially created public body, as an intermediary between the building industry and the producers of its raw materials. In fact, a great deal of the control which the Government has been able to exercise over industry during the war has rested upon the fact that the Government is in many cases the major if not the sole purchaser of the industry's products. Although in peace-time the Government is not likely to require for its own purposes so great a part of the products of industry it could deliberately set up public bodies in certain industries empowered to purchase

quantities of standard products which would then be supplied to the consumer through the usual channels. In this way a guaranteed market for manufacturers would be provided, thus introducing greater stability in their production programmes, whilst ensuring to the consumers a supply of products of guaranteed quality at reasonable prices. This method of control could undoubtedly be used with particular advantage in the case of the building industry. Both the Government and the local authorities are already large purchasers of houses and buildings and their demand might be co-ordinated through a Public Housing Service Board.

62. There remain, however, a large number of important industries which immediately require some measure of direct public regulation. Such regulation would serve a dual purpose. Within the general framework of public control it would advance the preparation of private undertakings for their ultimate transfer to public ownership. It would also ensure that such industries in their present state of organisation were subject to greater purposive and practical direction in accordance with the general requirements of public policy.

Industrial Boards

63. Public control can in fact be greatly facilitated if there exists in the private sectors of the national economy collective machinery for the examination of the general policy of an industry and the determination of questions relating to its internal organisation. In a large number of industries we therefore recommend the establishment under the authority of the Government of Industrial Boards. These Boards would be recognised as the bodies responsible for the internal regulation of the industry and as the appropriate channel for interpreting the industry's requirements to the Government and applying the Government's requirements to the industry.

64. Such Industrial Boards would need to be representative of all sections of the industry and should be composed of representatives of workpeople and employers in the industry in equal proportion. In order to secure both public participation and impartiality in their administration they should be presided over by a chairman appointed and paid by the Government for a definite term of years. It seems further desirable that he should be assisted by a small number of other members also appointed by the Government in consultation with the general interests affected. They should have no financial connection directly or indirectly with the industry.

65. Representation of the workpeople on the Boards would necessarily have to be organised by the trade unions. Similarly the representation of employers could only be satisfactorily undertaken by the Employers' Federations or Trade Associations in the industry. Although we propose that certain functions affecting the public interest which these latter organisations have sometimes assumed, such as the management of prices and the restriction of output, should only be exercised with public sanction by the Industrial Boards themselves, we believe that the collective organisation of employers, as the collective organisation of workpeople is a valuable pre-condition for the collective organisation of the industry as a whole.

66. The precise functions and terms of reference of these Boards, as well as their constitution and the range of industries which they should cover, can obviously not be laid down for all industries in hard and fast terms, because the present state of internal organisation and the public requirements which must be placed on the different industries vary considerably. There is also room for experiment in determining the most suitable form of organisation.

Classification of Industries

67. A brief survey of some of the main groups of industries, which are for different reasons in need of public regulation, illustrates this proposition and indicates to some extent the wide range of industries for which Industrial Boards are required.

68. There are, in the first place, certain industries which, for their efficient running, urgently require greater unification, a unification which unrestrained private enterprise has shown itself incapable of bringing about. These are notably the cotton and woollen textile industries. In these industries the operation of free competition has proved to be a slow and costly method of eliminating surplus plant. Inefficient undertakings have shown a great tenacity of existence and the results of their prolonged competition has reacted on the more efficient undertakings and tended to depress the whole industry. It is this task of unification involving the reduction of surplus productive capacity which the Industrial Boards in those industries would need to undertake in a way that would adequately respect both the interests of the workpeople employed and the consumers of the industry's products.

69. There is secondly a group of industries of considerable importance which have already become highly integrated under private enterprise, to such an extent that their control is almost wholly in the hands of one combine or financial group. These are notably heavy chemicals, cement, rayon, soap and margarine, non-ferrous metals, rubber processing, grain-milling, and tobacco. In all these industries public regulation is mainly required because in default of such regulation the monopoly powers reposing in the hands of the dominant firms can be abused.

70. There is a further group of industries which have not reached under private enterprise this stage of almost complete commercial unification but the greater part of whose production is concentrated in relatively few large establishments. These industries are primarily producing capital goods and are therefore of particular importance in relation to the community's investment programme. These are notably the heavy sections of mechanical and electrical engineering and the manufacture of vehicles of various kinds—motor-cars, aircraft, railway locomotives and rolling stock, and shipbuilding. The prevalence of large-scale production in these industries not only makes competition an ineffective safeguard for the consumer but demands regulation as a means of avoiding the dislocating effects of the unplanned competitive extensions of productive capacity.

71. Finally there are a number of industries, whose products are in a wide general demand amongst the consuming public. They are often characterised by the prevalence of small, independent producers, who may, however, have arrangements amongst themselves with regard to prices. Public regulation in these industries is required more to ensure that an adequate supply of good quality products at reasonable prices are available to the public. These industries include furniture making, clothing and finished textiles, boots and shoes, processed foods, domestic utensils and electrical and mechanical appliances for the home. Their organisation is considered in greater detail in relation to the war-time experience of utility goods production in a latter section of this report.

72. It will be seen from this survey that the duties that should or might usefully be assigned to the Industrial Boards vary considerably. This difference in function may well require some difference in the form of organisation and the manner in which particular Boards are set up, i.e., whether their establishment is voluntary or compulsory.

73. In the case of the second group of industries we have mentioned—those which are dominated by one or two firms—it is plain that some form of public control is imperatively required. The problem in these cases is not that of integrating the policy of the industry in question, but of ensuring that monopoly powers are not abused. In these industries, therefore, a greater measure of direct governmental regulation will be needed and this may have to assume more the form of a Board of Control with authority to investigate costs and prices which would be composed wholly of public representatives with advisers drawn from both sides of the industry.

74. At the other end of the scale there are industries in which a completely voluntary form of organisation might grow out of successful experience with Joint Industrial Councils. In those cases and because of the high degree of collective organisation on both sides of the industry, the necessary measure of regulation could be achieved without the joint body being given statutory authority or placed under statutory restrictions, though there would be need for some safeguard in the public interest in matters of price policy. The proposals put forward by the Printing and Kindred Trades Federation in their "Report on Post-War Reconstruction" have this form of organisation as their objective.

Functions of the Boards

75. Subject to the qualification that no general pattern of organisation can or should be imposed on every industry requiring some measure of regulation, we consider it possible to indicate in broad terms some of the duties which should or might usefully be assigned to the Industrial Boards. In the first place they would be concerned with the general planning of the industry so as to secure maximum efficiency of production. This might include the concentration and specialisation of production as well as the allocation of large requirements to appropriate factories. It would certainly include the standardisation and specification of equipment and products, and negotiation with other industrial, distributive and public bodies to secure this aim. The experience of the war has shown that a great deal can be done to secure economy in this direction, as in the standardisation achieved in building materials, steel, and clothing materials. The development of technique and skill by common research organisations, the pooling of improved methods and the planning of technical education could obviously be undertaken by the Boards who would be in a position to indicate what assistance and co-operation from the Government was required. Similarly, they could undertake the exchange of information of a more commercial character, research into marketing and export requirements and the standardisation and co-ordination of statistical and costing information. In addition the Industrial Boards might be responsible for common services in the industry, including the organisation of joint marketing and purchasing agencies, the pooling of transport, and the arrangement of common credit and insurance services.

76. Whilst the Industrial Boards might well include in their functions the promotion of general welfare services for the industry's employees, negotiations on wages and conditions of employment would require to be separated. In most of these industries there is established machinery for the settlement of disputes which has proved its value and need not be disturbed.

77. All the above functions relate to the internal organisation of the industry and can be regarded as being primarily the responsibility of the industry itself. The presence of the impartial chairman and other appointed members would provide that considerations of public policy played an adequate part in the deliberations of the Boards. Some general safeguards may be

required, however, to ensure that none of the Board's functions are abused. The appropriate Minister could, for example, be empowered to order an inquiry into their administration on any reasonably based representation from Trade Unions, consumers' organisations or any other body outside the industry affected by their decisions.

78. On those matters which directly affect interests other than those internal to the industry the Boards should not be empowered with final authority. Any proposal to fix minimum or general prices or restrict production or entry into the industry should be subject to stricter examination by an appropriate public body and to approval by the Government, possibly by Parliament.

79. The Board's powers would, of course, need to include the power to compile a register of producers and to levy the industry to finance its administration.

80. The measures outlined above and elsewhere to ensure public safeguards and the participation of workpeople as a whole in the conduct of industry should be adequate to prevent the development of the Industrial Board's organisation in the direction of private or sectional monopolies. In particular, it will be important that the form of such organisations shall not compromise the independence of Trade Unions in regard either to their essential function of the maintenance and advancement of the condition of the workpeople, or to their capacity to advance, in the public interest, authoritative and independent criticism of the policy or conduct of the industries in which they operate.

81. The prohibition of *private* agreements to regulate prices or distributive conditions or to restrict output or entry into the industry would be a necessary condition for the formation of the Industrial Boards and for the promotion of their development. It is in fact the purpose of the Industrial Boards to meet the genuine need to organise industry so that it may develop in a planned and co-ordinated fashion without strengthening developments towards private monopoly. Whilst recognising therefore that the industry must itself develop those forms of organisation which meet its needs, there seems no reason why the Government should not require the formation of an Industrial Board, after a full examination of the conditions prevailing in the industry. Once it has been established it will certainly be essential to take power to secure the Board's authority by giving statutory sanction to its collective decisions when such sanction seems desirable in the public interest.

TRADE UNION PARTICIPATION IN PUBLIC CONTROL

82. We have already referred to the necessity that the formulation of economic policy shall provide for the continuous representation of the Trade Union Movement on all matters of national policy affecting the conduct of industry or the well-being of workpeople. The problems which will be raised by future economic development and which will require the exercise in the interest of the community of public control over industrial activity cannot all be examined in detail, or perhaps even foreseen, at this stage. If those problems are to be met effectively it will be essential that the Government shall have available to assist it the experience of industrial life which the Trade Union Movement embodies.

83. In relation to this, it should be realised that the extension of public control over the national economy is by no means inconsistent and may in fact be equivalent with the extension of participation by workpeople and the public as a whole in the determination of their economic destinies.

84. In war-time, although the Government has taken power to direct all industry to national requirements, machinery for securing increased and active participation by the public has been created not primarily as a matter of principle but because the efficiency of the war effort demanded it. To this end a number of central representative bodies have been established with a network of regional and local councils to assist the Government in determining and implementing economic policy.

85. During the war the flexibility of government required to meet the complex economic problems raised has been provided by the delegation of authority by Parliament to individual Ministers to issue orders having legislative effect, while the experience of industry has been made available at all levels, through the consultative machinery referred to above, to assist them in the formulation and application of these orders.

National Industrial Council

86. It is apparent that the economic problems of the future will be no less complex in their character and will demand no smaller a degree of flexibility in their solution than those of the war. In the 1932 Report we proposed the formation of a National Industrial Council, a proposal which had previously been endorsed by the Melchett-T.U.C. Conference. Some such machinery representative of all parties to industry and economic life would embody much of the progress already made towards increased and direct public participation in the determination and application of principles relating to the economic well-being of the community. Some means to enable all who are responsible for industrial development to be represented and express their views on policy and the manner in which the various economic controls are exercised is certainly essential.

87. A properly constituted Council of this kind would provide the Government with detailed industrial experience upon which to draw in the formulation of policy. It would also materially assist in the application of economic policy to industry. We propose to examine and subsequently report in greater detail on the composition, powers and secretariat of a Council of this kind and the subjects with which it would deal.

Workers' Participation in the Regulation of Private Industry

88. At the level of individual industries, it is necessary to draw a clear distinction between public industries and those still under private ownership—a distinction which proposals for participation by workpeople in the direction of industry have often failed to draw.

89. Public undertakings must be directed to public service; the claim of workpeople here, therefore, is for participation in responsibility for their efficient conduct in the public interest. Private undertakings must necessarily operate by reference to the interests of their owners. It is essential, however, that the operations of private industry as a whole should be subject to a control representative of the public interest; and in the framing of that control not only has the viewpoint of the workpeople a special right to consideration, but such a control can be made fully effective only if it makes proper provision for participation by organisations representative of the workers in industry in its operation. We have already outlined, in discussing the organisation of industry, the means by which we would propose to secure this.

Workers' Representation in Public Industry

90. In relation to publicly-owned industries, it is fundamental to any plan for the organisation of a public service that the workpeople have the right to a voice in the determination of its policy. This right does not rest only on the

fact that their labour is indispensable to industry and that they are the group most immediately affected by its policy, but also on the interest of the public in the efficient conduct of the industry.

91. There is to-day a conviction that given equal opportunity workpeople who have gained their experience in the day-to-day work and in the Trade Union organisation of industry are as capable of undertaking administrative responsibility as those who have been assisted in its attainment by the possession of certain social advantages.

92. Beyond this, it is widely felt that private industry has not utilised the knowledge and experience of the workpeople on the job and that the full productive possibilities of public ownership will not be realised until this reservoir of capacity is tapped. During this war the right of workpeople to contribute to the conduct of industry and the value of their contribution has been widely recognised and it is imperative to constitute this as a necessary feature of any publicly-owned industry.

93. The right of its workpeople to a voice in the conduct of a public industry must, therefore, find a formal place in its organisation and operation. There must further be some guarantee that this expression shall be effective in the formulation of its policy. The problem has been to find a means of achieving this.

94. Effective operation demands that the managers of sections or departments of an undertaking shall be individually responsible for their efficient direction. The full-time administrator, so far as his professional function is concerned, must be representative of the policy of the directorate of the concern to which he must be personally accountable. The officials of a public undertaking should be selected solely by their technical and administrative competence though experience gained "on the job" and in collective organisation of the workpeople may well be regarded as an important factor in selection.

95. It follows that every worker should be afforded the opportunity to achieve managerial position. If the social division between management and workpeople is to be broken down, and the effectiveness of workers' representation to be continuously improved, continuous technical education should be accessible to workpeople irrespective of age up to the highest technical institutions. Access to higher technical qualification should be on grounds of capacity to benefit alone.

96. The execution of policy, however, should, not only as a matter of right, but in the interest of the efficiency of the industry, be subject to the continuous influence of those whom it directly affects. To secure this, consultative machinery, based on the collective organisations of the workpeople, will be required at all levels; a structure of works, regional or sectional, and national councils from the basic unit upwards to the Board itself will be necessary. Responsibility for the conduct of units should, however, be clearly defined; though the management must be under an obligation to consult these councils it does not appear that the latter can have any executive authority other than that agreed with the Board. There must, therefore, be some means of ensuring that the viewpoint of the industry's workers receives adequate consideration at the level at which the policy of the industry is in fact determined.

97. On the means by which the expression of the workpeople's viewpoint is to be made effective in the determination of policy a thorough discussion took place between 1932 and 1935 in the Trades Union Congress and the Labour Party. The position originally taken up in the 1932 Reports to both bodies was that appointment to the Boards of public industries should be

“solely on the grounds of ability to fill the position” and not as representative of particular interests. This was subsequently modified and a statement was accepted by the 1935 Margate Trades Union Congress which claimed statutory provision for the representation of workpeople through their organisations in the direction of public industries.

98. There was, however, no decision at the time as to how this principle should be implemented and the reformulation of T.U.C. policy makes it important that this problem shall be examined in the light both of the general need for public control of economic life and of the position of the Trade Unions in relation to this control.

Selection of Workpeople's Representatives

99. It does not seem by any means certain that it would be in the best interest of the workpeople of a nationalised industry to have, as directly representative of them, members of the controlling board who would be committed to its joint decisions. It will be essential, not only for the maintenance and improvement of the standards and conditions of the workpeople, but because of the power of independent criticism that they can exert, that the trade unions shall maintain their complete independence. They can hardly do so if they are compromised in regard to Board decisions which are not considered to be in their members' interests by the fact of their representatives' participation in them.

100. Moreover, unless a workers' representative participates in responsibility for, and thereby authority over, the direction of the industry his status is likely to be in fact advisory or consultative. The tendency will be, however, for effective authority in administration to lie in the hands of those appointed as full-time directors of the industry. Members of the governing body cannot at the same time answer to the workers of the industry as their representatives and bear responsibility to the Minister for its administration. To attempt to lay such a double duty on them may well result in making the governing body in a sense a negotiating committee, in which the workers' representative will be in an ambiguous position.

101. Ultimate control over the policy and direction of a public industry must be exercised by Parliament as representative of the community in general. Public control must be secured by the definite responsibility of a Minister to Parliament for the industry's affairs. This in turn, must be ensured by placing the administration of the industry in the hands of persons responsible to the Minister for that administration.

102. The governing Board of a public industry will thus be required to determine and administer its policy solely in the public interest and should be accountable to the public through a Minister responsible to Parliament for its administration. It appears therefore that the persons composing that body should be selected by their competence efficiently to administer the industry in that sense.

103. It is apparent that in this respect experience gained in the collective organisation of Labour is a strong qualification. Apart from people with this background, however, it seems probable that the field of selection for the members of controlling boards will in the main be limited to those who have acquired their qualification in the service of the State or of private industry, and in relation to this there is a certain fear that the administration of public industry will be in the hands of individuals indifferent to the viewpoint of its workpeople. In the interest of the efficiency of the industry itself, therefore,

and particularly in the context of the continuance of a wide range of private interests whose existence will to some extent condition its policy, it appears important to secure that there shall be on the governing body people who, though in no way accountable to any other interest than the public for their decisions, shall ensure that the views of the industry's workers on its management receive full consideration.

104. This might best be secured by nomination by workers' organisations of candidates from whom the Minister shall select a number of the Board members. The T.U.C. as representative of the viewpoint of organised workers in general, might well serve as the best channel for this particularly since, in cases where a number of separate unions each have a substantial membership in the industry, it would be difficult to determine the responsibility of the Minister concerned to the different unions. The T.U.C. would, of course, consult with the appropriate Unions on the list of nominations. On the other hand, while those appointed should hold office for a definite period, it seems proper that they should surrender any position held in, or any formal responsibility to the Trade Union.

Consultative Councils

105. In addition there is much to be said for having in publicly owned industries, side by side with the governing Boards, consultative councils which could meet regularly and frequently with the Boards to discuss policy. On such councils the workpeoples' organisations concerned with the industry would, of course, be directly represented by persons appointed by themselves.

Control at the Workshop Level

106. It is the extent of his participation in the affairs of industry in his place of work that the worker will feel to be most directly and personally the test of its collective machinery.

107. On the subject of the control which is exercised over industrial conditions within individual undertakings in industry, our 1932 report sets out certain important aspects of policy which require no substantial modification.

108. The 1932 Report pointed out that control within individual undertakings concerned two matters. Firstly, it involves policy regarding labour conditions and relations: this is clearly the sphere of Trade Union activity. Collective agreements provide for different arrangements in different industries, and in the absence of uniformity of Trade Union practice regarding the settlement of questions of wages and working conditions there can be no uniform rule about the degree or form of regulation of these questions at the workshop level.

109. Secondly, control at the workshop level concerns policy on technical, administrative, financial and commercial matters. In this respect, the 1932 Report suggested that Works' Councils, organised on the workers' side by the Trade Unions, might be established for regular consultation on all internal matters not coming within the scope of the ordinary negotiating machinery.

110. During the present war the development of workshop consultation which we then proposed has been achieved in substantial measure. The extended use of Works' Councils and the establishment of Joint Production Committees in most of the war factories of any size has brought the workers' representatives, assisted by their Trade Unions, into closer co-operation with the managements in a way which has improved industrial relations and revealed

the contribution which the workers can make to improving the efficient running of the establishment in which they are employed. The value of this war-time experiment has been recognised on all sides and there is a correspondingly strong desire to see that it is retained as a permanent feature of our industrial organisation.

111. The new conditions which will arise in industry if a condition of full employment is maintained will enhance the importance of these Committees and possibly extend the functions they are called upon to perform. In circumstances in which the threat of the "sack" no longer operates in industry, a system of self-discipline which is approved by the workers and undertaken by their collective organisation will be required. Moreover, many of the problems which have been successfully dealt with during the war by Production Committees, such as shortages of skilled labour and the best use of available machinery, will continue to be problems in peace-time. Regular consultation on all such matters internal to the workshop and not coming within the scope of the ordinary negotiating machinery will have to take place.

112. In the case of undertakings in socialised industries, there would, of course, be no difficulty in ensuring that such Works' Councils were set up and consulted in the manner outlined, given the measures for workers' participation in the direction of public industry to which we have already referred. It must be remarked, however, that it would not be possible, even within socialised undertakings, to determine the form and scope of Works' Councils for this purpose without the agreement of the Trade Unions concerned.

113. In relation to socialised industry in particular, the Trade Unions will undertake the general duty of surveillance of the effective functioning of consultation at all levels and of direct representation to the Government where the machinery is inadequate, is perverted or is ignored. Furthermore, negotiation of wages and conditions must necessarily remain the province of the Trade Unions. The consultative machinery of public industry should not be prejudiced by association with wage disputes. It is equally essential that the fact of public ownership shall not deny the right of workpeople to independent representation on their conditions of labour.

114. Finally, it is unnecessary to stress that the efficacy of the expression of the workpeople's viewpoint in the conduct of industry will finally depend on the strength of Trade Union organisation in it. The Trade Unions have recognised that they will have to develop a form of organisation appropriate to the altered context of their operations. If the contribution which the workpeople can make to the conduct of public industry in particular, and to the public direction of economic life in general, is to be fully effective, it seems especially desirable that that organisation should be extended to include administrative and technical personnel. The traditional division between management and workers derives from the former's past role of representatives of private owners who have largely abdicated from everyday direction of industry. To-day the interest of the technical or administrative worker in effective industrial organisation for public service is identical with that of other workpeople.

PRICES AND LIVING STANDARDS

115. We have said that one of the principal objectives of the Trade Union Movement is to ensure that the labour of the worker shall give him a just return not merely in cash wages, but in the goods and services which are the product of his work. The resolution of the 1943 Trades Union Congress drew attention specifically to the question of the public control of finished goods, prices and standards of quality.

Price Regulation

116. The control of prices in war has operated principally by two methods. In the first place the Government has itself become the principal purchaser of a great range of products. These include not only military but also industrial equipment and materials produced to contract. The Government also purchased and imported raw materials and foodstuffs and bought the entire domestic agricultural crop using for these purposes either existing concerns or especially established public agencies. As a principal partner to the majority of contracts it was therefore able to determine directly prices and profit margins for the great range of production and trade working to Government order or utilising Government-controlled sources of supply of materials and equipment.

117. Secondly, the Government took powers to fix maximum prices for consumption goods of all kinds. The difficulty of control occasioned by the variety of products, standards and prices of many domestic and personal goods combined with the need to conserve labour and materials and to ensure at the same time an adequate supply of sound and reasonably priced goods to the public, led the Government to require that a proportion of the output of the industries concerned should be of the "Utility" type.

118. Price regulation in war is necessary to prevent the exploitation of scarcity. Under normal conditions the problem will be rather to prevent the artificial creation of scarcity and to restrain efforts to maintain prices by private agreement at levels not justified by costs.

Control by Government Purchase and Sale

119. It is unlikely that the Government will continue to be so large a purchaser of industrial products in peace as in war. Nevertheless, we envisage that it will still be able to exercise a powerful influence on prices through such industries and undertakings as it may acquire or retain under public ownership. The prices of a wide range of commodities, equipment and services which are either purchased or sold by public authority (and thereby the prices of a great number of other products into which these things enter) will be subject to public influence.

120. The purchase and distribution of products through public agency is of value not only as a means of controlling prices, standards, and profit margins, but also as a method of influencing the general level and character of industrial activity. In connection with the maintenance of full employment, for example, the placing of orders by a public body which will assume responsibility for the distribution of the product would permit industries to plan on the basis of an assured demand.

121. This technique may also serve as a means to maintain and advance living standards through the supply of consumption goods.

The Consumption Goods Industries

122. We have already referred in regard to the organisation of industry, to that group of industries and services whose products are in wide general demand amongst the consuming public. These industries include :—

Housebuilding	Domestic Utensils
Furniture	Electrical and Mechanical
Clothing and Finished Textiles	Appliances for the home
Boots and Shoes	Processed Foods

123. Generally, these industries are not particularly integrated nor are they required to be so. Nevertheless, because in many cases tacit or open price arrangements exist amongst the producers and between them and the distributors and even more because the consumers are rarely in a position correctly to access the quality of their purchases, the competition which exists in these industries is extremely imperfect. This has consequences which are clearly in conflict with the general public interest. On the one hand high distributive margins are maintained which in part pay for excessive services of advertising, salesmanship, etc. On the other hand costs of production are often high because of the lack of standardisation and simplification of design which prevents the public from benefiting from the economies of mass production. The alleged control by the consumer over the producer is very unreal; it is the manufacturer or distributor who often persuades the public what they should buy rather than the latter who through their purchases persuade the former what they should produce.

Utility Goods Production

124. Many of these industries during the war have been subject to the "Utility" goods scheme. The production of Utility goods, although conditioned to some extent by circumstances peculiar to the war, has in fact given a clear demonstration of the value of the form of public control with which we are here concerned. Owing to the wide range of articles produced in these industries as well as the many variations in quality, direct regulative price control is bound to be largely ineffective if not impossible. The "Utility" scheme has exercised an indirect control over prices of non-utility articles by ensuring that merchandise satisfying certain standards of quality has been available at reasonable prices although the public have not been debarred from purchasing more fancy goods at higher prices.

125. The production of Utility goods in war-time has been brought about by various means. The Board of Trade may direct manufacturers to produce only a certain proportion of non-Utility goods; otherwise Utility production is obtained by quota restriction on non-Utility goods or by the use of raw material or labour concessions as inducements to adopt the scheme. Since the same controls over raw materials and labour are not likely to be a permanent feature of economic organisation in peace-time, alternative methods of securing Utility production have to be considered.

126. In this connection, there are two possibilities which are by no means exclusive. The first is the purchase, by the Government or a public body, of Utility goods from the manufacturers and their distribution through a publicly controlled organisation to the retailers for sale to the public. In this case the Government would, as a principal partner to the contracts involved, determine standards of quality and fix profit margins and final retail prices. As an alternative or auxiliary to this method Utility goods could, where appropriate, be produced in Government or otherwise publicly-owned factories and distributed under the same conditions.

127. The establishment of an organisation in these industries to ensure that public service is provided on these lines would not, of course, exclude the formation of Industrial Boards in them. In fact, the centralised demand which would be exerted by the public agencies set up would be a direct stimulus to the parallel establishment of joint organisation in the industries concerned. The existence of the Industrial Boards in these industries would facilitate the planning of production of consumption goods to public requirements, while the participation of the workpeople which these Boards would provide would be a further guarantee that standards of quality, etc., would be maintained.

128. While proposals of this kind might secure the co-operation of manufacturers (because of the steady and expanding level of demand for their products which they would involve) experience of similar schemes both after the last war and during this tends to show that the co-operation of private distributors is rather more difficult to obtain. The success of the "Utility" schemes has largely depended on the Government control of raw materials and on the exemption of "Utility" goods from purchase tax.

The Distributive Trades

129. Both in this connection and in regard to the general question of the maintenance and advancement of living standards it seems desirable that consideration should be given to the organisation of the distributive trades generally. The disproportionately large part which distribution costs frequently play in final retail price and the high margins characteristic of sections of the trade in particular are a limiting factor to the fullest development of consumption made possible by modern productive technique.

130. In this respect the growth of consumers' co-operation is obviously of outstanding significance, and the T.U.C. has already stated its support to the removal of the income tax disabilities imposed on the Co-operative Movement in 1933.

131. The distributive trades are, however, also characterised on the one hand by the development of the large multiple or chain store and of important private associations concerned with the regulation of prices, marketing and other conditions of trade in the interest of their members, and on the other by the often precarious existence of a large class of small retailers who present a special problem both with regard to welfare and control.

132. It will therefore be necessary at a later stage to consider the organisation of distribution, as that of other services, in detail.

The Supply of Food

133. A further group of industries of great importance from the point of view of the public well-being are those concerned with the domestic production of basic food.

134. During the war the Government has recognised the duty of ensuring to the people a sufficient supply of food essential to life and health. Many of the services which in co-operation with local authorities and industry it has developed to secure this, such as the British Restaurants, School meals and Factory Canteens, should be retained and, in some directions, developed.

135. The Government has also charged itself during the war with the maintenance of agricultural efficiency and in view of the importance of agriculture and fisheries both to public health and to this country's foreign trade position, it will be necessary to maintain that responsibility. We cannot at this stage of our report consider in detail the organisation of particular industries and services but it may well be that the organisation which has been developed under the War Agricultural Machinery, with centralised purchase and distribution of fertilisers and materials and operation of modern equipment and skilled labour, could serve as a basis for agricultural organisation generally similar in principle to that we have outlined for other consumption goods industries, accepting participation of workpeople and public in the determination of its activities.

The Control of other Commodities

136. Outside those commodities produced, imported, or purchased by public agencies, there is a wide range of goods and services whose variety is such that prices and qualities will be difficult to control directly and administratively though the Government may exercise, as we have suggested, an indirect influence through its own purchase of products. We envisage that the Industrial Boards (in the constitution of which public participation in the determination of prices would be an essential element) would become the principal agency for the regulation of the prices and qualities of goods and services of this character. The nature of the regulation which would be permitted to these bodies is discussed in detail under the general organisation of industry.

137. In specific cases, in which scarcity would make unreasonably high prices otherwise inevitable, it may still be necessary to exercise a direct administrative control of prices. There is, for instance, one direction in which the development of public service is not likely for some time to come to exercise an adequate restraining influence, namely in the rents of houses, flats, etc. Particularly in view of the prospective shortage of accommodation and the great movements of labour and population which have occurred during the war, extension of control will be necessary here.

138. For commodities and services for which no form of public regulation is developed, it will be necessary to ensure that no private barriers are erected to prevent the results of productive development and skill being made available to the public. The most effective means of achieving this would lie in the power to prohibit all private agreements to regulate prices and conditions of sale outside an organisation on the lines suggested previously recognised by the Government as representative of the trade as a whole and accepting public participation in the determination of such questions.

Consumers' Protection

139. In order, however, to ensure the effective participation of the consumer in the determination of these matters a Consumers' Council might be established as the appropriate consultative body. The Trade Union and Co-operative Movements would require to be represented on this, just as they are on the present Central and Local Price Regulation Committees. In particular it seems desirable that the costing machinery of the various Ministries and the organisation established to secure information on general and local consumer needs should be retained in an appropriate form.

140. Apart from the steps outlined above, it seems that the most effective measure of protection that the State can extend to the consumer is that of enabling him to make his own choice effectively by providing him with information on which to base it.

141. One means of achieving this would be by a general extension of the principle embodied in the Food and Drugs Act of requiring descriptive labelling of products. A recent example of this is an order by the Minister of Food in regard to goods claiming a vitamin content.

142. This in itself would probably not be sufficient owing to the lack of that specialised knowledge which is necessary if the purchaser is to exercise discrimination on the basis of descriptive labelling alone. It would also be necessary to prohibit forms of advertising which convey a false impression of the qualities of the product. Further, in order that the public may have a ready means of distinguishing goods of proved quality the proposed Consumers'

Council might be given the power, already exercisable in some respects by the Board of Trade under the Trade Mark Acts, of granting a recognised stamp to goods satisfying agreed standards of quality.

143. So that it might actively disseminate information of value to the consumer the Council might further be empowered to issue a Bulletin, possibly on the lines of the war-time bulletins of the Ministry of Food and the Board of Trade or an independent publication, giving information and guidance on prices, qualities, etc.

THE MAINTENANCE OF FULL EMPLOYMENT

144. As stated in the introductory chapters of this report, the T.U.C. Economic Committee is at present formulating specific observations on the problems of maintaining employment after the war.

145. The Committee has, however, already given particular attention to certain implications of full employment. Discussions with Sir William Beveridge, for instance, proved very helpful, particularly in directing the Committee's attention to the outstanding considerations involved in full employment policies. The following statement sets out the views of the T.U.C. on question of direct domestic concern to Trade Unions put to the Committee by Sir William Beveridge.

ANSWER TO SIR WILLIAM BEVERIDGE'S QUESTIONNAIRE

1. When Sir William Beveridge attended the meeting of the Economic Committee held on 10th November, 1943, he said he would, first of all, like to have our views on his definition of "full employment" and beyond that he would particularly like us to consider our answers to two main questions, viz., (1) If, under full employment (that is with a sellers' rather than a buyers' market) it is inevitable that there would be a rising spiral of wages and prices leading to inflation; and (2) If a steady demand for labour would fail to produce full employment unless labour is willing to be more mobile than it has been and whether this was possible?

2. The definition of full employment suggested by Sir William Beveridge in a broadcast on October 14, 1943, is as follows: "though on any one day there may be some men unemployed there are always more vacant jobs than there are unemployed men, so that every man whose present job comes to an end for any reason can find fresh employment without delay."

3. The definition, though compact, is a general one. If we were to say in terms as compact and as general as the definition itself whether or not the definition is acceptable to the T.U.C., we should obviously have to say that it was since the T.U.C., more than any other organisation, does desire a state of affairs in which there are more jobs available than persons in search of them. But equally obviously, we ought not to say that we approve the definition without also saying what we mean by the phrase "vacant jobs."

4. There are always more jobs vacant than there are applicants for them in the sense that work can almost always be found for those who do not ask to be paid for doing it. The difficulty which has faced the workman in the past is to secure a job which will provide him with an adequate wage, regularity of employment (not necessarily permanent, but not casual or merely seasonal)

and work of a kind which gives scope for the full use of his skill and abilities and is, in other respects, congenial to him. Moreover, by adequate wages we mean at rates commensurate with the skill of the workman and the nature of the work, and sufficient to enable the man to meet the whole of his domestic responsibilities. Some of the workman's domestic responsibilities are, of course, met by the public services, but neither the Beveridge Plan nor the educational proposals are intended to meet fully the cost of sickness, of children, and so on.

5. It is highly unlikely that we shall ever be able to create conditions in which for every workman, or for large numbers of workmen, there are vacancies which satisfy all those conditions. But a state of "full employment" should certainly satisfy some, particularly as regards wages, and we would not agree that the employment situation was satisfactory if, in order to secure work, a workman had to accept terms and conditions less favourable than those of his normal employment in periods of at least normal industrial activity.

6. In his questionnaire, however, Sir William Beveridge says that the objective of his investigation is "not simply full employment, but full employment at rising standards of living in a free society." The addition of these words to the broadcast definition does undoubtedly improve the definition from our point of view, but they do not wholly meet the point expressed in the preceding paragraphs. It is quite possible, even during a period when standards of living generally are rising, that particular and substantial groups of workpeople are unable to find jobs on terms and conditions of employment appropriate to their skill and sufficient for their needs.

7. In this connection, therefore, much may depend upon the meaning attached to the phrase "a free society." Sir William Beveridge may well say that these words are intended to ensure, amongst other things, the continuing right of workpeople to refuse, either individually or collectively, to work except on terms and conditions not less favourable than those laid down in properly negotiated industrial agreements and that, given the right of bona-fide Unions freely (or within limits which they themselves freely accept) to pursue claims for improvements in the terms and conditions of employment of their members, it could not be said that full employment, on his definition, had not been achieved because at any particular time, e.g., some Unions were seeking wage advances and had even gone to the length of calling a strike to enforce their claims.

8. If that is the case then the problem for the T.U.C. is less that of finding or approving a definition of full employment than of finding the methods by which full employment thus defined can be achieved and of deciding if those methods are themselves acceptable to the Trades Union Movement. Thus we may say that as a general statement of an objective, the definition of Sir William Beveridge is acceptable, except that by "vacant jobs" we mean jobs on terms and conditions not less favourable than those negotiated by Unions which, in any "free society" would be free to determine their own policy and to pursue their normal activities: and, that further, the T.U.C. could not at any stage commit itself in advance to approve or to acquiesce in the methods to be adopted to reach full employment simply because those methods can be shown to be well fitted and even necessary to the achievement of that objective.

9. In short, the T.U.C. would have at all times to consider whether on a balance it was better that the objective should be modified rather than that methods incompatible with the rights of workpeople and the objects of Trade Unionism should be used to achieve it. Even less could the T.U.C. at any

time approve the use of methods which, besides being objectionable in themselves, cannot be shown to be necessary or even likely to be successful.

10. These considerations bring us directly to a more detailed examination of what is meant by the phrase a "free society" in its application to the policies and practices of Trade Unions in relation to the means of achieving full employment.

11. We are bound to insist that in all circumstances Trade Unions should retain their present freedom from legal restraints upon their right to frame policy and pursue activities in support of that policy and should even be given greater legal freedom in those respects than they now possess. As voluntary associations of workpeople they must, in their policies, interpret the wishes of workpeople and their actions must be designed to protect and advance workpeople's common interests. Otherwise, though they may continue to exist as organisations, they will cease to be Trade Unions.

12. But in relation to the means of achieving full employment, what is more important than the formal freedom of Trade Unions is the use they are prepared to make of that freedom. It is clear to us that no Government can guarantee full employment unless they can be assured that the steps they are taking, or propose to take, will not be rendered ineffective by the failure of other quite legitimate, but powerful, interests including the Trade Union Movement, to make their actions conform to the achievement of the same objective.

13. Subject to the qualifications implied in the comments of this memorandum on Sir William Beveridge's definition, and subject also to the very important qualifications that in approving the end the T.U.C. has not committed itself in advance to any set of means, the Trade Union Movement will not be found unwilling, where it is shown to be necessary, to adapt its policies and its practices to the means of achieving full employment. But it must be insisted that in the absence of knowledge of the attitude and policies to be adopted by the Government and by employers generally, and failing satisfactory assurances that any modifications in the traditional policies and practices of the Trade Union Movement would be sought and used for the achievement of objectives which the Trade Union Movement approved and for no other, Unions would be bound to pursue activities designed to protect and advance the common interests of workpeople irrespective of the effect of those actions upon the achievement of the objectives pursued by others.

14. Thus, the brief answer to the first main question put by Sir William Beveridge—"if, under full employment it is inevitable that there would be a rising spiral of wages and prices leading to inflation?"—is, that as regards the Trade Union Movement, there is no need to fear such a spiral if the Government can convince the Movement that in genuine pursuit of a policy of full employment it is determined to take all other steps that are necessary to control prices and can convince the Trade Union Movement of the need to secure equivalent guarantees that wage movements will not be such as to upset the system of price control.

15. In those circumstances it would be the duty of the Trade Union Movement to give suitable guarantees about wage settlements and reasonable assurances that such guarantees would be generally observed. At this point, however, we ought perhaps to make it quite clear that we are not in any circumstances inviting the State to impose a system of compulsory arbitration in wage disputes or to make it a criminal offence on the part of workmen to refuse to accept the terms and conditions of a wage settlement. We would in all cases insist that reliance must be placed upon the ability of Unions to

secure the general compliance of their members and that the possibility of individuals or small groups refusing to conform to general settlements should not be made the excuse for the imposition of legislative sanctions. Existing statutory provisions regarding the observance of wage rates, impose upon employers *only* the obligation to observe those rates *as a minimum*. We should expect a continuance of statutory provisions of this kind and the making of similar provisions for the general enforcement of measures of control over margins, costs, profits, etc.

16. To a large extent all the considerations mentioned above are almost equally relevant to the second main question put by Sir William Beveridge—“if a steady demand for labour would fail to produce full employment unless labour is willing to be more mobile than it has been and whether this was possible.” It cannot be denied that a substantial failure on the part of labour to place itself both geographically and otherwise in a position to accept the work that is being made available, might well be a serious handicap to full employment.

17. There are, however, these differences as between wage movements and adjustments and the mobility of labour :—

- (a) Wage movements are a matter in which there is a very strong common interest among workpeople generally and particularly among workpeople who follow the same trade or industry in the same district. The interest which workpeople have in the mobility of labour, even as one of the means to full employment, is not one which a workman who, at any particular time, may be required to move or to adapt himself to a new trade or industry is likely to share with workpeople generally and much less with those employed in the same trade, industry, or district, who are not also required to move or adapt themselves at that same particular time.
- (b) Consequently, the Trade Union Movement has never had, and indeed has never sought, the measure of positive influence over the mobility of labour as it has over the movement of wages. Many Unions do attempt and succeed in imposing negative restraints upon the movement of labour by preventing all except their own members from following the trade of their members, or by refusing to permit their own members to do the work of other tradesmen.
- (c) Trade Unions generally will be very reluctant indeed to attempt to acquire themselves or to agree to the acquisition by the State of the power to transfer or direct workpeople to other areas and other occupations. In this matter of transfer and direction of workpeople considerations are involved which are of a nature so personal and important to the individual concerned that it is impossible for any outsider to assess them fairly. Transfer and direction have been justified in, principle, during the war itself, on the grounds of extreme national necessity, but experience of the practice of transfer and direction has, even in the light of war circumstances, not been encouraging and, at the very least, their administration would have to be improved out of all knowledge before Trade Unionists would consider their continuation in more normal times.

18. It is not to be expected, however, that the achievement of full employment will require the same degree of mobility and adaptability of labour as the Government has considered necessary in order to maintain the output of essential supplies during the war. On the more negative side and subject to what has been said above, Trade Unions may well be expected not to impede the achievement of full employment by the rigid maintenance of demarcation practices which were themselves designed to ensure the continuity of employment of their own members during periods of industrial insecurity.

19. In the circumstances, therefore, in numbers likely to be affected at any time, the problem of the mobility of labour may prove to be very small indeed and quite capable of being dealt with on principles and by administrative methods which give to workpeople every possible assurance that their personal craft, and all other interests had been taken into full account, and that the

penalties imposed in the event of unreasonable failure to do as required will be no more than the temporary loss of some unemployment benefit to which the individual would otherwise have become entitled. No doubt some individuals will feel aggrieved if they are for any reason, deprived of benefits from a fund to which they have contributed, but if it were made clear that benefits would not be payable in those circumstances the withholding of benefit would not be a serious reflection on a free society.

20. In another connection (on the Ministry of Labour J.C.C.) the T.U.C. has already given some consideration to the control of the movement of labour and of the engagement of workers by employers after the war. In that connection, however, the official suggestions for the continuation of controls over labour were concerned only with the period of transition and were put forward solely on the basis of the need to maintain the output of essential services during that period.

21. Interim conclusions on the question of labour controls during this transitional period were before the General Council at its December meeting. These interim conclusions envisage the continuation of some measure of control over labour, but no decision about them was come to at that meeting and they will come before the General Council again.

22. From what has been said above, however, it is clear that the acceptance by the Trade Union Movement of the principle of control over the movement of labour will depend very much indeed upon the objective which control is intended to serve and the means proposed to be used in its administration ; and, above all, it must reiterate that the Trade Union Movement will never surrender its bargaining powers or undertake to use them for any purpose other than that of protecting and advancing the interests of workpeople. It cannot commit itself in advance to the relaxation or modification of any of its practices nor can it give pledges as to its future actions in the absence of firm undertakings about the policy of the Government and the obligations to be entered into by all other parties.

146. In the course of further consideration of the problems of full employment the Committee gave detailed attention to questions of finance and investment policy which obviously have a direct bearing upon employment. The Committee's conclusions on these questions are contained in the following statement.

STATEMENT ON FINANCE AND INVESTMENT POLICY

1. The attitude of the Trades Union Congress to finance and investment policy is primarily derived from a consideration of the effects which such policy may have on the conditions under which workpeople are able to gain their livelihood. We know from past experience that the policies pursued by the Treasury, the banks and the City have had considerable influence over the general levels of prices and employment and thus, indirectly, over real wages and industrial relations.

2. Accordingly, the Trades Union Congress has from time to time expressed its strong interest in the maintenance of a relatively stable level of prices. In the first part of our evidence to the Macmillan Commission we said :—

... the stabilisation of the general price level is extremely desirable if it can be attained without resulting in worse evils than those it seeks to rectify.

Price Stability

3. This view has never been interpreted to mean the freezing of existing prices of all the various commodities which are produced, and thus of the existing structure of home or international demand. Broadly speaking, it is the evils of inflation and deflation to which we have a rooted objection. The rise and fall of prices which then takes place is of a drastic, universal and cumulative character, which is not merely a reflection of a change in costs.

4. No one can seriously question the need for avoiding such instability in prices. The change in the value of money which is concomitant with rapid and substantial changes in the general price level involves the arbitrary transfer of real income from one set of people to another and therefore, of necessity, a great amount of social injustice. An inflationary rise in prices usually penalises the poorer sections of the community, especially the growing class of those in receipt of fixed monetary incomes, old-age pensioners and the like. Money wages seldom keep pace with rapidly rising prices—at the least there is bound to be a time lag—so that real wages tend to fall.

5. Short of an uncontrolled inflation leading to total collapse a deflationary fall in prices has even worse consequences. It brings with it not only an arbitrary redistribution of income but also a real loss in total income since it leads to the cutting down of output and employment. Such a fall in prices also leads to attempts to reduce wages which provoke acute industrial disputes as well as to the growth of purely restrictive practices as measures of economic self-defence.

6. In considering the economic problems of the post-war period we can distinguish between two periods: the first in which there will be a danger of inflation and the second in which deflation may re-appear.

7. The economic conditions which prevailed during and after the last war are still very much in the minds of the older workers in this country. During that war there was an inflationary rise in prices and after the armistice prices continued upwards until they reached a peak in March, 1920 when wholesale prices were on an average roughly three times the pre-war level. The collapse then set in; and by March, 1922, prices had fallen to less than one-half of what they were two years before. With the break of the post-war inflationary boom came unemployment rising to 6.1 per cent. by December, 1920, and reaching a maximum of 23 per cent. of the insured workers by May, 1921, when over two and a-half million persons were out of work. A repetition of this experience must at all costs be avoided after the cessation of present hostilities.

8. What has happened during this war provides valuable lessons on how to avert these dangers in the future. It is now clear that inflation and deflation are not purely financial phenomena. By control of the supply of money alone it is not possible to maintain stable prices. Moreover, as we have seen during the war, a substantial increase in the supply of money does not necessarily lead to inflation, even when all resources are fully employed, providing there are also in operation certain direct controls over expenditure and over the flow of capital in or out of the country.

9. There is more substance in the view that price instability is cumulative in its effects. If, for example, the fear once becomes widespread that prices are going to rise substantially, there will be a scramble on all sides to change money into goods thus further accelerating the rise in their prices. At such a time the Government is powerless to control prices solely by traditional bank rate and open market policy; on the contrary, however much short-term

interest rates are raised, to stem the rush the Government is compelled to increase the supply of money to meet its own obligations and to avert a bank crash. Conversely, as we have seen in times of great depression, "cheap money" alone cannot arrest the deflationary decline in prices since industrialists prefer to delay their investment expenditure and even to reduce their stocks and neglect maintenance and repairs until they believe that prices have reached rock-bottom. These are the consequences of unstable prices which explain why the so-called "vicious spiral" develops not only upwards but downwards. They do not explain how this spiral is initiated, or, in other words, how the initial instability arises.

10. It is now generally recognised that inflation and deflation depend upon the relationship between the amount of *actual spending* either on consumption or investment goods and the conditions of their supply. Deflation sets in when there is a substantial decrease in the amount of employment-creating expenditure. Inflation is the consequence of such outlay pressing against and exceeding the limits of supply.

The Maintenance of Demand

11. Both evils can, and in fact can **only** be avoided by the Government operating certain direct controls over the total volume and direction of demand. It is this view that has been acted upon during the war with the result that we have been on the whole successful in avoiding the inflation which developed last time and have been able to finance the war-effort at low interest rates.

12. Some of the controls which have proved to be indispensable during the war will not be needed in peace-time when it is no longer necessary drastically to curtail the supply of goods for civilian consumption. The State must accept the permanent responsibility for ensuring that the demand for the products of labour is adequate but not excessive **in total** and directed with some regard to social priorities and the availability of the different types of labour. This is the connection between the aim of maintaining stable prices and that of maintaining full employment. Whether demand is "*adequate*" as well as steady in total can only be judged by the state of the labour market.

13. This does not mean that the State should control and direct all forms of outlay including the individual expenditure of private income. In peace-time under normal conditions there is an important difference between expenditure on consumption and expenditure on investment goods. Experience has shown that expenditure on consumption is relatively stable. The fluctuations which take place during the run of the trade cycle can be explained as a consequence of the greater fluctuations in the national income as a whole which it should be the purpose of national policy to avoid. The main determinant of the proportion of the community's income which is devoted to consumption is the prevailing distribution of income. To the extent to which we achieve greater equality in income distribution we will raise the general level of consumption. But these changes are necessarily gradual. Expenditure on investment, however, is subject to far greater fluctuations. It is these fluctuations which are now thought to be the immediate cause of the trade cycle. In any case, the instability of investment expenditure has undoubtedly been one of the main sources of instability in the economy as a whole.

14. In the immediate years after the war when the main danger will be inflation and not deflation, the setting of the problem is altered. Rationing and other controls over consumers' expenditure should only be abandoned as the supply of such commodities becomes plentiful. Once, however, the

period of shortage and boom demand has passed, strong deflationary tendencies will appear unless demand is maintained. It is then that the Government's full employment policy will be put to the test.

15. The transition from war to peace may indeed be looked upon as a useful experimental period in which some controls, such as those on consumption spending and the movement of labour, are gradually relaxed as the need for them diminishes. But considerations of scarcity are not the only reason for governmental control. Certain controls which have been introduced in war-time will be needed in their present or a modified form if the major aims of social policy are to be realised.

16. Exactly how much control will be needed under full employment cannot be determined in advance. It depends amongst other things upon the extent to which the Government can secure the co-operation of organisations and individuals in pursuit of national policy.

17. Once the transition period has passed, the danger of inflation even under a condition of full employment can easily be exaggerated. Minor fluctuations in demand can usually be absorbed by drawing upon stocks. Moreover there are always reserves of productive capacity and labour which can be easily tapped even under full employment.

18. Some relaxation of the control over the rate of new investment may then be possible. But sufficient control must always be exercised over total gross investment (i.e., including maintenance and the replacement of obsolete plant) to ensure that the demand for capital goods is not subject to violent fluctuation.

Public Control over Money Supply

19. It has already been pointed out that interest rates are a weak instrument for regulating the flow of private investment. High interest rates alone will not restrain new investment during a boom, nor will low interest rates encourage it during a slump.

20. From this it does not follow that interest rates are of small importance in relation to investment policy. The amount of public investment and house-building may depend in no small measure upon the prevailing long-term rate of interest. Local authorities who require to finance a new project will obviously be sensitive to the burden on rates which interest payments will represent. Moreover, there is the extreme social importance of low rents to consider. To quote the Macmillan Report, "a fall from 6 per cent. to $4\frac{1}{2}$ per cent. in the rate of interest on loans against houses is nearly as good as a fall of 25 per cent. in the cost of production when it comes to calculating the minimum level of rent which will prove profitable."

21. Once it is recognised that the main causes of inflation and deflation are not merely monetary and that to deal with those evils there is need for certain more direct controls, particularly over investment, the way is open for the pursuit of a permanent policy of "cheap money." The rate of interest can become an instrument of positive national economic policy if the Government as the authors of that policy are prepared to assume control over the banking system. The Government would then be able to regulate interest rates and maintain them at a low level by altering the supply of money so as to keep pace with any changes in the demand. This is the principle which has determined the technique employed by the Government during the war.

22. There is no reason why a similar technique should not be employed in peace-time, but it is important to recognise that it involves three main financial controls :—

- (1) Government control over the movements of capital in or out of the country ;
- (2) Government control over the operations of the Central Bank ; and
- (3) Government control over the lending policy of the Joint Stock Banks.

If the first-named control did not exist a flight of money to countries maintaining high rates of interest, with a consequent breakdown of the whole system, would be possible.

23. These controls should therefore be retained indefinitely and their powers embodied in appropriate public institutions.

24. The Treasury control of the Bank of England, whilst it has been complete during the war, can hardly be said to have taken on a form which sufficiently guarantees its permanence. It appears to rest on some kind of "gentlemen's agreement" which depends partly upon the Bank's own willingness to co-operate with the Government.

25. The capital of the Bank of England is still privately owned. The Governor and the Deputy Governor are appointed by the directors of the bank. The directors appoint themselves, re-electing each other from year to year and themselves filling vacancies in their own ranks. Most of the directors are connected with financial houses in the City of London. They are apparently responsible to no public authority. The only direct control Parliament is able to exercise over the Bank is its power to determine the fiduciary issue.

26. As a minimum, it is therefore essential that the Governor of the Bank of England be appointed by the Government and a Cabinet Minister be responsible for the policy of the Bank to Parliament. Ultimately the Bank of England will have to become an agency of the Government.

Control of Joint Stock Banks

27. The Treasury control of the Joint Stock Banks during the war has been exercised mainly in two ways. On the one hand the Defence (Finance) Regulations laid down that bank loans above £10,000 against security might not be granted without the permission of the Capital Issues Committee which advises the Treasury whether to sanction new issues of capital. Permission is only given by that body when the loan is considered to be in the national interest. In this way private borrowing from the banks has been drastically curtailed. On the other hand the Government has used the credit-creating power of the banks for its own purposes largely by the issue of Treasury Deposit Receipts. Every Friday each bank is presented with a demand for credits (in proportion to its total deposits) to be paid over to the Treasury in the following week. The agreement is nominally a voluntary one, but the Treasury could obviously exercise compulsion if it had need to do so. Thus, although their ownership and management have not been interfered with, during the war the Joint Stock Banks have largely been transformed into instruments of State policy.

28. It is unlikely that the Government in peace-time will continue to extend its borrowing from the banks on anything like the present scale. But whatever the future policy of the Government, there has undoubtedly been a great and permanent change in the functions of the Joint Stock Banks. To-day nearly three-quarters of the deposits of the clearing banks are used in one way or another to provide funds for the Government and it is likely that the greater

part of their resources will continue to be employed either in investment in Government securities or in financing the Government's floating debt. But the amounts which the banks are able to supply depend in turn on the volume of cash made available by the Bank of England. In issuing Treasury Deposit Receipts, for example, the Treasury has to borrow roughly one-tenth of its funds from the Bank of England at the same time so as to preserve the cash basis of the banks' credit.

29. As virtual agents of the Government it can hardly be disputed that the banks must continue to be subject to some permanent form of public control. Short of nationalisation it appears that two institutional changes at least are indispensable. In the first place, the recommendation of the Macmillan Report that all banks be required to furnish adequate statistics in a standard form showing, for example, the distribution of their loans, should be acted upon. Only in this way can the information be supplied which will enable the Government satisfactorily to determine its financial policy. Secondly, to enable the Government to exercise a general guidance over their lending policy it will be necessary to form a Co-ordinating Committee of the clearing banks. It should be presided over by a representative of the Treasury and consist of members appointed by the Government and the Bank of England as well as the Joint Stock Banks. The main influence acquired by the Government during the war over the policy of the banks should on no account be abandoned when the war is over.

30. The extent to which control needs to be exercised over the Joint Stock Banks depends upon the powers they possess. Broadly speaking, the Joint Stock Banks have no control over the supply of money. Bank cash is increased or diminished by the operations of the Bank of England and the traditional 10 per cent. cash ratio determines the volume of credit which the banks can create. It is true that this ratio has no legal force and is not at all times strictly adhered to ; it would therefore be preferable if the daily average of each three-monthly period were fixed at 10 per cent. with a small marginal allowance above and below this figure.

31. Otherwise the powers which repose in the hands of the Joint Stock Banks as distinct from the Bank of England, are mainly :—

- (a) A limited influence over certain interest rates ;
- (b) Power to vary the distribution of their assets as between investments and advances, etc. ;
- (c) Power to discriminate amongst those who seek to obtain, by means of an advance or an overdraft, an increased supply of money at their disposal.

32. The view has been expressed that the Joint Stock Banks should not be able to gain an income out of providing the Government with the credit which the increased supply of bank notes has enabled them to create. The Bank of England, it is pointed out, cannot make a profit out of the issue of notes since the profits of the Issuing Department are returned to the Treasury. The banks claim, however, that the $1\frac{1}{8}$ per cent. which is paid, for example, on Treasury Deposit Receipts is not excessive and covers only the payment of their administrative costs.

33. It is true that interest rates must be fixed at a level adequate to cover the expenses of the banks, but these could be reduced considerably by the elimination of the wasteful " non-price " competition between the Big Five which has led to an unnecessary duplication of branches all over the country often housed on very expensive sites. This may partly be due to the lack of co-ordination between the banks, but it is also a consequence of the high rate of earnings which they have consistently maintained even in times of trade depression and has encouraged what might otherwise have been considered wasteful expenditure.

34. The remedy for this state of affairs lies in the hands of the Government. It already has the power in fact if not in law to fix the interest rate which it pays on its own borrowing from the banks at whatever level it thinks fit, and it could through the Co-ordinating Committee make proposals to cut out redundant branches and reduce unnecessary expenses. Such reorganisation of the banking system would probably be undertaken by the banks themselves if they were put under the pressure of a progressive reduction in the short-term interest rate. It is worth remembering that between 1935 and 1938 the banks continued to prosper with little more than $\frac{1}{2}$ per cent. on three-month bills.

35. Further criticism of the lending policy of the Joint Stock Banks relates to the interest they have charged on advances and overdrafts. The terms on which such loans are given still largely accord with the long-established formula "1 per cent. above the bank rate with a minimum of 5 per cent." Big concerns may be able to borrow at lower rates, but the greater part of personal overdrafts, loans to shopkeepers and tradesmen as well as to many smaller industrialists were made at 5 per cent. however good the security behind them. There is, therefore, considerable substance in the charge that the advantages of the "cheap money" policy which was initiated as far back as 1932 have not been passed on to industry, at least, not in adequate measure. Here again it is clear that the Government must exercise some direct guidance over the policy of the Joint Stock Banks since it cannot rely solely upon its control of the Bank of England to determine interest rates.

The Banks and Industrial Investment

36. Other criticisms of the present banking system refer less to the way in which it carries out its present functions than to the limited range of functions which it performs. The Macmillan Committee drew attention to some of these weaknesses, in particular to:—

- (a) The failure of the banks to provide finance for industry for "intermediate periods" (i.e., neither for permanent investment nor for short period accommodation); and
- (b) The difficulty experienced by the smaller and medium sized businesses of raising capital—even when the security offered was perfectly sound—because the amounts they require are too small to justify the expense of a public issue or to be considered with favour by the investment trust companies.

37. Recently the Joint Stock Banks have expressed their desire and intention to remedy these deficiencies by extending banking business into new fields. As a result of its methods of financing the war the Government has placed at the disposal of the banks considerable resources which they now wish to employ as soon as possible in the more profitable business of lending to private customers. An extremely important issue of principle is raised, however, by all these proposals. It is the question whether it will be a good thing for the banks to engage themselves, to a far greater extent than they have considered it advisable in the past, in industrial investment. The general recommendation of the Macmillan Report was that they should do so and that a closer connection should be established between British industry and the City of London. Whilst it would be an advantage if in banking circles there could be found more men with an intimate knowledge of the problems of industry than there has been in the past, the extension of any form of financial control by the banks over industry could only be viewed with alarm. The experience of the continental banking systems where this practice was established speaks strongly against it.

38. Too close an interlocking of the banks with industry is in fact neither good for the banks nor good for industry. The main function of the banks is to act as an intermediary between those who wish to deposit their funds so

that they are safe and readily available and those who wish to obtain loans. Because of the responsibility the banks hold to their depositors they are bound to adopt an extremely cautious policy in long-term lending and may well be most reluctant to lend their support to industry at a time when it has the greatest need of it.

The Supply of Capital

39. It is usually assumed that the main source of funds for long-term investment is the investing public willing to purchase new issues of shares on the capital market. This is only true subject to important qualifications. Firstly, a great deal of new investment is now financed directly by large companies out of their reserves, i.e., out of their past profits. Secondly, a considerable proportion of the nation's savings are not invested directly by the savers themselves but by special institutions.

40. It has been estimated that in recent years on an average less than half of the net earnings of big companies are distributed in dividends, the remainder being added to their reserves. Sometimes this money is spent in buying investments on the Stock Exchange, but often it is used to finance the expansion of the plant and equipment of the firm concerned. This method of financing investment out of profits has the advantage of eliminating the charges made by the capital market. It necessarily operates, however, according to the principle "to him that hath shall be given." Large companies enjoying a high rate of profit in industries which have achieved a high degree of concentration become steadily the more powerful as a result of their vast accumulated reserves. Declining industries, however, which it may be in the national interest to reorganise and re-equip are in a much less fortunate position.

41. The savings of the workers and the middle classes for security form one of the most important sources of funds for new investment to-day. The insurance companies are undoubtedly the most important of the organisations which canalise these small savings for investment. In this way the companies come to exercise a powerful influence over industry. By comparison the investment trusts are of less importance though they continue to absorb an increasing amount of the nation's savings. Other important institutions which collect small savings for investment are the building and various provident societies and the savings banks. The building societies are confined by statute to investment in gilt-edged securities and first mortgages. The savings banks do not engage in direct lending, except on "special accounts" mainly to local authorities; the investment of their funds being in the hands of the National Debt Commissioners.

42. A review of the present day methods of securing funds for industrial investment shows that the public interest is jeopardised in at least two important respects:—

- (a) Funds are often not forthcoming for investment which is essential for industrial, and national development. The failure adequately to reorganise the basic industries of the country is the most striking illustration of this; and
- (b) There is an increasing concentration of control over the supply of savings for investment into the hands of private bodies which cannot be relied upon to exercise that control wholly in the public interest.

43. The fact that finance for new investment which was an obvious social necessity was unobtainable either from the banks or on the capital market, has led the Government in the past to promote a number of half-hearted and piece-meal attempts to fill the gap.

- (a) The London Electric Transport Finance Corporation and the Railway Finance Corporation were formed by the Treasury to raise money from the public and

re-lend it to the railways whose financial position made it difficult for them to borrow on the capital market themselves.

- (b) **The Bankers Industrial Development Company and the Securities Management Trust** were set up under the control of the Bank of England. It was not intended that the actual financing of industry should be undertaken by either of them, their function being to investigate and advise industries in need of rationalisation and to bridge the gaps which existed between such industries and the public capital market by making their securities attractive to the general investor. In the case of the B.I.D.C. this body has given financial aid itself but always with a view to floating off the debt on to the public later on.
- (c) **The Agricultural Mortgage Corporation** was formed in 1928 to issue debentures to the public for financing mortgages on agricultural land. It is subsidised by the Treasury.
- (d) **The Special Areas Reconstruction Association** was set up in 1936 "as a temporary and special expedient" to provide finance for new industries setting up in the Special Areas. The capital was privately subscribed, but the Government makes a contribution to its managing expenses and guarantees a part of its bad debts.
- (e) **The Public Works Loan Board** was established as far back as 1887 for the purpose of arranging loans to local authorities with a rateable value of about £250,000 or less, who would find the use of a public capital market too costly. To a very limited extent the Board may also make loans to public utilities, companies, and individuals for special purposes. Money is raised from the Local Loans Fund which, though technically a public loan, has in fact been exclusively subscribed by the National Debt Commissioners since 1922.

44. Taken together these institutions have done no more than cover the fringe of the problem. The time has come when all these bodies should be merged with one authority which is concerned with the planning of all national investment in a comprehensive and co-ordinated fashion with due regard to public interest.

National Investment Board

45. In submitting the second part of its evidence to the Macmillan Committee in 1930 the Trades Union Congress emphasised the need for investment planning and control. The following passages from our evidence have not diminished in importance :—

"We have pointed out the urgent need for the establishment of a public or semi-public body to stimulate, frame schemes for, and supervise industrial reorganisation. We have further urged that this organisation should be permanent and should exercise powers of supervision permanently, and not merely during the present industrial emergency.

"We have also stressed the need for the establishment of permanent machinery for financing industry for "intermediate" periods, such machinery taking the form, perhaps, of a National Investment Trust able to finance business out of its own resources instead of acting merely as a middleman between industry and the investing public."

"An institution operating in this way would be able to exercise a most important influence on the general flow of investments. It seems to us that such a body cannot be a purely private one, established and provided with credit by the banks. Having a public standing and exercising such important functions in the conscious direction of the flow of investments, it should not be under private control. The interests of the whole of the industry would be closely affected by a body of this kind, and public control is, therefore, in our view essential."

The demand for a National Investment Board has since been voiced in many quarters. Its importance has become the clearer and the functions which it must fulfil have become the more defined as economic knowledge has extended and the possibility and value of a controlled economy has been demonstrated.

46. The three major conclusions of this report all point to the particular importance which must be attached to the setting up of a National Investment Board, responsible to the appropriate Ministry, as an essential instrument in reconstruction. Recapitulation of those conclusions will also indicate the functions which such a body must fulfil.

- (a) To maintain full employment and price stability it is essential to regularise the rate of gross investment.
- (b) Investment should not be allowed to proceed in an unco-ordinated and haphazard fashion according to individual calculations of the prospect of profit. It should be planned according to national and social priorities.
- (c) Where funds for new investment which is considered socially necessary are not forthcoming from the banks or the capital market, they must be provided by a special public institution.

47. Accordingly, the functions of the National Investment Board would be threefold, that of surveying, of planning and of lending; for each of these functions a separate department of the Board would need to be established.

(i) **Surveying**

This department would prepare full and more accurate statistics than we have had in the past about national income and its constituent parts. It would prepare a complete manpower budget for the nation. That is to say it would forecast the probable amount of private outlay on consumption in the coming year taking into account the effects of proposed taxation and other fiscal policy. Having regard to proposed public outlay, it would determine approximately the total amount of new investment which should be undertaken by the community as a whole.* It would be empowered to obtain information on all schemes of capital expenditure planned or under consideration by the Government, local authorities, public boards and public utility companies. Private companies would also be instructed to submit their plans for new investment, if above a certain figure.

(ii) **Planning**

On the basis of the data supplied by the Surveying Department, the Planning Department would exercise guidance over all schemes of long-term investment. In doing so it would be concerned primarily with the maintenance of full employment and price stability and ensuring that investment of special national and social importance took precedence over less important forms. It would accordingly propose the speeding up or slowing down of the investment plans of public authorities and of large private companies, taking also into account those changes in the location of industry essential to avoid structural unemployment. If in dealing with private enterprise advisory powers proved inadequate they would have to be supported by a licensing system. It would also be empowered to propose special schemes for industrial reorganisation and supervise their execution.

(iii) **Lending**

The lending Department would ensure that funds were provided for the financing of any approved scheme of industrial or national development. It would be empowered both to raise loans on the public capital market and itself to provide funds. It would incorporate the present work of all those bodies already listed which are concerned with the provision of capital for special national purposes, and also that of the National Debt Commissioners. If insurance were made a national service and the building societies were also taken over, this department would then canalise in the hands of a body responsible to the public practically all small savings for investment.

* The above function, whilst essential need not be assigned to a National Investment Board but to the Government Department responsible for employment policy.

THE WHITE PAPER ON EMPLOYMENT POLICY

147. When the Government issued its White Paper on Employment Policy (Cmd. 6527) in May, 1944, the Committee naturally began to examine its proposals. This examination is still proceeding and it would not therefore be possible at this stage to set out in detail our views on the policy outlined in the White Paper. It is, however, possible to indicate the main lines upon which the Committee have so far proceeded.

148. We welcome the statement of the White Paper that the maintenance of employment is not only the primary aim, but is also primarily the responsibility of the Government. This statement fully accords with the views consistently expressed by the T.U.C. over many years. It is, however, doubtful if the proposals of the White Paper are directed towards the achievement of full employment in the sense in which we understand that term.

149. The section of the White Paper dealing with the balanced distribution of industry and labour undoubtedly indicates a proper approach to the treatment of *structural* unemployment, particularly in its emphasis upon the need to direct the location of industry rather than to require the transfer of labour. In considering how to prevent *general* unemployment it also lays down the important principle that this depends on the maintenance of total expenditure on the products of industry.

150. The Government, however, appear to qualify their acceptance of responsibility for the level of employment in a manner which seems to us to have important implications. In examining the international background of employment policy the White Paper declares that the achievement of a high and stable level of employment depends upon an adequate expansion of our export trade. That Britain will need increased exports after the war is hardly open to doubt. The problem here is that of securing and paying for the imports we need to maintain our standard of life. But this problem neither can nor should be solved only by attempts to expand our export trade, and least of all by the traditional methods of cut-throat competition. On the contrary it demands the public regulation and planning of our foreign trade as a whole.

151. It is also not correct to assume that the success of a policy designed to maintain employment depends entirely upon our reaching a particular level of exports. We fully understand the importance of increasing the efficiency of our export industries and of assisting them to regain lost markets and find new ones. We cannot, however, accept the view that if we are unable to export, and therefore import, as much as we would like, this would relieve the Government from its obligation to pursue full employment by the expansion of the home market and the preparation of projects which can be immediately undertaken to offset any sudden fall in exports.

152. The acceptance by the Government of responsibility for the level of employment implies the setting up of appropriate institutions as well as the introduction of the necessary legislative and administrative changes for the fulfilment of that responsibility. In this connection we take the view that it is essential that the Government presents to the nation, in addition to the ordinary financial Budget estimating its revenue and expenditure, a new type of "Manpower Budget." In other words the Government would endeavour each year to balance manpower requirements with manpower supply. It will need to estimate the probable amount of private expenditure, both on consumption and investment, and accordingly propose public outlay on a sufficient scale to employ all available labour. This certainly involves a new

departure in policy and one which will require considerable experiment to secure its effective implementation, but the principle itself is fundamental.

153. The White Paper recognises that it is the violent swings in the private expenditure on capital equipment which are immediately responsible for the trade cycle in that they generate sympathetic movements in the whole of the national income and hence in expenditure on consumption. Unfortunately it considers that these fluctuations in private investment will be particularly difficult to control. This difficulty appears to arise only because to overcome it would be necessary to direct private enterprise to a far greater extent than is contemplated in the White Paper. The limited character of the Government's policy to deal with general unemployment is a consequence of the acceptance of the inevitability of these fluctuations, which it is only proposed to modify or counter-balance mainly by converse fluctuations in public investment.

154. Our own views on this subject are set out in some detail in the above statement on finance and investment policy. We there propose the establishment of a National Investment Board to ensure that there is a comprehensive planning of all forms of investment so that they are not subject in total to violent fluctuations. It will also be appreciated that it is in this connection that the form of industrial and economic organisation bears on the maintenance of full employment. The greater the sector of industry publicly owned the easier it will be to plan and control investment in the interests of greater economic stability.

155. In the relationship between private and public investment there is also another important point of principle. It would be entirely unsatisfactory if public investment was considered **only** as means of steadying the level of employment. As the White Paper points out the greater part of public investment is carried out to satisfy urgent public needs, which cannot readily be postponed if there happens to be a boom in private investment. It is essential, therefore, that there should be a comprehensive planning of all large-scale investment, public and private, according to certain national and social priorities. This is something radically different to the undertaking of "public works" in the traditional sense, as a stop-gap to make good the deficiencies of private enterprise.

156. The scope of public investment and generally of the Government's efforts to maintain a high level of employment also depends upon the principles which govern the budgetary policy of the Government. The White Paper does not appear to have a clear and unambiguous attitude to this problem. It asserts that although there need not be "a rigid policy of balancing the Budget each year regardless of the state of trade" it is not proposed to depart from the principle that the Budget must be balanced over a longer period. The stress which it lays on the need for "budgetary equilibrium" to maintain "confidence in the future," and because it will be regarded "both at home and abroad . . . as a test of the general firmness of the policy of the Government" strongly suggests that in peace-time it is not proposed to use a Budget deficit as a means of maintaining a sufficiently high level of public outlay.

157. There is a noteworthy difference between the attitude of the White Paper to the spending of local authorities and that of the national Government which could hardly be sustained on logical grounds. In the case of the local authorities it suggests that if their finances are prudently administered "it is unlikely that the growth of their indebtedness would involve an intolerable burden on the rates." Borrowing for some forms of capital expenditure—e.g., on roads, schools, parks, etc.,—although they provide no assets yielding

income "is, within certain limits, regarded as normal practice." Yet in the case of the national Budget it does not suggest that any distinction should be made between expenditure on current services and expenditure on capital assets. Our own view is that the same principle applies both to national and local government, that where the Government purchases durable assets, such as schools and hospitals, no serious objection can be raised against such purchases being financed by loans.

158. Admittedly a continual increase in the National Debt in peace-time would mean the accumulation of increasing claims against the community by a limited class of those who have been able to save substantially. To diminish such rentier claims and for other reasons "cheap money" is an important part of full employment policy but, as we have pointed out in our statement on finance and investment policy, given adequate control of the banking system it would be possible for the Government not merely to retain the present low interest rates but progressively to reduce them. Allowing for an expanding national income such as would be the consequence of full employment, the debt charge would in any case probably represent a declining proportion of the total national income.

159. The approach of the White Paper to the direct or indirect influence which the volume of consumption expenditure can exercise on employment is far from satisfactory. It considers only how the secondary fluctuations in consumption expenditure, i.e., those which arise from the failure to steady the rate of private investment, can be counter-balanced. It proposes in this connection a flexible social insurance contribution scheme which in an "arithmetical illustration" it calculates might "reduce the fall in aggregate demand by about one quarter." The question naturally arises why more could not be attempted and achieved from the side of increased consumption to maintain a condition of full employment.

160. The Trade Union Movement has always taken the view that a rising standard of living provides the only healthy economic basis for the expansion of production as a whole. It is the restricted purchasing power of those who buy the bulk of consumers' goods and services ultimately produced as a consequence of increased investment which is largely responsible for the subsequent cutting down of that investment and the resultant slump in trade.

161. An important instrument which may serve to increase the part of the national income which is spent on consumption, by bringing about a more equal distribution of income, is taxation. The White Paper, however, implies that the present rate of direct taxation is too high and that it will need to be reduced even during the transition period "to encourage industrial re-equipment." It is difficult to see why it will be necessary to reduce the general level of taxation on high incomes in order to stimulate specific re-equipment. There may be a strong case for certain special tax concessions but otherwise, in the immediate post-war period when the danger will be one of inflation and excessive spending, there is every reason to maintain direct taxation generally at a high level.

162. In other parts of this report we have made proposals, as for example in the section headed "Prices and Living Standards" which are intended in association with the other activities of Trade Unions to improve wages and working conditions, to increase the share of the national income which goes to workpeople. These proposals should be considered not only on their own merits but as an important contribution to the achievement of full employment.

163. The Trade Union Movement also realises that the application on an international scale of similar measures to raise the standards of life of working people everywhere is ultimately essential to the full realisation in this country

of the prosperity which modern productive resources make possible. Full employment can, and if necessary should, be achieved in Britain without regard to the economic policies which are pursued in and by other countries. Nevertheless its attainment on purely national terms might be at the cost of lower living standards than a policy of international expansionism would permit. In the last analysis, the practice of economic restrictionism is to be attributed to poverty, not only among sections of the population in industrial countries, but especially in those great areas of the world which remain undeveloped economically. If the productivity and the standards of life of the peoples of those areas could be raised they would be able as a result to buy the products which the more industrial countries already regard as necessities and which our own industrial structure is particularly adapted to produce.

164. In conclusion we desire to emphasise that the implementation of many of the proposals for reconstruction set out in this interim report greatly depends upon a state of full employment being successfully maintained in the post-war world. The Government may, however, on the one hand fail to take effective steps to maintain employment because of its unwillingness or inability to control certain elements in the economic life of the country. On the other hand it may be tempted, in pursuit of full employment, to impose unnecessary restrictions and directions upon workpeople. Thus the task of the Trade Union Movement is at one and the same time to inspire the Government to pursue a proper employment policy and to protect workpeople against unnecessary encroachment upon their freedom of action.

SUMMARY

General

1. The main objectives of the Trade Union Movement include the maintenance and improvement of wages, working conditions and living standards, the assurance to workpeople of adequate opportunities for suitable employment and the implementation of their right to share in the control of industry.

2. These objectives, and the many other aims of economic policy which are now widely acknowledged to be a responsibility of government, can only be adequately fulfilled within a system of public control.

3. The only alternative to public control is the increasing concentration of economic power in the hands of private persons and groups owing no responsibility to the community.

4. Thus the economic programme of the T.U.C. whilst designed to achieve certain minimum economic and social reforms immediately after the war, considers these reforms as a part of the gradual transition of the economic system from unregulated private enterprise to public ownership and public control.

(Paragraphs 20 to 31)

Public Ownership

5. Certain industries are of such vital importance to the life and well-being of the community that their immediate transfer to public ownership is essential. They are notably the transport, fuel and power, and iron and steel industries.

6. In each of the first two groups of industries, there is one industry, coal-mining in the case of fuel and power, and the railways in the case of transport, whose present state of organisation is such that public opinion is most strongly prepared for the change to public ownership. Should political opposition or legislative difficulties make it impossible to secure the complete transference of the whole of these industries to public ownership under one Act of Parliament the nationalisation of the coal mines and railways should not on this account be delayed, although at the same time the co-ordination of transport and the fuel and power industries under public control would be imperative.

7. The form of organisation for all publicly owned industries should be that of a public corporation, established by Act of Parliament to take over all the undertakings in the industry. Responsibility to the public should be maintained by the appointment of the Governing Boards by a Minister responsible for the industry to Parliament. Those appointed should be selected solely on the basis of their competence and ability to administer the industry efficiently in the public interest, but statutory provision should be made for the adequate representation of the viewpoint of the workpeople engaged in the industry.

8. Fair compensation should be paid for all undertakings acquired. The basis of compensation should be "reasonable net maintainable revenue" and the form of payment should preferably be government bonds carrying a fixed rate of interest.

(Paragraphs 32 to 44)

Public Control

9. Apart from the public ownership of certain industries, public control will need to be exercised in different ways and in varying degree over the whole of economic life.

10. There are a number of methods of exercising public control, namely :

- (a) The prohibition, either by specific legislation or administrative regulation, of such forms of economic activity as are essentially anti-social or may develop in a direction contrary to the public interest. This includes legislation relating to the control of prices and monopoly practices.
- (b) The provision by disclosure and publicity of adequate information to ensure effective public regulation. An informed public opinion is itself a means of control.
- (c) The promotion of economic activities, such as the development of co-operative organisation, which serve the ends of public control.
- (d) The influencing of the conditions under which economic activity takes place by means of taxation or monetary policy.
- (e) The direct participation by public authority in economic activity so as to determine its terms and character. This includes not only the ownership of key industries or undertakings, but also the production, purchase or sale of goods and services vital to the welfare of the community.

11. In order to safeguard the public interest the Government must also have adequate control over :—

- (a) The utilisation of land and the supply of water and other natural resources ;
- (b) The supply and availability of cash and credit money ;
- (c) The rate of gross investment and the supply of capital for investment ;
- (d) The location of industry and general physical planning ; and
- (e) Foreign trade and foreign lending and investment.

(Paragraphs 45 to 57)

The Organisation of Industry

12. Short of complete public ownership, the State can participate in the conduct of an industry by the direct acquisition of a key section or by financial and directive participation in particularly important companies. Another method of public control which may be exercised over a complete industry is that of government wholesaling. This method should be used to promote the production of utility goods in peace-time. It could also be employed with particular advantage in the building industry both to maintain standards and control prices in the case of building materials and to co-ordinate the demand for houses and buildings through a public agency.

13. There are, however, a large number of important industries which immediately require some measure of direct public regulation. In general this should be secured by the setting up of industrial boards in these industries. The boards should be composed of representatives of workpeople and employers in equal proportion and an impartial chairman and other independent members appointed and paid by the Government.

14. The industries for which some form of public regulation is necessary include :—

- (a) Those urgently requiring greater unification, e.g., the cotton and woollen textile industries ;
- (b) Those whose control is largely in the hands of one combine or financial group, e.g., heavy chemicals, cement, rayon, soap and margarine, non-ferrous metals, rubber processing, grain-milling and tobacco ;
- (c) Those producing mainly capital goods in which the greater part of production is concentrated in relatively few establishments, e.g., the heavy sections of mechanical and electrical engineering, motor-car manufacture, aircraft, railway locomotives and rolling stock and shipbuilding ; and
- (d) Those whose products are in general demand amongst the consuming public where it is necessary to ensure that an adequate supply of good quality goods at reasonable prices are produced, e.g., furniture, clothing and finished textiles, processed foods, domestic utensils and electrical and mechanical appliances for the home.

15. The broad purpose of the industrial boards would be to interpret the industry's requirements to the Government and to apply the Government's requirements to the industry, in order to secure the general planning of the industry and maximum efficiency of production in a manner which adequately safeguards the public interest. Specifically their functions might usefully include :—

- (a) The concentration and specialisation of production ;
- (b) The standardisation and specification of equipment and products ;
- (c) The development of technique by common research organisation, the pooling of methods and patents, the planning of technical education ;
- (d) The collection and pooling of costing and commercial information ;
- (e) The setting-up of common marketing and purchasing agencies ; and
- (f) The promotion of welfare services for the industries' employees.

The boards would be empowered to register and levy producers for the purposes of administration. Wages and other conditions of employment should continue to be negotiated separately by the trade unions.

16. The industrial boards should have no final authority in the regulation of prices and the restriction of output or entry into the industry ; their proposals in such matters should be subject to sanction by a special public authority. Otherwise the Board's authority over the industry should be secured by giving statutory force to its collective decisions, and by prohibiting, where necessary, private agreements to regulate prices or distributive conditions, etc.

17. The precise functions and terms of reference of the industrial boards as well as their constitution and the manner in which they should be set up cannot, however, be laid down for all industries in the same terms. In those industries which are already highly unified under the leadership of one group or combine, they would need to take the form of a government appointed board of control with powers to investigate costs and control prices, with advisers drawn from both sides of the industry. Where no form of organisation is developed by the industry itself and regulation is regarded as essential the Government should require the formation of an industrial board, but in some

cases it may be possible to establish a voluntary form of organisation adequate to the requirements of the industry and conforming to the interests of the public.

(Paragraphs 58 to 81)

Trade Union Participation

18. The extension of public control must mean an increasing democratisation of economic life. It will be essential for the Trade Union Movement to participate in the determination of all questions affecting the conduct of an industry and the well-being of its workpeople, as well as in the operation of all economic controls.

19. Central machinery will be required to ensure that detailed industrial experience including that of workpeople, is drawn upon in the formulation and administration of the Government's economic policy. For this purpose a National Industrial Council should be set up representative of all responsible for economic and industrial development, including the trade unions.

20. In publicly-owned industries the right of the organisations of workpeople to be represented on the governing boards should be recognised by statute. This could be secured by the selection of a number of the board's members from nominations submitted on behalf of the appropriate trade unions by the T.U.C. In addition there would be consultative councils at national, regional and sectional levels to advise the governing bodies and their responsible officials on the formulation and administration of policy, and on these the trade unions would be directly represented by persons appointed by and responsible to them.

21. In private industry there should be equal representation of the employers and the trade unions on industrial boards or other organisations established for the regulation of industry.

22. In the individual undertakings works councils, representative of management and workpeople should be established to deal with matters other than those covered by established negotiating machinery. The workers' side of these councils should be organised by the trade unions.

(Paragraphs 82 to 114)

Prices and Living Standards

23. The protection and advancement of living standards involves the control of prices and standards of quality.

24. Apart from the influence on prices, etc., which the Government will be able to exercise in publicly-owned industries and through all purchases by public authorities, the purchase and distribution of products by special public agencies is a valuable method of controlling prices, qualities and profit margins in a wide range of industries whose products enter largely into the living standards of the people.

25. The war-time schemes for utility production have proved their value. The same principle should be maintained in peace-time to ensure the production of adequate quantities of good quality merchandise at reasonable prices. The production of an adequate quota of such utility goods can be secured by their purchase and resale through a public distributive agency which would determine quality, profit margins and retail prices.

26. For many other goods prices, etc., would be determined by the industrial boards subject to Government approval. The participation by representatives of the workpeople in these boards would be a guarantee that standards of quality were observed. Where scarcity would make unreasonably high prices otherwise inevitable, as in the case of rents, it will be necessary to exercise direct control by fixing maximum prices. The government should also take power to prohibit private agreements to regulate prices or other conditions of sale which are restrictive in character.

27. The Government should fulfil its responsibility for public nutrition by retaining and developing such services as the British Restaurants and schools and works canteens. It should particularly concern itself with the development of an efficient agriculture, which will be of vital importance both to public health and to this country's foreign trade position.

28. An informed consuming public is in itself a means of control. A Consumers' Council, on which the trade unions and the co-operative organisations would be represented, should be established for consultation on all matters affecting regulation of prices, qualities, etc., and to ensure that adequate information shall be available to the consumers on these matters. Goods offered for sale should be of specified qualities and misleading advertisements should be prohibited.

(Paragraphs 115 to 143)

Finance and Investment Policy

29. Instability in the general level of prices has adverse consequences both with regard to the living standards and the opportunities for employment of workpeople; the downward spiral of deflation of prices is no less vicious than the upwards spiral of inflation. Deflation and inflation can only be avoided by the State ensuring that the demand for the products of labour is adequate in total and directed with some regard to social priorities and the availability of the different types of labour.

30. It is the instability of investment expenditure which in the past has been the main originating cause of fluctuations in total demand. Sufficient control over investment should therefore be exercised to ensure that the rate of gross investment is not subject to violent fluctuations.

31. Interest rates are too weak an instrument effectively to regulate the flow of private investment. Nevertheless, the amount of public investment and house-building depends in considerable measure upon the prevailing long-term rate of interest. We therefore favour the keeping of interest rates at the lowest possible level; this involves the exercise of adequate control by Government over the banking system.

32. Most of the war-time financial controls should be retained, their powers being embodied in appropriate public institutions. There should continue to be Government control over:—

- (a) the movements of capital in or out of the country;
- (b) the operations of the Bank of England; and
- (c) the lending policy of the Joint Stock Banks.

As a minimum, the Governor of the Bank of England should be directly appointed by a Minister responsible for the policy of the Bank to Parliament and a Co-ordinating Committee should be set up to exercise general guidance over the Joint Stock Banks.

33. A review of the present-day methods of securing funds for industrial investment shows that they are often not forthcoming for investment which is essential for industrial and national development, and that there is an increasing concentration of control over the supply of savings for investment in the hands of private bodies which cannot be relied upon to exercise that control wholly in the public interest.

34. To secure comprehensive planning of all forms of investment in accordance with national and social needs and to provide funds for desirable new investment where these are not available from the banks or the normal capital market we propose that a National Investment Board should be established.

The **Surveying Department** of the Board would estimate the total amount of new investment to be undertaken by the community as a whole, and would be empowered to obtain information on all schemes of capital expenditure planned or under consideration by the Government, Local Authorities, Public Boards, Public Utilities and large private companies.

The **Planning Department** of the Board would exercise guidance over all schemes of long-term investment, on the basis of the data supplied by the Surveying Department. It would propose the speeding-up or slowing-down of investment plans, with a view to maintaining employment and price stability and ensuring that investment of special national and social importance took precedence over less important forms. If its advisory powers proved inadequate, this Department would also be empowered to license new investment.

The **Lending Department** of the Board would ensure that funds were provided for the financing of any approved scheme of industrial or national development, the Department being empowered both to raise loans on the public capital market and itself to provide the funds.

Statement on Finance and Investment Policy (Pages 32 to 41)

The Maintenance of Full Employment

35. Full employment as defined by Sir William Beveridge, namely a situation in which "though on any one day there may be some men unemployed there are always more vacant jobs than there are unemployed men, so that every man whose present job comes to an end for any reason can find fresh employment without delay," is a general objective to which the Trade Union Movement subscribes. This does not imply, however, that the Trade Unions would approve any policy which might be likely to achieve this objective, or that they could commit themselves in advance to the details of any particular scheme for maintaining full employment without full and careful examination of all its implications for workpeople. They could not, for example, accept a scheme which implied that workers would be compelled to work at wages less than established Trade Union rates.

36. Whilst we recognise that a disciplined observance of collective agreements and a high degree of mobility of labour between occupations are necessary to the permanent maintenance of a condition of full employment, we do not consider that compulsory arbitration or direction of labour are required or are in any way desirable. Providing the Government was able to give adequate guarantees that it was genuinely pursuing a policy of full employment and was determined to take all necessary steps to control prices and otherwise prevent the exploitation of the situation by private interests, the Trade Unions would undertake to avoid wage policies and demarcation or other practices which might impede the achievement of full employment.

37. The main features of an adequate employment policy are now clearly established. Such a policy must include action by the Government to maintain the demand for the products of industry at a level sufficient to employ

the whole of the population available for work ; to direct the location of industry with proper regard to the supply and availability of labour ; to ensure that industry is properly organised so that the demand for its products becomes effective in the provision of opportunities for employment ; to regulate the total and character of our international and foreign trade with due regard to our need for imports and the character of our industries ; and to train workpeople and re-train them, when, for any reason they become redundant to their existing industry or occupation.

38. Fluctuation in employment, however, as instability in the general level of prices, is attributable in the first place to the violent swings in private expenditure on industrial equipment. Success in the attainment of full employment will therefore be dependent ultimately on the extent to which private enterprise gives place to public ownership or is subject to public control.

39. An attempt merely to balance the fluctuations in private investments by counter-fluctuations in public investment would be impracticable and undesirable. What is required is not provision for "relief works" but the comprehensive planning of all forms of investment by a National Investment Board, such as we propose.

40. The Government should also prepare an annual "Manpower Budget" in which it estimates the employment which the probable outlay on consumption and investment will provide and proposes sufficient additional public outlay to employ all the available manpower.

41. Distinction should be drawn in budgeting financially between current expenditure financed out of taxes and projects of permanent value to the nation which may be legitimately financed by borrowing. The increase in rentier claims on the national income consequent upon an increased National Debt should be counteracted by a financial policy aiming at a progressive reduction of interest rates.

42. The fluctuations in investment expenditure are ultimately a consequence of the unequal distribution of income, which restricts the purchasing power of those who buy the bulk of consumers' goods and services produced as a consequence of increased investment. A rising standard of living provides the only healthy basis for the expansion of production as a whole. Taxation policy should therefore be directed towards securing greater equality of income, and such a policy, together with our proposals in the section of this report headed "Prices and Living Standards" should be considered as an important contribution to the achievement of full employment.

43. Finally, the achievement of full employment must not be made dependent on success in securing markets for exports. The State can provide alternative markets for the products of industry by expanding home demand. Nevertheless, our standard of living does depend in part upon an adequate expansion of our export trade, and a stable level of exports will also be important to avoid unnecessary readjustments in our industrial structure which might involve hardship to people employed in the export industries and wastage of skill and equipment. Although the solution of this problem depends on international agreement we should do everything as a country to promote a policy of international expansionism based upon increasing the productivity and the standards of life of the peoples in those great areas of the world which remain undeveloped economically.

(Paragraphs 144 to 164)

APPENDIX

List of Reports and Publications on Post-War Reconstruction Circulated to and considered by the Economic Committee in the Preparation of this Interim Report.

TRADE UNIONS

- Report of the Legislative Council on Ways and Means of Improving the Economic Stability of the Cotton Textile Industry, September, 1943.—*United Textile Factory Workers' Association.*
- Post-War Policy for Railways.—*Associated Society of Locomotive Engineers and Firemen.*
- Post-War Reconstruction of the Iron and Steel Trades.—*Iron and Steel Trades Confederation.*
- Report on Post-War Reconstruction.—*Printing and Kindred Trades Federation.*
- Organisation and Employment Policy for the Boot and Shoe Industry after the War.—*National Union of Boot and Shoe Operatives.*
- Electrical Supply Industry—Memorandum Submitted by the *Electrical Trades Union* to the Trades Union Congress.
- Post-War Planning for the Electricity Supply Industry.—*Electrical Power Engineers' Association.*
- The Union's Post-War Policy.—*National Union of Blastfurnacemen, Ore Miners, Coke Workers and Kindred Trades.*
- A Post-War Policy for Science.—*Association of Scientific Workers.*
- Chemicals in War and Reconstruction.—*Association of Scientific Workers.*
- What Kind of Fire Service?—*Fire Brigades Union.*
- Industrial Post-War Reconstruction.—*Association of Cine-Technicians.*
- Documentary and Educational Films—Memorandum on Planning for Production and Use in Post-War Britain.—*Association of Cine-Technicians.*
- Memorandum on Post-War Reconstruction and Summary of the Proceedings of the National Council of the Pottery Industry on the Subject.—*National Society of Pottery Workers.*
- Post-War Reconstruction—Women and Young Persons.—Memorandum contained in *Report of Conference of Unions Catering for Women Workers.*

EMPLOYERS

- Reconstruction.—Report by *Federation of British Industries.*
- International Trade Policy.—Report of *Federation of British Industries International Trade Policy Committee.*
- Industry and Research.—Report of *Federation of British Industries Industrial Research Committee.*
- Employment Policy—*National Union of Manufacturers.*
- The Problem of Unemployment.—*Lever Brothers.*
- Report on the Planning of the Gas Industry.—*British Gas Federation.*
- Government and Industry—Their Future Relations.—*Samuel Courtauld.*
- A National Policy for Industry.—*120 Industrialists.*
- The General Principles of Post-War Reconstruction with particular reference to Textiles.—*Wholesale Textile Association.*
- World Trade After the War.—*Federation of Master Cotton Spinners' Associations.*
- Report on Post-War Trade Policy.—*National General Export Merchants' Group.*
- Post-War Industrial Reconstruction.—*Internal Combustion Engine Manufacturers' Association.*
- Memorandum—Electricity Supply Industry in Great Britain.—*Incorporated Association of Electric Power Companies.*
- Deconcentration of Production—The First Step in Reconstruction.—*Incorporated Federated Associations of Boot and Shoe Manufacturers of Great Britain and Ireland.*
- Report on Post-War Reconstruction in the Clothing Industry.—*A Council of Clothing Trade Associations.*
- Post-War Housing.—Report of Joint Conference of *Royal Institute of British Architects ; National House-Builders' Registration Council* and the *Building Societies' Association.*

UNIONS AND EMPLOYERS

- Interim Report of the Furniture Industry Post-War Reconstruction Committee.
Report of the Cotton Board Committee to Inquire into Post-War Problems.
Report on Recruitment and Training for the Printing Industry—Part I.—Apprentices.

CHAMBERS OF COMMERCE

- Report of Special Committee on Post-War Industrial Reconstruction.—*British Chamber of Commerce.*
Education and Training of Personnel for Overseas Trade.—*British Chamber of Commerce.*
Taxation—Correspondence exchanged between the Chancellor of the Exchequer and the President of the Association.—*British Chamber of Commerce.*
Post-War Economic and Trade Policy.—*Bristol Incorporated Chamber of Commerce and Shipping.*
General Principles of a Post-War Economy.—*London Chamber of Commerce.*
World Trade—Report to the British National Committee International Chamber of Commerce.

H.M. STATIONERY OFFICE

- Final Act of the United Nations Conference on Food and Agriculture.—Hot Springs, U.S.A., May–June, 1943.—*Cmd. 6451.*
United Nations Conference on Food and Agriculture.—*Cmd. 6461.*
Agreement for United Nations Relief and Rehabilitation Administration.—*Cmd. 6491.*
United Nations Relief and Rehabilitation Administration—Resolutions and Reports adopted by the Council at its First Session, U.S.A., December, 1943.—*Cmd. 6497.*
Proposals for an International Clearing Union.—*Cmd. 6437.*
Tentative Draft Proposals of Canadian Experts for an International Exchange Union.
United States Proposal for a United and Associated Nations Stabilisation Fund.
A Post-War Plan and Programme for the United States of America.—*Issued by the National Resources Planning Board.*
Report on Training for the Building Industry.—Ministry of Works and Planning.
Building Apprenticeship and Training Council—First Report.
Training for the Building Industry.—*Cmd. 6428.*
Report on the Principles and Objectives of Long-Term Agricultural Policy.—*Council of Agriculture for England.*
Methods of Building in the U.S.A.—*Ministry of Works.*
Educational Reconstruction.—*Cmd. 6458.*
Expert Committee on Compensation and Betterment. Interim Report.—*Cmd. 6291.*
" " " " " " Final Report.—*Cmd. 6386.*
Joint Statement by Experts on the Establishment of an International Monetary Fund.—*Cmd. 6519.*
An Analysis of the Sources of War Finance and Estimates of the National Income and Expenditure in the Years 1938 to 1943.—*Cmd. 6520.*
Employment Policy.—*Cmd. 6527.*
Report of the Linen Industry Post-War Planning Committee.—*Government of Northern Ireland.*
Statistical Digest from 1938 Ministry of Fuel and Power.—*Cmd. 6538.*
Government Surplus Stores; Plans for Disposal.—*Cmd. 6539.*
United Nations Monetary and Financial Conference. Final Act. Bretton Woods, U.S.A. 1944.—*Cmd. 6546.*
Parliamentary Debates. Hansard Nos. 24 and 25, 2nd and 3rd February, 1943.

POLITICAL PARTIES AND ORGANISATIONS

- Full Employment and Financial Policy.—*Labour Party.*
The International Post-War Settlement.—*Labour Party.*
Coal and Power.—*Labour Party.*
Post-War Organisation of British Transport.—*Labour Party.*
Our Land.—*Labour Party.*

Demobilisation and Resettlement—First Interim Report.—*Conservative Sub-Committee.*
Work—The Future of British Industry.—*Conservative Sub-Committee.*
Foundation for Housing.—*Conservative Sub-Committee.*
Demobilisation—Proposals for a Practical and Speedy Demobilisation Policy for the Nation.—*Liberal Publication Department.*
The Prevention of General Unemployment.—*Fabian Society.*
A Post-War Agricultural Policy for Great Britain.—*Memorandum Prepared by a Group of Peers.*
Government and Industry—A Framework for the Future.—*Fabian Society.*

INDIVIDUALS

Prospects and Policies.—*Herbert Morrison, M.P.*
How to Obtain Full Employment.—*G. D. H. Cole.*
Export Policy and Full Employment.—*E. F. Schumacher.*
Industry in Reconstruction.—*Lord Perry.*
The Transition from War to Peace.—*A. C. Pigou.*
A Twentieth Century Economic System.—*Anonymous.*
Housing and Health.—*Sir John Boyd Orr and Frank Wells.*
A Four Years' Plan for Britain.—*Broadcast Speech by the Prime Minister.*
Thoughts on the New World.—*An Address by General Smuts.*

MISCELLANEOUS

The Transition from War to Peace Economy. Report of Delegation on Economic Depressions, Part I.—*League of Nations, 1943.*
Social and Economic Reconstruction.—*Executive Committee of League of Nations Union to General Council of Union.*
Employment Policy and Organisation of Industry After the War.—*Nuffield College.*
Home Front Handbook.—*Ministry of Information.*
Post-War Reconstruction in Britain.—*Ministry of Information.*
Town and Country Planning.—*Staples Reconstruction Digests.*
A Practical Solution of the Problem of Unemployment after the War.—*World Trade Alliance.*
Main Outlines of an Organisation for International Trade—*World Trade Alliance Association.*
A World Trade Alliance.—*World Trade Alliance Association.*
Electricity Supply, Distribution and Installation.—*Institution of Electrical Engineers.*
Report on Coal Utilisation Research in Great Britain.—*Parliamentary and Scientific Committee.*
Scientific Research and the Universities in Post-War Britain.—*Parliamentary and Scientific Committee.*

LABOUR

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