

tain the high cost of living, I should say, to increase the high cost of living. The sweet custom has intrenched itself. It has perverted numberless producers, even those deep in the country, and it has multiplied the vermin of rascally agents and off-color speculators. Sold too dear to begin with, the cost of merchandise grows like a snowball; when it arrives at the consumer its price has doubled, tripled, quadrupled — been increased ten times. The government has made some laudable but hitherto incoherent efforts. The ministers remind one of captive birds who at the least alarm, jump crazily from perch to perch. And the speculators jeer at M. Boret as they jeered at M. Violette. Thus we have assisted at the most terrifying and cynical of internal wars; the Frenchman has been plucked, bled, and starved by Frenchmen. The love of lucre has been spread broadcast, and the *nouveaux riches* have blossomed by myriads. On the face of it, such a moral condition is a bad one in which to stage the revival of economic life. But the nation can be saved only by an intense activity of production, and production will perforce induce a fall in prices, a result which our cut-throats are fighting tooth and nail.

Come what may, we must escape from this present state of affairs. France victorious cannot continue to endure the lot of France conquered. They are daily dinning into our ears that our natural wealth is incalculable, and that the return of Alsace-Lorraine to the family fold has greatly increased it. We can, therefore we *ought*, to live in prosperity. The truth is that we shall have to set to work resolutely. Let the honest manufacturers and business men form an alliance, let the punishments prepared for speculators be genuinely severe. It is not an hour for hesitations. If the game that is now going on lasts a few years longer,

one of the richest nations in the world will be one of the poorest. Was it for this that fifteen hundred thousand Frenchmen perished, and that six hundred thousand others were crippled? The era of shameless speculation is at an end; the hour of honorable labor is at hand.

La Dépêche de Toulouse

NATIONALIZATION

BY HAROLD COX

THE war has given an immense impetus to schemes of State Socialism, partly because the State has necessarily had to assume a more active part in the control of industry during war than in peace, and partly because the higher scale of wages which has been paid out of borrowed money to State employees, has popularized the idea that State management would mean unlimited wealth for wage earners. The essential doctrine of State Socialism is that all the means of production and distribution are to be 'nationalized.' In other words, all the industrial and commercial property now privately owned is to become the property of the national government, and all the industrial and commercial activities of the community are to be directed and controlled by the national government.

The idea of nationalization rules out, for example, such a scheme as has been put forward in the United States for the working of railways on coöperative lines. Nor does it cover schemes for amalgamating different railway companies so as to secure the elimination of unnecessary competition subject to State control of rates and fares to protect the general public. Such schemes of amalgamation would quite conceivably work well both in Great Britain and Ireland, provided experi-

enced railway managers remained in control. Provision might also be made in such schemes for sharing all profits between railway shareholders, railway employees, and the general body of taxpayers, on some such principle as that which has long been in operation in connection with the gas companies. On these lines a good many problems might perhaps be solved in a very satisfactory manner. But that is not nationalization. Nationalization means the absolute transference of the railway system, or whatever other industry may be concerned, to the national government, to be controlled by the ordinary machinery of that government.

What is that machinery? It consists in our own country essentially of two parts, a body of permanent officials and a body of politicians. The permanent officials in England have hitherto been a comparatively small number of persons with rather a high standard of academic training. Their honesty has been beyond question, but their knowledge of matters outside their university education and experiences acquired within the four rather thick walls of a Government Department has been limited. The body of politicians consists primarily of the House of Commons and of its subsidiary mechanism of party caucuses and local constituencies.

In practice in this country the bureaucrats and the politicians are constantly reacting upon one another. As long as the bureaucracy is left in peace it will go its own way, and that way, though encumbered by countless obstacles created by the bureaucrats themselves, will often point in the direction of the permanent interests of the nation, if that does not happen to conflict with some departmental interest. At any moment, however, the bureaucracy is liable to be overruled by political influences. Any Member of Parliament may ask almost any

question in the House of Commons about the details or the principles of official administration, and a great deal of the time of the departments is taken up in answering these questions. More serious still is the fact that at any moment some big political influence, such as a labor demand, may be brought to bear upon the politicians who form the Ministry of the day, and in obedience to this demand a policy which had been adopted by the bureaucrats from the point of view of the permanent interests of the State may be deflected to satisfy the momentary interest of the politician.

It may be, indeed, accepted, that if any industry is nationalized it must become subject to those forces which direct the national government, and in the final resort those forces are political. In the case of such an organization as an army or navy the effect of politics upon control is comparatively unimportant. For the one purpose of the army or navy is to serve collective national needs, and these are so dominant that mere political interests are comparatively powerless. Even so, however, the House of Commons has year after year witnessed the unpleasant spectacle of a large part of the time devoted, say, to naval estimates being occupied by members for dockyard constituencies pleading solely for the private interests of their own constituents.

When, however, we pass from undertakings which have necessarily a national end to those which have primarily a commercial end, the opportunities for the dominance of private motives through political action become immensely increased. The essential purpose of a railway is to enable private persons to obtain transport for themselves or for their goods. The price charged by the railway for these services is a matter of very important

interest to the individuals using the railway, and one of the most difficult and delicate parts of railway management is the regulation of rates and fares, but especially of rates. A private railway company in fixing rates is guided by purely commercial motives. But nobody can foretell by what motives a national government would be guided in dealing with the same difficult problem. It might happen that the political influence in a particular constituency was so strong as to secure special favors for that constituency at the expense of the general system. This has occurred constantly with Australian State railways, where constituencies with large voting powers have been able to win concessions to which they had no moral or commercial or national claim.

A graver danger remains. The fixing of rates must very often be a private matter affecting individual firms, and in such a case the firms concerned will have a distinct motive for, at any rate, offering bribes to the officials who determine the rates. It is obviously more difficult to prevent the abuse of bribery in a gigantic national undertaking with the imaginary bottomless purse of the taxpayer behind it than it is with a private company where the directors or their immediate servants are watching finance with a view to earning dividends. In addition to this commercial check on the possible dishonesty of employees there is in the management of railways under present conditions a further check owing to the competition of other forms of transport. Railway directors must fix rates so as to compete with coastwise sea carriage and carriage by road, and the rivalry of these different elements of communication gives an enormous protection to the trader. It is significant that in the Bill now before Parliament to establish a Ministry of

Ways and Communications it is proposed to abolish this protection to the trader.

The demand by State officials for a monopoly is, as past experience of State enterprises shows, an essential factor of government schemes of nationalization. When the idea of taking over the telegraphs was first put forward, it was proposed that the State, as represented by the Post Office, should take over existing telegraph companies, leaving individual citizens free to start competing services. But as the Bill was passing through the House of Commons a clause was inserted at the last moment giving the Post Office an absolute monopoly. The clause was drafted in such a way that, as subsequently construed in the courts of law, it enabled the Post Office to prevent the development of telephones in order to protect its monopoly in telegraphs. That is the principal reason why the telephone system of the United Kingdom was developed so much more slowly than the telephone system of the United States. To demand a monopoly is itself a confession of incompetence. A man who knows that he is capable of running an undertaking efficiently is willing to face competition. The State knows that its work will be relatively inefficient and, therefore, it always demands a monopoly. It may, indeed, be said that where there is no monopoly the State can always be beaten.

This relative inefficiency of State management is not due solely to the political influences which constantly interfere with sound commercial management. It is also due to the inherent vices of a State bureaucracy. Among these vices one of the most serious is the needless multiplication of formalities. Here is an example taken from French experience. The Western Rail-

way of France was taken over by the State on January 1, 1909. At that date there were 1,526 employees in the central administration and in the central traffic department. By 1912 the number of employees in these departments had risen to 2,587. This increase in the central staff was no doubt partly due to political pressure, every member of the Chamber of Deputies welcoming the opportunity of finding jobs for constituents. In addition, however, the increase was due to the red tape methods which all governments adopt. As long as the railway was managed by a private company only one copy was made of all documents; as soon as the State took control all documents were copied in triplicate. A very similar experience is recorded of the Swiss State Railways.

An even worse defect of bureaucratic administration is the impossibility of dismissing incompetent officials. However grossly incompetent a civil servant may be, he cannot be dismissed unless he publicly commits some flagrantly immoral or criminal act. As a result, no fear of punishment hangs over the head of the civil servant to prevent him from neglecting his duty to his paymaster, the nation. Equally has he no hope of reward for patient industry or for specially meritorious service. Again, in actual working the bureaucracy tends always to look upon every question first of all from the departmental point of view, and that is the main cause of the continuance, year after year, of expensive departments which are rendering no real service to the nation.

The evils of bureaucracy are, however, on the whole less serious than the evils of politics in the control of industrial concerns. Before the war Prussia possessed a highly efficient bureaucracy, which was in effect uncontrolled

by the Reichstag or by any other political influences, and as a consequence Prussia was able to make her State railway system a success. None of the other German States was equally successful, and in no other country in the world has State railway management produced comparable results. In our own case it is certain that a democratic Parliament would never give to any bureaucracy that complete power of control which is necessary for the successful management of a commercial undertaking. Political influences, many of them of a grossly corrupt character, would certainly intervene. The fundamental reason why State management of commercial undertakings fails is because nationalization misuses human motives. Where an undertaking is being managed by commercial men, the selfish motives of mankind are frankly avowed, and the machinery of commerce so works that in the long run the frank pursuit of private gain operates to the public advantage. But when politicians and bureaucrats are placed in control of commercial or industrial undertakings they are supposed to work solely for the advantage of the nation. That is too great a strain to place on human nature.

The Times

THE PART OF COAL AND IRON IN A FRENCH PEACE

IN *Le Fer et le Charbon, Conditions de la Paix Future*, M. H. Paulin gives a useful survey of the main economic question at issue between France and Germany — which is intimately bound up not only with the problem of reparation, but also with the even more vital problem of effective guaranties against future war. As the German industrialists pointed out in their famous declaration of December 8, 1917, Ger-