The British Coal Situation

IF—which is improbable—foreign observers of British politics have any attention to spare from Ireland for the government's handling of domestic problems, they may be pardoned if they find its treatment of the coal crisis not much less bewildering, though less tragically wicked, than its campaign of arson and assassination in that country. It has not yet reached the point of burning miners' cottages, though the lessons which it has been teaching His Majesty's forces in Balbriggan and Dublin make one wonder how long it will continue to practice such unnatural self-restraint, and recall the words, "You have an army in Ireland; you may employ it to reduce this kingdom," for which, in the days before Parliament was senile, Strafford lost his head.

Machine guns and bombs are not, however, the only instruments of warfare; and the subtler arts, which formerly were connected with the name of the Press Bureau, have been directed against the miners almost as though they were a foreign enemy. The Prime Minister, who is a little blown upon in England, launches warnings against soviet government on the acquiescent air of his native Welsh mountains, or watering places, or chapels—a mere Englishman may be pardoned for forgetting the latest taste in scenery of so versatile an artist. Respectable papers alternately denounce Mr. Smillie for misleading his members and denounce his members for not following the advice of Mr. Smillie. When the Federation urged that the large profits taken by the government from the coal industry, instead of being used as indirect taxation to relieve payers of super-tax and death duties, should be applied to reduce prices to the consumer of coal, the cabinet, who, if Cromwells in Ireland, are constitutional purists at home, protested that it was "unconstitutional" for workmen to take an interest in the price of the commodity which they produce. When the miners obediently dropped the demand for a reduction in prices and concentrated on that for an advance in wages, they were rebuked for their selfishness by a government which had recently given the mine-owners a legal guarantee for something more than twice their pre-war profits. When they had the audacity to say that they really could not accept lower real wages than before the war, the government demanded that they go before a tribunal, under the impression, apparently, that since it succeeded in averting a strike last year by promising to carry out the decisions of the tribunal appointed by itself, and broke its promise when the strike was averted, the repetition of that ingenious expedient would command enthusiastic confidence.

The prosperity of any highly organized industry depends on mutual confidence and good will, because effective co-operation is impossible without them. And mutual confidence and good will are precisely the qualities which are destroyed by the policy of bribing the mine-owners with large profits and promises of "decontrol," and then pitting the miners against "the community" when the miners protest. The economics of the problem are fairly simple, though candid men may quite reasonably come to different conclusions as to its solution. The system of state control over the coal industry, which was built up during the war, has, with certain modifications, been continued. The essence of it is that the government regulates prices, guarantees to the mine-owners a certain standard of profit by means of a levy on the more profitable mines, and, when that profit has been paid, retains the surplus. In fixing the profit standard to be guaranteed to the owners, it might have been supposed that the government would have based it upon the average profits of the years preceding the war, which, during the period from 1909 to 1913 worked out, when royalties (roughly £6,000,000) are excluded, at an annual average of £13,00,000. In fact, however, that was not the course pursued. On the contrary, the government allowed the mine-owners to choose as the basis the profits of the best two out of three, or best four out of six, of the years before the war, or to substitute for that, if they thought fit, a profit of nine per cent. This meant, in effect, that a profit of £22,000,000 was guaranteed to the mine-owners, or nine millions in excess of their average pre-war profits, and that they paid excess profits duty only upon profits above that figure. On that not insubstantial foundation a more imposing edifice has since been erected. Another £4,000,000 profits has been guaranteed the owners, in addition to the paltry £22,000,000, as interest upon new capital sunk in the interest; in addition to this £26,000,000, which is free of excess profits duty, they are allowed one-tenth of any surplus profits above that figure; while the profits from coke ovens and by-product plants, which are not under the Coal Controller, probably come to something between another £6,000,000 and £11,000,000. The aggregate profits of the mine-owners are uncertain. What is clear is that they have been guaranteed by the government rather more than twice, and must actually be receiving nearly three times, their pre-war profits.

This preposterous arrangement was fought by the miners in the House of Commons earlier in the year, when the legislation on which it reposes was before Parliament. At the present time, however, it is not over the profits guaranteed to the owners, but over the surplus above them received by the government, that the struggle has arisen. Owing to the enormous demand of the continent, exported coal can be sold abroad for famine prices, with the result that the government receives a surplus, the precise amount of which is disputed—the Federation officials put it at roughly £60,000,000, the government at less—but which is known to be large. That such a surplus should be obtained by squeezing the wretched peoples of Europe is economic nationalism run mad, and is a disgrace to this country. No international comity is possible as long as nations which happen to be in a relatively strong economic position use to the full their power to grind the faces of their neighbors. Naturally, however, this government is impervious to considerations of that order. It is anxious to find revenue from sources which are less unpopular than taxation. If, in doing so, it condemns a considerable part of the Continent to pass the winter without fuel, that is merely good business.

The result was a struggle over profits which should never have existed. The government claimed that the whole surplus should go in relief of taxation. The miners argued that this was equivalent, in effect, to indirect taxation upon the users of domestic coal and demanded (a) a reduction in the price of domestic coal by the fourteen shillings, two pence, which the Coal Controller added to it last May, (b) that there should be an advance in wages of two shillings—one shilling and nine pence per day for men, youths and boys respectively, on the ground that wages have not kept pace with the advance in prices. The government denounced the first of these demands as "unconstitutional," and the miners, who did not want to strike, dropped it and concentrated their attention on securing an advance in wages. The government then replied that it would not be justified in consenting to an advance in wages unless it obtained guarantees from the miners as to "output." It proposed, therefore, that the advance should be made dependent upon the total output of the industry, wages for men being increased by one shilling when the total output is 240,000,000 tons and by one shilling, six pence, when it is 244,000,000, up to three shillings when the output is 256,000,000 tons.

Industrial disputes are apt to be too technical to be interesting to any one but those engaged in them or to professional economists. In this particular case, however, large questions of social policy are involved. There is the question of how to secure an adequate supply of coal at a reasonable price, of the use to be made of the surplus profits of the industry, and of the future of the policy of "control." The Government's proposals with regard to the first point, emphasizing, as they do, the magic word "output," have an air of plausibility.

But the idea that the energy of the *individual* miner can be increased by changes in wages based on changes in the output of the *whole* industry throughout the *whole* country—that the hewer in Durham will produce more coal for the sake of an advance which may fail to materialize because the hewer in South Wales or the Forest of Dean does not—is, of course, in itself absurd. Whether "payment by results" is good or bad, the very essence of it (as in other connections employers are perpetually emphasizing) is that there should be an exact correspondence between *individual* earning and *individual* effort. One can imagine how the cotton-spinners would greet a proposal to base the wages of the individual spinner on the output of yarn thoughout the whole cotton industry! And that proposal, since the cotton industry is localized in a single county, would be a much more reasonable one. What, again, under such a scheme, will be the relation of wages to profits? Where a "sliding scale" has worked successfully, as in the iron industry, it has done so because its basis—the selling price of iron—was a rough indication of the profits being made. There is no such exact relation between the output of coal and the profits of mine-owners. As a matter of fact, there have been occasions on which it has actually paid owners in the past to restrict output in order to keep up prices!

But these, though sufficient by themselves to discredit the government's proposals, are minor matters. The actual fact, which is decisive, is that the government's proposals assumed that an increased output of coal could be secured merely, or mainly, by increased efforts on the part of the miners, and that that assumption was fundamentally mistaken. The real causes limiting output are of quite different order. They are primarily—apart from the now well known deficiencies of private ownership, such as the loss of 3,000,000,000 to 4,000,000,000 tons in barriers, the "drowning out" of coal because mine owners will not combine for drainage schemes, the "creaming" of the pits and waste of small coal, the appalling waste in distribution—the legacy of the war. Between 1914 and 1918 the equipment of the pits, as was almost inevitable, ran down. Rails, trains, tubs, new machinery of all kinds, could not be got. And since the war these conditions have continued; for the owners have been reluctant to spend fresh capital while nationalization was in the air, and the Coal Controller has taken no steps to compel them to do so. The result is that production is hampered by technical deficiencies which the miners have frequently pointed out, which were emphasized by the experts who gave evidence before the Coal Commission, and which, in spite of both, still continue. It is not suggested, of course, that if there were no absenteeism, or if every miner were intent upon increasing production, the output would not rise. The truth is that the miners themselves find it difficult, under existing circumstances, to preserve their economic morale. A man hews coal, and then has to wait for hours for tubs to clear it. A colliery restricts its output one week because transport is deficient, and naturally the men are not in the mood to increase it the next. They have no power whatever to remove the technical obstacles which hamper efficient production. To propose now that they shall be penalized, because these obstacles, to which they have repeatedly called attention, are not removed, inevitably makes them indignant. From the point of view of the consumer, it is merely playing with the problem. If the government really desired increased output—and increased output is of urgent importance—why did it not at once insist on the equipment and organization of the industry being improved? There is only one answer. It dared not offend the mine-owners. And, in order to distract attention from its subservience to them, it endeavored to concentrate public attention on the alleged "idleness" of the miners.

The deficiencies of the industry were explained at length by Sir Richard Redmayne (himself an ex-director of Collieries) to the Coal Commission, and everything which has since occurred has confirmed his evidence. Behind them, however, lies a larger question, the future relation of the industry to the state. Every observer of the present issue was impressed at once by the rage with which the government and its press met the demand of the Federation for a reduction of fourteen shillings, two pence, in the price of domestic coal. It was not denied that the surplus profits are sufficient to allow of a considerable reduction being made. Why, then, this storm of indignation? Tantaene animis caelestibus irae? One could have understood that the generous nature of the Prime Minister would have rebuked a proposal to *increase* prices. But why should the Protector of the Poor cry and cut himself with knives at the proposal to *lower* them?

It is not for a mere student to be so presumptuous as to explore the mind of Providence or to justify the ways of God to man. But stray whispers from the shrine penetrate even to the Courts of the Gentiles. As one cons the precious syllables, they seem gradually to coalesce into intelligibility. And the word they spell (if these barbarous innovations in our language deserve to be called words) is "Decontrol." For consider the situation. In the last six years miners' wages, which used to vary widely from one coal field to another, have been partially standardized. But standardization has been made possible by the partial unification of the industry introduced during the war, in particular by the levy on the collieries making more than the "standard profits" which is paid to the account of those making less. Thus the extremely remunerative mines of South Wales contribute (to some small extent) to the twelve-inch seams of the Forest of Dean, and the high prices of the export districts assist the coal fields of the midlands. Not only from the point of view of the mine-workers, but of the consumers of coal, complete financial unification (instead of the small measure of unification so ment is just as cogent as the German argument for striking in 1914 instead of waiting until her opponents became stronger. That was a very cogent argument, but it led to disaster. And our industrial militants, toasting Der Tag, may profitably try to make certain that their cause is good and the costs not likely to be disastrous.

The price of the products of labor is falling, reducing the capacity of employers to pay high wages. The cost of living is going down, reducing the need of labor for high wages. If it was fair and reasonable that wages should go up when prices rose, why is it not equally fair and reasonable that wages should go down when prices fall? Labor organizations will resist any such reduction in wages; therefore why is it not legitimate to attempt to break their power? Workers might respond to wages cutting by soldiering on the job, if jobs were plentiful. Not, however, if their tenure were menaced by the unemployed, desperately seeking work. This, in brief, is the moral case for forcing the issue with labor at the present time. Let us see how valid it is.

Has the rise in wages since 1914 fairly paralleled the rise in prices? On the average, yes. There was a lag, for a time, but that has since been made up. And if wages in 1914 had been adequate to a decent American standard of living, it would be a tenable position that as prices gravitate towards the 1914 level, wages should do so also. But no competent economist, however conservative, would maintain that wages in 1914 were adequate. At the most modest estimate, over half of our adult male workers received too little for the decent maintenance of the normal family. That is the condition it is sought to reestablish, when it is proposed to cut wages in the same proportion as the cost of living falls. It is a condition that no one who hopes to see America become a healthy and harmonious democratic state can contemplate without dread. For in America, as in the rest of the world, the working class is less patient under distress than it was before the war.

We are not maintaining that no reduction in wages is admissible. Perhaps a new level of wages will have to be found in the course of the price adjustments now under way. What we do maintain is that the burden of proof ought to rest heavily upon every employer who proposes either to cut wages or to restrict his operations. He ought to be compelled to prove to labor and to the public not only that continued operation under existing wages scales is unprofitable, but he ought also to make it clear that his embarrassment is not due to inefficiency of management or failure to keep his mechanical equipment in proper condition. The public, which though neutral, has to share the cost of industrial conflict, has a right to demand that capital and labor consult together openly on ways of meeting the difficulties inevitable in a period of declining prices. And so long as capital, instead of inviting labor into consultation, schemes to break down the only organization existing through which consultation is practicable, in order to fix the terms of employment according to its own arbitrary choice, it is flouting the public, whose sympathies it will later seek to gain.

Capital may feel that it is strong enough to challenge labor, but so long as it persists it treating the readjustment of employment and wages as a matter falling within its own sphere of divine right, it cannot count on the continued support of public opinion, even if at first it wins the public to its side by propaganda. The steel and coal strikes proved that the public could be deluded into siding with employers who had no case, but it also proved that sooner or later the truth would come to light. And capital, if it possesses any statesmanship, will not be content to plan for the initial engagements. It will look ahead not only to next year, but also to the end of the next decade.

Now, can anyone imagine that the forces of unrest, everywhere manifest in the working class, even though not properly organized to win immediate victories, can be capped and contained through a decade by threats of unemployment and wages cutting? And can anyone, knowing the spirit of the working class of today, dream that an army of the unemployed will be a mere convenience to the employer who wishes to beat wages down or speed up labor? Before the war the unemployed did indeed hover patiently about the soup kitchen doors, or wait interminable hours in the bread line. But this is not the same world as it was before the war. And those who have most at stake in the existing order of things will do well to take this fact into account before they attempt to apply antebellum methods of improving the morale of labor.

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