

# RED TAPE, RAILROADS, AND GOVERNMENT MANAGEMENT

BY A. EMIL DAVIES

It is a strange fact that, although everywhere one hears complaints against the management of government or community-owned undertakings, yet in every country the number of what, for convenience' sake, we will term community-owned undertakings steadily increases. This tendency was perceptible before the war, but now the stream has become a torrent, and it is difficult to keep up with all the developments in this direction that are in progress throughout the world. The pressure of circumstances is driving even the most reluctant governments into nationalizing various services and industries, partly for revenue purposes, and partly as the only means of coping with labor unrest. Among the first economic measures taken by the new Czecho-Slovak state is the institution of a State Tobacco Monopoly.

In the United Kingdom it is apparent that nationalization of the coal-mining industry affords the only possible solution of the problem of unrest among the mine workers—not because the management will necessarily be improved, but because the miners themselves are convinced that neither they nor the public will secure a 'square deal' unless the industry in which they spend (and in many cases lose) their lives is absolutely freed from every incentive to profiteering, and is regarded as a national service.

A striking instance of this tendency toward nationalization was brought to my notice a few days ago when passing

down Whitehall, where a sign-writer was at work on a shop front, obliterating the words 'Canadian Northern Railways' and substituting for them the words 'Canadian National Railways.' Here was one of the last few private undertakings still occupying premises in this classic London thoroughfare—already almost wholly devoted to government offices—following the general course, and becoming in its turn a state undertaking. In this instance the causes are more financial than political; but the result is the same, that is, the conversion of a privately-owned enterprise into a community-owned service. All these developments lead to an enormous expansion in the number of state or municipal officials; in other words, they swell the ranks of bureaucracy. Even so convinced a Socialist as myself would not attempt to deny the odium which attaches to the word 'bureaucracy' throughout the entire world; but as the whole trend of things is evidently toward the multiplication of community-owned enterprises, which automatically involves an increase of officials, the time has now arrived when it may be worth while to investigate the causes of the widespread unpopularity of government management, to consider what the criticisms are, how far they are justified, and to what extent it is possible to remove the causes of discontent. It will be necessary to determine whether the things criticized are peculiar to the management of community-owned concerns, or whether

they are inherent in any class of undertakings as a whole, whether subject to private or public management.

In the present article it is proposed to consider the question solely from the point of view of undertakings which are owned and managed by the state, the municipality, or some public authority; in other words, from the point of view of a nationalized or municipal undertaking. This does not mean government *control*, which in one shape or another applies to nearly everything in the country; nor does it mean, as so many people appear to think, management by the War Office.

The chief complaints against government management are red tape (*paperasserie*), inelasticity, lack of enterprise, inefficiency, and uneconomical working. Red tape is not peculiar to community-owned undertakings; it is inherent in large concerns, and if we associate it so much with government undertakings, the reason is that government undertakings are invariably big concerns. The fact is that, with the growth of population and of civilization itself, public services and enterprises tend to become larger; magnitude in a business undertaking leads to the stereotyping or uniformity of terms, conditions, and materials, and tends to stamp out those little individual touches that are dear to many of us. In other words, the state of affairs that is comprehended under the descriptions of red tape, inelasticity, rigidity, or deadly uniformity, is the price we have to pay for the increased facilities that are placed at our disposal by great undertakings; and, generally speaking, these drawbacks are inseparable from all large enterprises, from the company-owned railway or tramway, as well as from the state-owned post office.

There is a more subtle explanation of red tape in government departments,

namely: that, whereas, a privately owned business concern exists primarily for the purpose of making profits for its partners or shareholders, and only secondarily for the purpose of performing a service or manufacturing goods for the community (which is proved by the fact that if it does not make sufficient profits out of one service it rapidly turns to another), the government department, being the organ of the community, has clearly defined as its function the provision of a certain service and is conducted on the assumption that it is its duty to hold the scales evenly as between one citizen and another. A large business house, for instance, will have a varying scale of discounts, and may offer, in respect of the same quantity and quality of goods, a discount of 12½ per cent to a customer in Plymouth, and 15 per cent to a customer in Manchester. If the Plymouth man discovers the differential terms and complains, he is regarded as a nuisance, but is either mollified by being placed upon the same terms as the Manchester man, or, if he becomes unduly troublesome, is, in the last resort, told more or less politely that he may take his business elsewhere. True, this means the loss of a customer, but, after all, time is money, and fresh customers can be gained. In the case of a government department; however, it is quite another matter, and if a man in Plymouth receives more favorable terms than one in Manchester in connection with the same affair, it is regarded as a very serious thing indeed; questions may be asked in Parliament, and public indignation poured upon the department or official concerned.

In some services vital to the whole community, such as railway transport, the government has found it necessary, where such services were privately owned, to exercise control, to see that

secret rebates and advantages are not conceded to one trader to the detriment of another. An instance of this is the control exercised over the railway companies by the Board of Trade. It is this dual control, however, which is wasteful and involves the duplication of officials, and it was pathetic to find a steel manufacturer contending at a Chamber of Commerce dinner the other day that the proposals to nationalize the coal mines of the United Kingdom would be harmful *because they tended toward duality of control*. The fact is that in the realm of those big public utilities or services which are still in the hands of private enterprise and have, perforce, to be subjected to interference at the hands of representatives of the community, we already suffer from duality of control, and it is gradually becoming apparent to the people that it may be cheaper, and certainly healthier, for the municipality to look after its own milk supply, for example, than to leave it in the hands of a number of conflicting interests and employ a large, but even then insufficient, body of inspectors to check adulteration, contamination, and short measure. What has to be destroyed is the *incentive* toward these evils; and that brings us to the question of enterprise.

It is usually alleged that once you abolish competition and place a service or trade in the hands of the state (and for the purposes of this article the 'state' henceforth will be held to cover any municipality or public authority), all enterprise is killed. Now, far be it from my mind to deny the advantages of healthy competition, but it is difficult to resist pointing out that most of these benefits are quite illusory in a world in which the majority of people suffer from insufficiency or bad quality of food, footwear, clothing, and housing, not to speak of adulterated bread,

milk, etc. Much of the enterprise arising out of competition represents sheer waste to the community. I remember noticing on the platform of Darlington station a few years ago a colored poster suggesting that persons who desired to travel to Portsmouth should make use of the London and Southwestern Railway Company's route for that purpose. A few yards distant, on the same platform, was displayed a still more brightly-colored poster depicting an attractive young lady encouraging the public, when wishing to travel to Portsmouth, to go by the London, Brighton, and South Coast Railway Company's route. Now, what an appalling waste this 'duality of control' represented. In the first place, the proportion of people who saw these posters on Darlington platform and desired to go to Portsmouth would be very small—and what did it matter to anyone, except the respective shareholders, whether they went one way or another? Yet there were people designing these posters, printing them, making and keeping in repair the boards on which they were affixed; there were bill posters employed in pasting them up; all these people had to be kept and clothed, and yet, so far as the community is concerned, practically all their labor represented nothing but waste. I have seen in the slums of Croydon beautifully illustrated posters encouraging the inhabitants of the said slums to travel, on their periodical visits to the Riviera, by the South-eastern and Chatham Railway Company's route! Too much enterprise of this description, engendered by competition between rival groups of capitalists or shareholders, represents nothing but a burden on the community, and if, as a result of state ownership of the whole railway system of the United Kingdom, these rival posters disappear from the numerous railway

stations which they adorn, and the amount of labor thus set free is applied to real production, the community will be the gainer; if the worst fears of the pessimists were realized and the economies thus effected went merely to the upkeep of additional state employees, the community would, in the last resort, not be any worse off, and the addition of fresh officials would probably result in a reduction in the working hours of the whole service. Expressed in terms of income, it would simply mean that so much less spending power went to shareholders and so much more to officials!

It is probably true that *monopoly* tends to a reduction of enterprise, and in this respect the taking over of a service or industry by the state, which almost invariably means a monopoly, does conduce to some falling off in this direction. This holds good equally of private undertakings enjoying a monopoly, and whether one likes it or not, most great services and industries appear to be inevitably moving in the direction of being under the domination of four or five big concerns; be it meat-packing companies in America, or banks in the United Kingdom, it is difficult to prevent, by any outside control, some sort of working agreement, which may not even be put into writing, but does operate in the same manner as a trust. The two alternative forms of industry in the future are trusts and combines on one hand, and nationalization on the other; and each form has its own bureaucracy!

But, it may be said, there is a difference between the bureaucracy of a commercial undertaking like a trust and a government department. This involves some inquiry into what is meant by a commercial management as opposed to the administration of a community-owned undertaking. Some people would at once assert that a

commercial undertaking was usually successfully run, while a community-owned undertaking was almost invariably a failure. Such people, it will be found, have practically only one measure of efficiency, namely, profits. To them I would point out that, whereas the drainage system of London is worked by the principal London authority,—the London County Council,—is paid for out of the rates, and, therefore, shows no monetary profit (probably most people regard the expenditure as a necessary loss), the drainage of Rosario, the second largest town of the Argentine Republic, is carried out by a company called the Rosario Drainage Company, Ltd., which pays dividends on £120,000 of preference shares and £369,200 of ordinary shares. Measured by the simple standard referred to, the drains of Rosario are a commercial success; those of London are not! There is a different criterion—but that is another story!

If we adopt the standard of efficiency of service, we enter a difficult field, for to be just we must be careful to compare like with like; but taking the world as a whole, I will go so far as to say that, generally speaking, it will be found that where within one country's borders you have some undertakings operated by private enterprise, and some by the community, the balance in efficiency lies on the side of the latter, in the first place because the employees are almost invariably better paid and enjoy better conditions of service than those of the privately-owned undertakings, and, secondly, on account of the absence of the incentive to make quick profits, whether these be to the advantage of the community or not. But even from the narrower point of view: it is interesting to note that Sir Eric Geddes, ex-General Manager of the North-

eastern Railway Company, and Minister Designate of Transport, said in the House of Commons on March 17 last, *'Except in the one bright instance of the municipal tramways, the transportation systems of this country to-day are not prosperous.'*

Still, it will be urged, government undertakings are not marked by that degree of resiliency and spirit of accommodation that characterize most commercial concerns. It is true that if the post office were run on purely commercial lines, it would probably charge 6d. to convey a letter from London to Edinburgh, 1s. from London to Australia, and a halfpenny from one London suburb to another, as compared with the present flat rate of three halfpence. It would probably carry the millions of letters of the Prudential Assurance Company at a cheaper rate than the letters of a person posting only one a week; but, when all is said and done, the post office does, on the whole, render the community good service and, prior to the war, at any rate, it made an annual profit of about £5,000,000 and published each year a list of additional concessions or extended services, which is more than the railways did, with all their private enterprise. True, the telephone service is a constant source of criticism, but so it was under the ownership of the National Telephone Company, and now that the war is over, the service is gradually being improved.

Thus far, this article may appear nothing but a defense of officialdom and may, in the mind of some readers, have aroused a suspicion that the writer is determined not to see the evils of bureaucracy. The answer is that, after making full allowance for special circumstances, evils do exist; but, that, in the main, the complaints against the officials of community-owned undertakings constitute an in-

dictment, not of the officials as such, *but of a whole class — the governing class — which dominates not only government, and in a less degree municipal, enterprises, but all the big businesses of the country.* This class is, on the whole, incompetent and not even educated; when a successful business man, springing from it, goes to a government department, he, more often than not, turns out to be a failure. How is it that the man who in business may have risen to the top, proves, when he assumes office in a government department, to be just as inept as his brother at the War Office and his cousin at the Home Office? Because, directly the searchlight of publicity is thrown upon him, his weaknesses are revealed. It may be said that, even if this is true, there is this difference between a government department and a private business: that inefficiency which would ruin the latter and cause it to suspend operations, would not have the same result in a department having the resources of the whole nation behind it. Large and successful businesses, however, can and do stand a great deal more inefficiency and waste than people imagine. If the searchlight of publicity were concentrated upon private undertakings, as has recently been done upon the coal mines, many a well-known business would make a much worse showing than public enterprises which are the target of public criticism. The management of many community-owned undertakings — those of London, Glasgow, Manchester, and Liverpool, for instance — compare favorably in efficiency with the largest business concerns in the country, and that also in the matter of enterprise. I shall not readily forget my delight when, happening to pay a chance visit to the Liverpool Art Gallery, I heard Debussy's *Jardins sous la Pluie* exqui-

sitely performed in the said art gallery by a well-known French pianist, a combination of the arts which, thus far, has not been carried out by any private art gallery known to me.

Returning, however, to our comparison between the business that would be ruined by inefficiency and the government department. By the time the ordinary big business became bankrupt through the inefficiency of its principals, public criticism, in the case of a government or municipal department similarly mismanaged, would have become so great that the faults would have to be remedied. In this matter I agree with the writer of the leading article in the *Spectator* of March 29 last, who, under the heading of 'The Brighter Side of Nationalization,' pointed out that publicity is a very real safeguard against the dangers of bureaucracy. 'If there is one thing that officials fear,' wrote this usually severe critic of public enterprise, 'it is a public chorus of complaint echoed in the newspapers and in questions to ministers in Parliament.'

After sifting out the chaff from the wheat in the matter of the popular criticism of bureaucracy, there remains the fact that our Civil Service as at present constituted, is less enterprising and more hidebound than is desirable, and for this there is a fourfold explanation: (1) The higher grades are the preserve of a small class, the incompetent class, to which I have alluded, coming principally from the two older universities; (2) The class referred to has not yet realized the difference that has come over the functions of the government of today as compared with the government of yesterday, the difference between *gestion* and *administration*, the old tax-collecting and policeman state having now to manage undertakings which previously came under the head-

ing of trade; (3) This governing class does not wish to develop state enterprises that would compete with, and diminish the profits of, private undertakings owned or controlled by its own relatives and friends. We at present have the extraordinary but gratifying spectacle of the Postal Workers' trade unions agitating for the introduction of the postal check and increased post office banking facilities — a development naturally distasteful to the private banking interests; (4) The paralyzing effect of the Treasury, that stronghold of petty obscurantism, which holds back every attempt at progress on the part of any other government department.

The remedy for the evils of bureaucracy lies in weeding out the most glaring cases of incompetency; in emancipating the commercial undertakings of the government from Treasury control, and substituting therefor control by Parliament itself; in the education and training of a special class of civil servant, suitably equipped in a technical sense but, above all, with the right ideas; and in the participation of the workers themselves in every branch of the management. As Sir Henry Jones so wisely remarks in his *Principles of Citizenship*: 'If I were asked what is the best way of securing that democracy, the worker, shall deserve to be entrusted with the supreme care of his country's good, I would answer, "Give him as soon as possible the responsibility."' If we want people of the right type of mind, we must train them. Our newer universities, and the London School of Economics in particular, are already turning out officials of this description, and when labor comes into power, it will have no difficulty in finding at hand a sufficiently large number of men and women, adequately educated and equipped, to infuse its ideals into the



various state departments and services. Publicity is the one effective safeguard against the dangers of bureaucracy, and in a community in

which practically every adult person is an elector, the bureaucracy does, in the last resort, reflect the spirit of the community itself.

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## A DESTROYER AND A TYPHOON: A SAILOR'S LETTER

It was at 7 A.M. on Thursday, August 31, that the Exe and Dee, having completed their battle practice off Wei-hai-wei, proceeded in company bound for Shanghai. When we left, there was nothing more suspicious about the weather than the prospect of rain from the southeast. The aneroid stood at 30.20, while a light breeze came from the south-southwest. As the signal station gave no weather warning, we gayly set off at 15 knots expecting to reach Shanghai about five o'clock in the afternoon of the following day.

The dawn of September 1 broke without revealing anything worse about the weather than the prospect of a wet day, and the reflection that it would be an unsuitable day for partridge shooting or for yachting.

About 4 A.M. (September 1), the aneroid stood at 30.00, wind S.E., force 3. At 8 A.M. the aneroid had fallen a tenth since the previous reading; the wind had backed to east and had increased to 5. Toward the southeast, from which direction a considerable swell had set in, the sky presented an uncanny appearance and the weather looked decidedly threatening.

At half-past twelve the situation was as follows: By dead reckoning I should have been about eight miles from land right ahead, and the ques-

tion was, should I force on or not? Not having been at all certain of my deviation, my assumed longitude might have been fifteen minutes wrong. It was impossible now to see more than two or three miles. The aneroid had dropped to 29.60 and was still falling at an alarming rate. The wind and sea were rising from the eastward, and the appearance of the sky from the southeast was dreadfully ominous; in fact it seemed no longer possible to doubt the rapid approach of a typhoon. Supposing I hung on to my course, would the sighting of land be of much help? If I saw any strange land, was it reasonable to suppose that I would be able to detect its exact identity from the chart?

As my range of vision was getting less than a mile, you can imagine the alluring prospect of negotiating the pilotage of those rock-girt Saddle Islands in the hope of shelter. A sheltered anchorage for a 'swollen-head' \* destroyer: memories of Argostoli! So you will hardly be surprised that I determined on (what then appeared to me) the lesser of the two evils. I decided to face the open sea, where I might more reasonably seek salvation by virtue of our high forecastle than by risking some unknown anchorage where our high bows and inadequate

\* The 'River' class destroyers had been given this characteristic sobriquet as they were the first to have high forecastles.