

Fabian Tract No. 138.

# MUNICIPAL TRADING.

PUBLISHED AND SOLD BY

THE FABIAN SOCIETY.

PRICE ONE PENNY.

LONDON :

THE FABIAN SOCIETY, 3 CLEMENT'S INN, STRAND, W.C.

JULY 1908.

# THE FABIAN SOCIALIST SERIES.

The first four volumes (all that are actually published) consist of revised, collected, and classified editions of some of the most valuable of the famous 'Fabian Tracts' in a style more suitable for the general reading public, and supplying in a handy and attractive form the best and most authoritative thought on 'What Socialism Means.' Each booklet contains not less than 96 well-printed pages, good paper and good type, and is supplied in two forms, i.e., in attractive wrappers at 6d. each, nett, and in quarter cloth boards, gilt top, at 1s. each, nett. Postage 1d. and 2d. each respectively.

## VOLUMES NOW READY :

- I. SOCIALISM AND RELIGION.** CONTENTS : (1) Christian Socialism, by the Rev. Stewart D. Headlam. (2) Socialism and Christianity, by the Rev. Percy Dearmer. (3) Socialism and the Teaching of Christ, by the Rev. John Clifford. (4) A Word of Remembrance and Caution to the Rich, by John Woolman, of the Society of Friends.
- II. SOCIALISM AND AGRICULTURE.** CONTENTS : (1) The Village and the Landlord, by Edward Carpenter. (2) State Aid to Agriculture, by T. S. Dymond. (3) The Secret of Rural Depopulation, by Lieut.-Col. D. C. Pedder. (4) The Revival of Agriculture, by the Fabian Society.
- III. SOCIALISM AND INDIVIDUALISM.** CONTENTS : (1) The Difficulties of Individualism, by Sidney Webb. (2) The Moral Aspects of Socialism, by Sidney Ball. (3) The Impossibilities of Anarchism, by G. Bernard Shaw. (4) Public Service *versus* Private Expenditure, by Sir Oliver Lodge.
- IV. THE BASIS AND POLICY OF SOCIALISM.** CONTENTS : (1) Facts for Socialists, by the Fabian Society. (2) Capital and Land, by the Fabian Society. (3) Socialism : True and False, by Sidney Webb. (4) Twentieth Century Politics, by Sidney Webb.
- V. THE COMMONSENSE OF MUNICIPAL TRADING.**  
By G. Bernard Shaw. *Nearly ready.*

---

**BALLADS AND LYRICS OF SOCIALISM.** By  
**E. Nesbit.** Paper 6d. net (postage 1d.); boards 1s. (post. 2d.)  
A delightfully printed and attractively produced volume of verse written between 1883 and 1908. It fills a distinct gap in Socialist literature.

---

LONDON :

**THE FABIAN SOCIETY, 3 CLEMENT'S INN, STRAND, W.C.**

## MUNICIPAL TRADING.

MUNICIPAL GOVERNMENT aims at improving the conditions of life in towns. Such improvement has already been effected to some extent and it may and ought to be carried much further. The undertakings by which it is accomplished may be divided roughly into two kinds: non-revenue producing and revenue producing. To the first category belong all those services for which no charge is made to the consumers as such, the cost being paid by the citizens by means of the rates. These are "unprofitable" in the ordinary commercial sense of the term. For instance, it costs money to destroy or disinfect a centre from which fever spreads; and though the ratepayer saves many pounds a year in doctors' bills in his own family and gains in the increased working power of his employees, he seldom thinks of crediting these gains and savings to the account to which he debits his rates. The municipalities themselves cannot estimate the savings and profits that result from people being alive instead of dead, or well instead of ill, and these items can never be brought into any statement of accounts which would satisfy the requirements of a "commercial audit." Much the largest part of all municipal expenditure is of this nature: paving, lighting and cleansing streets, maintaining order, collecting household dirt and refuse, housing and feeding destitute persons, educating children, making sewers and drains and keeping them in order, providing and maintaining parks and open spaces, roads and bridges—are all a general charge upon the community, it having been realized that the most satisfactory and often the only possible way of getting these things systematically done is by municipal action, and that the most convenient method of collecting the cost is not by fees but by rates. Expenditure on this work is liable to increase rapidly as soon as people realize that it really does not impoverish but enriches the community.

### The Growth of Expenditure.

In the year 1884-5 the local expenditure in England and Wales for highways, education, poor relief, police, sewerage, lunacy and harbors (all non-revenue producing except the last two items, and those only repaying a part of the cost), amounted to about £29,300,000; and eighteen years later, in 1902-3, it had increased to about £44,000,000: that is to say, by about 50 per cent.; and these amounts include neither sinking funds and interest nor miscellaneous expenditure, which had gone up in yet greater proportion. The expenditure continues to grow year by year, but is not at all too great; for (apart from humanitarian considerations) the existence of infirmaries, workhouses and asylums makes life and

property safer ; and streets, roads, sewerage and harbors, as well as the industrial advantage of having a population able to read, write and cipher, are worth more than all we spend on them. But what is really unsatisfactory is that those who pay the rates are often not those who get the greatest benefit from them. A shopkeeper may be ruined and his family may have to go short of milk or boots because the rates on his shop are higher than his profits will bear ; and it does not console him to learn that the longevity of the community and the value of his landlord's property have greatly increased as a result of this municipal expenditure. It has to be admitted, therefore, that the present incidence of the rates is grossly unfair, and is rapidly becoming intolerable. The ground landlords in London, the value of whose land has been manifolded without effort on their own part, furnish an obvious instance of people who get too much from, and pay too little toward, municipal expenditure. No public advantage is secured by retaining a system which taxes some people unfairly to enrich others unjustly.

### Revenue Producing Undertakings.

The second category of municipal undertakings, those which produce a revenue in fees or charges made for commodities supplied, constitute what is known as "municipal trading." For these undertakings a charge is made to the consumers who directly benefit by them, instead of upon the ratepayers at large. They generally yield a cash profit besides affording improved social services. It is customary to confine the term "municipal trading" to these undertakings ; but mention has first been made of the non-revenue producing work because it is the latter which causes the "high" rates and also a great part of those municipal "debts" often referred to as proofs that municipal trading is undesirable. The increase of rates, taking England and Wales as a whole, is due solely to expenditure on non-trading undertakings, of a kind indispensable to the very existence of healthy towns. Indeed, as will be seen later, municipal trading throughout the country, far from throwing any charge on the ratepayers, has resulted in a contribution being made towards the reduction of rates. As a matter of fact, the municipal "debt" of England and Wales, which in March 1905, already amounted to over £466,000,000, is to the extent of nearly £211,000,000 due to non-trading undertakings. The balance of over £255,000,000 is really capital in the commercial sense, being invested in enterprises which as a whole produce a cash profit or dividend.

Municipal trading easily pays its way, and could, indeed, be made to yield high cash profits were it desirable to do so. By charging as much for water, gas, electricity and tram-fares as private companies do, cash profits could be made out of municipal trading much larger than are usually made by private enterprises of a similar nature. The reason for not doing this is that the municipalities' aim should be not to make cash profits but to serve the public. In fact, it is not fair for a municipality to make large profits by charging high prices, because, as the profits go to the relief of the rates, those people who

travel often by municipal trams or use much municipal gas, water, or electricity, indirectly pay more in that case than their share of the cost of governing the town. That is why all municipal services ought to be run at, or nearly at, cost price. This is more or less the practice in many towns; and thus the opponents of municipal trading are able to declare that certain private companies earn larger profits than are earned by municipal undertakings. The latter charge little more than enough to cover their actual expenses, including the cost of renewal of plant, buildings, etc., plus interest on borrowed capital, and a sinking fund sufficient to repay that capital in a certain term of years; and people who do not ask what quality of service the public receives, nor at what price, nor how the employees are paid and treated, nor what hours they work, are consequently sometimes induced to believe that municipal trading brings no profit to the community: an opinion which will not stand examination.

As already suggested, many undertakings yielding great advantage to the community are of such a nature that private capitalists managing them are unable to secure any considerable profit in the form of dividends. In such cases, unless the work is done by a municipality, it is generally not done at all. For instance, the ultimate advantage to the community of destroying unhealthy dwellings in a congested slum, and arranging a fine open space where children can play and men and women who have been indoors all day can sit or stroll and breathe fresh air in the evening, may (by affecting the health and vigor of the population) be very great. The improvement may also so alter the aspect of the whole neighborhood that rents may go up and landlords may grow rich. But a man making the open space as a private speculation and trusting to the pennies he could charge for admission, or to the conscience-money that grateful landlords might send him, would find that he had made a very bad investment.

So strongly has experience shown that private companies cannot be trusted to supply the necessaries of life in good quality, sufficient quantity, and at a fair price, that even under a Tory Government the powerful vested interests of the water companies of London were unable to maintain their independence and were compelled in 1904 to hand over their long-established businesses to the management of the community. This example is being, and will be, followed in other places and with reference to other commodities. In fact, already in 1902, out of the 317 municipal corporations in England and Wales, no less than 299 were carrying on revenue producing undertakings of one kind or another. These undertakings included waterworks, gasworks, electricity, tramways and markets, as well as baths and washhouses, burial grounds, working-class dwellings, harbors, piers, and a variety of other businesses.

It would be easy to select examples of extremely successful municipal enterprises; but it will be fairer and more convincing to take the most complete results that have been as yet published for several large classes of undertakings.

## Public and Private Enterprise Compared.

The Board of Trade publishes annually returns of *every* gas undertaking and *every* tramway undertaking in the United Kingdom. The following summaries are prepared from these official figures by the *Municipal Year Book* (see pp. 461 and 472 of the 1908 issue).

### GAS UNDERTAKINGS.

	All Local Authorities in U. K. 1905-6.	All Companies in U. K. 1905-6.
Average price charged per 1,000 ft.	2s. 5 $\frac{3}{4}$ d.	2s. 8 $\frac{1}{2}$ d.
Expenditure (ratio to income) ...	73·53	76·12
Return on capital ... ..	6 $\frac{1}{2}$ %	5%

### TRAMWAYS.

	All Local Authorities in U. K. Year ending March 31, 1906.	All Companies in U. K. 1905.
Cost per mile of lines <i>laid</i> by L. A. and Companies respectively ...	£ 24,916	£ 28,072
Return on capital <i>worked</i> by L. A. and Companies ... ..	8%	4 $\frac{1}{2}$ %
Working expenses (ratio to income)	63·08%	66·28%
Average fare per passenger ...	1·08d.	1·20d.

### ELECTRIC LIGHT AND POWER.

Unfortunately the Board of Trade does not at present issue returns relating to electric supply undertakings, and no absolutely complete statistics are obtainable. However, the *Electrical Times* publishes excellent tables relating to all undertakings of which it can obtain official statistics. With regard to local authorities its list seems fairly complete, the omissions being of no great importance. Its list of companies is unfortunately very incomplete. Still, the figures are not *selected* in any way, and probably are a fair sample of the whole. The following summaries are taken from the *Electrical Times* of May 2nd, 1908, p. 347.

#### *London Undertakings.*

	12 London Local Authorities 1905-6.	13 London Companies 1905.
Average price per unit ... ..	2·63d.	3·08d.
Working expenses per unit...	1·28d.	1·55d.
Gross profit per cent. of capital ...	5·69	6·53

#### *Provincial Undertakings.*

	196 Provincial Local Authorities 1905-6.	70 Provincial Companies 1905.
Average price per unit ... ..	2·08d.	2·71d.
Working expenses per unit...	0·99d.	1·47d.
Gross profit per cent. of capital ...	7·15	4·79

### PRICES CHARGED TO THE PUBLIC.

It will be noticed that in each one of these public services the prices charged to the public by local authorities are lower than those charged by companies.

### COSTS OF PRODUCTION.

It will also be seen that in each service, without exception, the working expenses of the public authorities are lower than those of the companies. In the case of gas and tramways, the figures in the *Municipal Year Book* do not reveal the full extent of the difference in favor of the former. Thus in the case of gas, the average price charged by the local authorities is 2s. 5 $\frac{1}{2}$ d. per 1,000 cubic feet, and their average expenditure 73·53 per cent. of their income. Now it is clear that if they charged the same price as the companies (*i.e.*, 2s. 8 $\frac{1}{2}$ d.) their income would be much higher, and their expenditure would therefore be very much less than 73·53 per cent. of that income. The same applies to tramways.

### AVERAGE PROFITS.

It will be noticed also that in each service the average rate of profit of the public authorities is higher than that of the companies, except in the case of the London electricity undertakings. This exception is explained by the fact that in London the companies have the best districts and the largest undertakings, and have been much longer established.

It should be remembered that in addition to the large sums which are every year transferred from the profits of public undertakings to the relief of the rates, the public makes a large indirect profit in consequence of the lower prices charged. This indirect profit amounts to several million pounds per annum.

These figures conclusively disprove the statement so often made that municipal trading does not pay, and that it is extravagantly and wastefully conducted. They prove beyond doubt that at the present time public enterprise can and does give a cheaper service than private enterprise; that it is more economically and efficiently conducted; and that it is more profitable.

If private electrical enterprise were to be judged as a whole, debiting it with interest and sinking fund on all its wound-up unsuccessful companies as well as its successful ones, it would come out of the test far worse than in the tables given above. The private company, with its limited liability, may simply spend its shareholders' money and stop payment when it fails. It may "cut its losses," and ruin its investors. Whereas every sum borrowed for municipal enterprise must be paid back to the uttermost farthing; and until it is paid back the interest on it must be paid punctually, whether the enterprise pays its way or not.

### Workmen's Dwellings.

Some charge on the rates has been incurred over the construction of working-class dwellings. According to the Parliamentary Return

to March 31st, 1902 (the latest authoritative statement available), capital to the amount of over £1,253,000 had been expended on these, of which about £207,000 had been paid off or balanced by sinking fund. The average yearly income, after paying working expenses, was £16,500; while the amount required for interest and repayment of capital was £43,500, so that the contribution from the rates was nearly £27,000 a year.

It must, however, be borne in mind that in the matter of supplying workmen's dwellings private enterprise has also failed. The overcrowding of the people, both in towns and villages, is the greatest scandal of our time. The census Returns show that nearly one-third of our total population, and in London alone nearly 1,000,000 people, live in an overcrowded condition. Over two hundred thousand Londoners are packed in horrible block dwellings, nearly half a million live three persons to a room, and thousands live in still more crowded conditions. The state of things in many rural districts is quite as bad.

The action of the municipality in this matter is almost confined by law to insanitary areas and to workmen's dwellings. A private builder is under no such restriction. He can take an order for a cathedral and for a potting shed, for a millionaire's house in Park Lane and for the cottage of the millionaire's gamekeeper. In the intervals between large contracts he can keep his staff and plant employed on small ones. If he decides to go into the business of housing the working classes, he can proceed much more cheaply than the municipality. Instead of erecting huge blocks of dwellings with fireproof floors and all the solidities and sanitary appliances of what may be called parliamentary building, he may "run up" rows of small private houses, which will presently become lodging houses; or he may adapt the family mansions of a neighborhood deserted by fashion, for occupation by working class families.\* Under these conditions there can be no question of a commercial or any other test: comparison is impossible. The municipality is compelled to take the refuse of a trade and to carry it on in the most expensive way: the private builder has the pick of the trade, and can adapt his expenditure to the pecuniary resources of the tenant. Moreover the Local Government Board, when it grants a local authority a loan with which to erect houses, always insists on much more stringent conditions as to building than are contained in the ordinary bye-laws.

#### Other Undertakings.

We come finally to a group of undertakings which, though they are revenue producing in the sense that the public pays *something* for the use of the facilities provided, are still not generally expected to earn as much as they cost. To this group belong baths, washhouses, burial grounds, harbors, piers, docks and quays. It can hardly be necessary to demonstrate that it is better to give the poorest part of

\* By law a municipality can build shops on building estates, and adapt existing houses for working class occupation. In practice these powers are rarely made use of.



the population opportunities to wash themselves and their clothes, even though they cannot afford to pay the full cost of the baths and laundries. With reference to dead bodies also, it is obviously more important to get these disposed of quickly and safely (though our cemeteries often fail to do this) than it is to try to make every municipal cemetery pay as well as some do. Similarly with harbors, piers, docks and quays. The Town Council of Penzance, for instance, may very reasonably decide to promote the trade and prosperity of the town by dredging and by repairing the dock gates, even though this for a time involves a contribution from the rates of some hundreds of pounds a year. The gain they look for is an indirect gain, or a gain only realizable in the future.

The total figures for this last group of reproductive undertakings—baths, cemeteries, harbors, etc., according to the same Parliamentary Return, are: Total capital expended, £9,792,000, of which over £2,815,000 had in 1902 been repaid or balanced by sinking funds. The yearly income—after deducting working expenses—was about £105,000. The amount required for interest and repayment of capital was over £371,000, and the consequent annual charge on the rates was about £266,500.

Such undertakings as the London municipal steamboats should not be judged merely by their financial results. Whether such boats should be run at a financial loss is a matter of opinion which ought to be decided by comparing the cost, on the one hand, with the gain to the population in health or pleasure, and the advantage accruing from relief to the street traffic, on the other. There are many services a municipality might provide, the advisability of which depends partly on what the city can afford, and partly on considerations only remotely connected with wealth.

The scope of municipal trading is not limited to the undertakings about which figures have been quoted in the foregoing. The Parliamentary Return already alluded to mentions "other reproductive undertakings" on which a capital of £714,000 has been expended, of which more than £150,000 had been paid off or provided for by sinking funds. The yearly surplus for these, after deducting working expenses, was about £48,500. The amount used for interest, repayment of capital, and set apart for depreciation, was about £33,200 a year, and the average annual net profit for four years was over £15,300.

The Manchester Ship Canal was accomplished thanks to the financial support of the Manchester Corporation. Liverpool and Glasgow provide municipal lectures, Battersea has a municipal young men's club, many towns provide municipal concerts, others have pleasure piers, Torquay owns a rabbit warren and makes a profit on it, Colchester owns an oyster fishery, St. Helens and several other towns have sterilized milk depôts, Hull manages a crematorium, the Gloucestershire County Council even runs a canal, Doncaster owns a racecourse, Bournemouth provides golf links for visitors, Harrogate fireworks, West Ham runs a paving stone factory, Bradford owns an hotel, scores of municipalities own property

of various kinds, while some of them execute their own works and directly employ thousands of workers.

In reckoning the advantages of municipal trading it must be remembered that the charges to the public for the service of water, gas, electricity, trams, and other public services, are usually lower than those of private companies; the people employed are usually better paid, better treated, and work shorter hours; those who lend money for the undertakings receive their interest regularly; there are no bankruptcies; and an incalculable amount of anxiety, uncertainty and friction is thus saved to the people concerned, and indirectly to those who depend on them or work for them.

These municipal undertakings are, year by year, repaying the capital invested in them, so that in time the plant will belong to the towns free of debt. They will then, if they have been kept in good condition out of revenue, as is generally being done, either produce a larger income in relief of rates or be able to supply services still more cheaply. It will be as though limited liability companies accumulated reserves sufficient to pay off their capital, and thereafter reduced the price of their goods or presented the public with all the profits they earned.

What then are the objections we hear so much of to the principle of municipal trading?

Those usually put forward are:—

1. That town councillors are not competent to manage them; and sometimes, on private grounds, appoint men to public posts for which they are quite unsuited;
2. That such undertakings increase municipal debt and add to the burden of the rates;
3. That it is "unfair" of municipalities to compete with private companies;
4. That new inventions may some day render the undertakings worthless;
5. That there is a risk of the municipal employees so using their vote as to obtain unfair advantages for themselves; and
6. That municipal accounts may be cooked to deceive the public.

Let us see what these objections are really worth.

#### Objection I.—The Competence of Councillors.

First, the importance of management as a factor in industrial success cannot easily be exaggerated; but management is nowadays as completely dissociated from ownership as machinery, and almost as easy to buy in the market. Nobody now suggests that a railway company is an impossibility because railways cannot be managed by a mob of shareholders, even when they act through committees of directors who do not know a piston rod from a trunnion. The directors simply prescribe the result they wish to obtain, and engage a staff of experts to tell them how to obtain it. Thus the London and North Western Railway Company manufactures everything it wants, from locomotives to wooden legs, without the inter-

vention of a contractor. A mob of ratepayers acting through a municipal authority is in precisely the same position. The ratepayers are just as stupid and short-sighted as ordinary joint stock shareholders, and the worst of their representatives on the municipalities are as incapable as the worst ordinary guinea-pig directors. But the ratepayers and councillors light their towns with electricity, run tramway services, build dwellings, dredge harbors, erect dust destructors and crematoria, construct roads, and manage cemeteries, as easily as a body of clergymen's widows can lay an Atlantic cable if they have money enough, or an illiterate millionaire start a newspaper. The labor market now includes an ability market in which a manager worth £10,000 a year can be hired as certainly as a navvy.

In spite of the fact that municipalities as yet move but slowly, and that an energetic man sometimes chafes in their employ and prefers to enter a private firm, it may yet be truly said that, on the whole, in the ability market the municipalities have a decisive advantage in the fact that prudent and capable organizers and administrators prefer public appointments. A municipality can always get an official more cheaply than a company can. A municipality never becomes bankrupt, is never superseded by a new discovery, and never dismisses an official without giving his case prolonged consideration in committee, from which he has practically an appeal to the whole body. A man who behaves himself and does his work has nothing to fear in public employment: his income and position are permanently assured. Besides, he enjoys his salary to the full; he has no appearances to keep up beyond the ordinary decencies of life; he need not entertain, need not keep equipages or servants for purposes of ostentation, may travel third class if he likes, and belong to what sect he pleases or to no sect; and this is why the ratepayers, in spite of their stinginess in the matter of salaries on the professional scale, get so much better served than they deserve.

If this answer does not satisfy you, turn to the actual results attained. The fact is, that town councils are generally managing their undertakings better, from the point of view of the public, than private capitalists have done. London's municipal trams compare favorably with the private companies' trams. The Manchester municipal gas supply compares favorably with Liverpool's private gas supply. The profits of a private gas company go, however, into the shareholders' pockets, with the result that in Liverpool a few people have a strong interest in upholding "private enterprise" (that is to say, their own profit), while in Manchester many people reap an advantage from municipal ownership. But as a few people making large profits can combine more effectively than many people reaping small advantages, the money and energy spent in attacking municipal trading is much greater than the money spent in showing the evils of private enterprise. As to the admitted fact that the public welfare is sometimes sacrificed to private considerations by elected persons of a certain type when they are not restrained by publicity and their dread of the electors, this is clearly not a

sufficient reason for substituting the unrestrained and irresponsible private "hoodler" for the restrained and responsible public one, though it is a strong reason for arousing a deeper and more general appreciation of the extreme importance of choosing reliable men at local elections.

### Objection II.—The Burden of the Rates.

The second objection, that such undertakings increase municipal debt and add to the burden of the rates, is absurd. The latter part of the statement is untrue; for, as already stated, municipal trading has reduced the rates by earning a net profit. The increase of municipal debt for revenue producing undertakings is merely the increase of capital usefully and productively employed; and the country would be worse instead of better off had this capital been raised by private companies instead of by municipalities. One of the weakest pleas employed by advocates of private profit-making is to call the money raised to start a private gas company "capital" and to speak of it as an indication of wealth, while calling the money raised to start a municipal gas works "debt," and regarding it as a sign of impending ruin. A real difference between the two is that the municipality arranges to pay off the money it borrows within a fixed term of years, whereas the private company wants to charge the public to the end of all time with interest and profits on the capital invested.

### Objection III.—Unfair Competition.

As for the third objection there is, in one sense, a good deal to be said for the contention that private enterprises have not a fair chance in competition with municipal enterprise; for we have already seen that a municipality can get its skilled managers more cheaply than a private company can, and it is equally true that it can borrow its capital on better terms. Any of our large corporations can raise as much money as they need at less than 4 per cent.; and no private companies can get money at so low a rate. This is the central commercial fact of the whole question. The shopkeeper, by municipal trading, can get his light for little more than the current cost of production plus the rate of interest paid by gilt-edged securities, because municipal loans are accepted by the investing public, and the municipal stock of towns with over 50,000 inhabitants is regarded as a legitimate security by the law of trusteeship. Any profit that may arise through accidental overcharge returns to the ratepayer in relief of rates or in public service of some kind. Moreover, when a private company starts, it may be ruined by an accident or a miscalculation which prevents it from completing its undertaking with the capital at its command, whereas a municipality is in no such danger.

It is therefore true enough that private enterprise can only compete with municipal enterprise if it happens to have some unusual advantage in the special ability of its organizer, or if it controls valuable patents or other rights. It is also true that a small shop-

keeper cannot compete with a universal provider, or a horse-cab company with a taxicab company, or a ferryman with a bridge-builder, or the Belgian army with the German army. That may be "unfair"; but does any sane person propose to suppress universal providers or taxicabs or bridges or the German army for the sake of the small shopkeepers and horse-cabdrivers and ferrymen and Belgian soldiers? There is no other sense in which municipal trading is unfair. It is *better*. Yet the very people who complain of this superiority try to persuade the public at the same time that private enterprise is superior to it. It would, in fact, be unfair to the community if the municipality failed to make use of its advantages.

In the demand for handing over to private firms the work that the municipality can do more economically itself, we reach the root of the controversy about municipal trading. A large part of that section of English society which is capable of expressing itself intelligibly aims at arranging matters so that some people (whom we will call A) shall work for others (whom we will call B) under conditions which ensure a flow of money into the pockets of class B; and any attempt to get the work of the community so organized that there shall be no "profit," but that class A shall be fairly paid, and the services shall be supplied to the consumers at about cost price, appears to class B to be a foolish waste of opportunities Providence has supplied for the exploitation of the public.

As soon as one has grasped this, the controversy becomes intelligible. One sees why some people talk nonsense and others listen to it greedily; and one understands why the newspapers, controlled by the capitalist class, are so bitterly opposed to municipal trading.

#### Objection IV.—New Inventions.

As to the fourth objection, relating to new inventions, it is a penalty attaching to man's fallibility that when he has done the best that the science of his day indicates, the results of his efforts may have to be thrown upon the scrap-heap because his successors may know how to get better results by quite other means—as stage-coaches and semaphores were scrapped by railways and telegraphs. But this is no reason for avoiding municipal action. In few branches of industry has invention been busier and scrapping more frequent than in electric lighting. Yet our municipal electric plants are as much up to date as the private ones. And the advantage of the municipality is that though it can be benefited by a new invention, it cannot be ruined by it. The path of progress by private enterprise is strewn with bankruptcy, lunacy, and suicide. The ruin which overtakes certain sections of the population when inventions are left to the wild scramble of speculators, company promoters, and ignorant investors, would stagger our anti-municipalizers if it could be estimated in figures. Municipal enterprise need ruin nobody. It simply adopts the new method at the point at which its plant for the old method is worn out or costs less to scrap than to maintain. It has no prejudice against new methods: on the contrary, municipal engineers have to spend more time than

they like in making reports in answer to members enquiring about such methods. And when a municipality effects an improvement in method, it has no motive to keep it a secret. It at once gives the whole community the benefit of its ability and experience without charge. Secrecy and monopoly are of no use to it. To reduce the rates or the charges to the public by improvements in machinery or organization is the feather in its cap which it most covets; it is the surest way of gaining votes at the next election. The position of private ventures is very different. Some fresh application of electricity may ruin the gas companies; petrol-motors may ruin horse-bus companies; steam-motors may in turn ruin petrol-car companies, only to be themselves ruined a year later by electric-motors, and so on, till flying-machine companies ruin all the rest, and are in their turn wrecked by improvements as yet undreamed of, spreading dismay and ruin among thousands of innocent victims.

#### Objection V.—Employees' Influence.

As to the fifth point, the risk of municipal employees using their votes to obtain unfair advantages, it is conceivable that an active organization of municipal employees may some day play as selfish a part in municipal elections as that now openly played by those interested in commercial companies, though it is impossible for them to play an equally harmful one. But at the present time those who do much of the most necessary work, under the hardest conditions and for the poorest pay, have hardly any voice in settling the conditions under which that work shall be done. Surely it is the latter fact, and not the former possibility, that is the greater evil. The municipal employee is also a ratepayer: he is, in fact, his own employer, and, if he cheats his employer, cheats himself. It is true that if he is, say, a mason or bricklayer, he may try to push the municipality into excessive building. But he would have the same motive if the building work was given out to private contractors. Besides, all municipal employees do not belong to the same trade. As more and more members of the community become municipal or governmental employees, the problem will more and more be, how is the community to utilize the resources of the country and divide the work so as to obtain the best results with the least injury to the workers?

#### Objection VI.—Cooked Accounts.

With reference to the sixth point, the danger of the public being deceived by the way in which accounts are presented, it should be obvious that work professedly done for the benefit of the community, and properly exposed to continual criticism in the town councils and in the public press, is less likely to be accounted for in a way calculated to deceive the public than work admittedly undertaken primarily to enable certain shareholders and capitalists to make as much profit as possible for themselves. As a matter of fact, many authorities have done more than is demanded by the law, and have appointed professional auditors to check their accounts.

The six objections to municipal trading have now been considered ; but certain points calling for further comment arise from what has been said.

### The Question of Character.

Municipal trading is one of the chief means whereby the social and economic evils of our day can be met ; but it is not a self-acting method. It depends always for its success on those who work it and on the community among whom it works. When all is said and done, municipal trading remains a machine by which men of capacity and goodwill can co-operate ; but the motive power to drive the machine must be generated in the hearts and minds of human beings.

It is obvious that very much depends on the selection of municipal councillors, and it has already been pointed out that it is an urgent duty of citizenship to support and encourage those who are both able and willing to give good service to the public. The men best qualified for the work are often those who are reluctant to undertake it, for a man really qualified for the post knows how difficult and responsible public work is.

It would, therefore, probably be wiser for the community to pay its municipal councillors, for it would then have a larger choice of candidates, and could be more stringent in its demands upon them. We have in this respect much to learn from Germany, where men of ability who make the work of municipal government their profession are elected mayors of towns, and are well rewarded both in money and honor.

### Other Considerations.

Very important matters in comparing municipal trading with private trading are the question of the minimum wage, and the disadvantage (unless everyone employed by the contractor receives a full living wage) of contracting out work the municipality could reasonably do themselves.

This, and the important and not generally understood allied question of parasitic industries, is dealt with in Mr. and Mrs. Sidney Webb's "Industrial Democracy"; and an admirable summary of their argument is given in Bernard Shaw's "Common Sense of Municipal Trading," to which (as well as to Tract No. 128, on the Legal Minimum Wage) the reader is here referred, lack of space preventing us from dealing adequately with the subject.

### Desirable Extensions.

Among the services municipalities might in the near future undertake or greatly extend much to the advantage of the public are Electric Power (Tract No. 119), the Milk Supply (see Fabian Tracts Nos. 90 and 122), Slaughterhouses (Tract No. 92), the Drink Traffic (Tract No. 86), Hospitals (Tract No. 95), and Pawnshops (Tract No. 91), not to mention many other things.

It needs no long argument to prove that the community has a stronger reason for wishing to obtain its supply of milk pure and as

near cost price as possible than any private trader can have for wishing to supply it in that condition and at such a price. It is equally evident that the milk supply of a whole town can be more economically organized if it be centralized than if it be left to the haphazard competition of a dozen or a hundred private dealers, several of whom may be sending their carts every day in competition with one another along the same streets. Similarly it is more to the interest of a community to slaughter only healthy animals for human consumption, and to do this as far as possible under cleanly conditions, than it can be to the interest of private slaughterers. Again, with the supply of coal, it is to the interest of mine owners and coal dealers that the difference between the cost of obtaining the coal and the price paid by the retail consumer should be large; but it is to the interest of the community to have coal supplied as nearly as possible at the price it costs, which could be done by nationalizing the mines and municipalizing the local distribution.

### The Limits of Municipalization.

It must, however, on no account be supposed that it is desirable for our town councils to municipalize everything.

If the medical officer of health wants a microscope or the county surveyor a theodolite, it will not pay the municipality to set up a scientific instrument factory to produce that single article, possibly of a kind which can be produced by half a dozen firms in sufficient quantity to supply the whole of Europe. Even the London County Council, with all its bands, has never proposed to manufacture its own trombones. The demand for the commodity must be sufficiently extensive and constant to keep the necessary plant fully employed. The moment this limitation is grasped, the current vague terrors of a Socialism that will destroy all private enterprise laugh themselves into air. The more work the municipality does, the more custom it will bring to private enterprise; for every extension of its activity involves the purchase of innumerable articles which can, in the fullest social sense, be produced much more economically by private enterprise, provided it is genuinely self-supporting, and does not sponge on the poor rates for part of the subsistence of its employees; in short, provided it works under a "fair wages" clause.

A very serious and quite artificial obstacle to municipal trading, as has been already indicated, is presented by the limits within which the activity of each separate borough is confined. In the country, municipal enterprise is reduced to absurdity by the smallness of the areas and their openly nonsensical boundaries. Mr. H. G. Wells's description (in "Mankind in the Making") of his residence on the boundary between Sandgate and Folkestone (two places as continuous as Mayfair and St. James's), a boundary which no municipal tramcar can cross, shows the hopelessness of substituting public for private Collectivism there. A shipping firm whose vessels were forbidden to cross any degree of latitude or longitude might as easily



compete with the Peninsular and Oriental as the Folkestone municipality with a trust which could (and would) operate over a whole province.

In towns the nuisance of antiquated boundaries is equally flagrant and often financially much more serious. But evidently this is a difficulty which can be dealt with as soon as public opinion is educated up to the point of wishing to have it altered, a process which will probably be assisted by the success of various large trusts in crushing small competitors and monopolizing large industries for private profit. In America the Standard Oil Company and other large combines have done more than any Socialist arguments to open people's eyes to the evils resulting from industrial competition, or rather from that stage of economic progress which is rapidly replacing competition by combination, and which, while it does away with the inefficiency and wastefulness of the small, old-fashioned and incompetent trader, introduces its economies and improvements not for the benefit of the public (though incidentally they may get some crumbs of advantage) but for the gain of the capitalist.

### The Evils of Private Trading.

It will also be assisted by a growing appreciation of the evils which accompany private trading. The wastefulness of private competition is so obvious that the average town councils would have to be worse than Tammany Hall ever was before a community could reasonably prefer to entrust its public services to the private trader. For though Tammany bosses made fortunes at the public expense by corrupt means they were at least capable and efficient business men; nor did they upset the industrial and economic life of the community as it is upset by speculators of the type of Whitaker Wright or the Directors of the City of Glasgow Bank.

In comparing private with municipal trading one has to bear in mind the indictment of ordinary commercial trades made by Sir Edward Fry, late Lord Justice of Appeal, who said: "If one enquires whether the morality exercised in the conduct of business in this country is satisfactory or not . . . I fear the answer must be in the negative. Let me enumerate some well known facts:—

"1. Over-insurance of vessels . . . when one considers how nearly this sin approaches to the crime of murder this consideration is startling.

"2. The bad and lazy work too often done by those in receipt of wages.

"3. The adulteration of articles of consumption.

"4. The ingenuity exercised in the infringement of trade-marks, and the perpetual strain exhibited by rival traders by some device or other to get the benefit of the reputation and name of some other maker.

"5. A whole class of frauds exists in the manufacture of goods, by which a thing is made to appear heavier or thicker or better in some way or other than it really is. The deceit is designed to operate on the ignorant ultimate purchaser.

"6. Lastly, but not least, bribery in one form or the other riddles and makes hollow and unsound a great deal of business."

Add to this that a Special Committee of Enquiry of the London Chamber of Commerce reported:—

"Your committee conclude from the evidence before them that secret commissions in various forms are prevalent in all trades and professions to a great extent, and that in some trades the practice has increased and is increasing; and they are of opinion that the practice is producing great evil, alike to the morals of the community and to the profits of honest traders."

One has also to bear in mind that the late Lord Chief Justice Russell, addressing the Lord Mayor in 1898, described company fraud as "a class of fraud which is rampant in this community—fraud of a most dangerous kind, widespread in operation, touching all classes, involving great pecuniary loss to the community, a loss largely borne by those least able to bear it; and, even more important than this, fraud which is working insidiously to undermine and corrupt that high sense of public morality which it ought to be the common object of all interested in the good of the country to maintain—fraud blunting the sharp edge of honor and besmirching honorable names."

It would be easy to continue this indictment of present day methods by reference to the condition of many of the workers and the elaborate deception of consumers by enormously expensive advertisements, on the production of which a not inconsiderable portion of the energy of our population is wasted. Many of these advertisements are mischievous and dangerous as well as wasteful, leading people to depend on drugged or innutritious foods, on tyres falsely alleged to be non-skidding, on quack medicines, etc., etc., etc.

Experience shows that it is difficult to insist on a high standard of morality in war time; but to take the case of the South African scandals as a typical instance, we find that the twelve ounces to the pound jam came from private, and not from government, factories.

### The Incidence of Rates.

Something still remains to be said about a matter referred to at the commencement of this Tract, namely, the incidence of the rates. The progressive mayor of one of our large towns felt tempted to declare not long ago that municipal improvements should be stopped until the right to rate ground values had been obtained; for, said he, what is happening here and in other places? We are heavily rating our people in order to make roads and pave streets, and supply gas, water, and trams. The effect is to send up the price of the land we reach. Now a few years hence we shall have to buy parts of that land at a much higher value for schools, parks, open spaces, post offices, etc., etc. Then the very people who have paid the high rates expended on giving the increased value to what was agricultural land, will have to pay higher rates to buy it back at its enhanced price.

In reply to this it will be said that what happens is that the increase of rates really comes instead of an increase of rent, and that in this way ground landlords are already contributing largely to the rates; that, in fact, the present system is a rough way of taxing rent. And it really does so when the tenant is rackrented to the last farthing; but then very few ratepaying tenants are so rackrented. If the tenant would at a pinch pay another two pounds a year, say, sooner than move (a pretty common case, one guesses), he is, from the economist's point of view, enjoying two pounds a year of the rent; and if his rates go up by two pounds he will not be able to shift the increase on to his landlord. All that will happen is that his rent will become a rack-rent instead of falling two pounds short of it. The rate collector takes what the landlord spared.

The remedy is to tax all whose incomes are unearned; not the ground landlords exclusively, though, as a class, they gain most by municipal expenditure, and it is they who should pay the greater part of the local rates. When it comes to a question of national taxation, on the other hand, there is no reason why those who have large incomes from Consols or shares in industrial enterprises, should not also bear a large part of the burden; for they benefit from the maintenance of army and navy, police, etc., quite as much as the owners of the land.

### The Last and the Next Generation.

The efforts of our forefathers during the last 150 years have solved one half of the economic problem. Man has obtained such a mastery over matter that it would be easy to-day to organize the labor of the inhabitants of this country so that all might be well fed, clad, housed and trained. It remains for us to accomplish the other half of the problem by arranging the production and distribution of wealth so as to minimize waste, and by making it difficult for the crafty to exploit the simple, to make it easy for all to obtain a fair share of the produce of their own labor and of the fruits of the organized efforts of the community.

In the gradual accomplishment of that task municipal trading can perform a large and useful part when once the question is properly understood and elections so conducted that public spirit and business capacity meet on our municipal councils.

Municipal trading has its limits. Some services, such as the railways, should not be municipalized but nationalized; and, as already indicated, there is no reason why ample scope should not be left for individual enterprise. But the reasonable limits of municipal trading have not yet been approached, even in our most progressive cities.

[Free use has been made of Bernard Shaw's "Common Sense of Municipal Trading" and R. B. Suthers' "Mind Your Own Business" in preparing this Tract, and many passages have been borrowed from those works.]

**FABIAN SOCIETY.**—The Fabian Society consists of Socialists. A statement of its Rules and the following publications can be obtained from the Secretary, at the Fabian Office, 3 Clement's Inn, London, W.C.

**THIS MISERY OF BOOTS.** By H. G. WELLS. Paper cover, design by A. G. Watts. 3d., post free 4d.; 2/3 per doz., post free, 2/7.

**FABIANISM AND THE EMPIRE: A Manifesto.** 1s. net.

**FABIAN ESSAYS IN SOCIALISM.** (43rd Thousand.)

Paper cover, 1/-; plain cloth, 2/-, post free from the Secretary.

**FABIAN TRACTS and LEAFLETS.**

*Tracts, each 16 to 52 pp., price 1d., or 9d. per doz., unless otherwise stated.*

*Leaflets, 4 pp. each, price 1d. for six copies, 1s. per 100, or 8/6 per 1000.*

The Set of 78, 3s.; post free 3/5. Bound in Buckram, 4/6; post free for 5s.

### I.—General Socialism in its various aspects.

TRACTS.—138. Municipal Trading. 121. Public Service versus Private Expenditure. By SIR OLIVER LODGE. 113. Communism. By WM. MORRIS. 107. Socialism for Millionaires. By BERNARD SHAW. 133. Socialism and Christianity. By REV. PERCY DEARMER. 78. Socialism and the Teaching of Christ. By DR. JOHN CLIFFORD. 87. The same in Welsh. 42. Christian Socialism. By REV. S. D. HEADLAM. 79. A Word of Remembrance and Caution to the Rich. By JOHN WOOLMAN. 75. Labor in the Longest Reign. By SIDNEY WEBB. 72. The Moral Aspects of Socialism. By SIDNEY BALL. 69. Difficulties of Individualism. By SIDNEY WEBB. 51. Socialism: True and False. By S. WEBB. 45. The Impossibilities of Anarchism. By BERNARD SHAW (price 2d.). 15. English Progress towards Social Democracy. By S. WEBB. 7. Capital and Land (7th edn. revised 1908). 5. Facts for Socialists (10th edn., revised 1906). LEAFLETS.—13. What Socialism is. 1. Why are the Many Poor? 38. The same in Welsh.

### II.—Applications of Socialism to Particular Problems.

TRACTS.—136. The Village and the Landlord. By EDWARD CARPENTER. 135. Paupers and Old Age Pensions. By SIDNEY WEBB. 131. The Decline in the Birth-Rate. By SIDNEY WEBB. 130. Home Work and Sweating. By MISS B. L. HUCHINS. 128. The Case for a Legal Minimum Wage. 126. The Abolition of Poor Law Guardians. 122. Municipal Milk and Public Health. By DR. F. LAWSON DODD. 120. "After Bread, Education." 125. Municipalization by Provinces. 119. Public Control of Electrical Power and Transit. 123. The Revival of Agriculture. 118. The Secret of Rural Depopulation. 115. State Aid to Agriculture: an Example. 112. Life in the Laundry. 98. State Railways for Ireland. 124. State Control of Trusts. 86. Municipal Drink Traffic. 85. Liquor Licensing at Home and Abroad. 84. Economics of Direct Employment. 83. State Arbitration and the Living Wage. 48. Eight Hours by Law. 23. Case for an Eight Hours Bill. 47. The Unemployed. By JOHN BURNS, M.P. LEAFLET.—104. How Trade Unions benefit Workmen.

### III.—Local Government Powers: How to use them.

TRACTS.—137. Parish Councils and Village Life. 117. The London Education Act, 1903: how to make the best of it. 109. Cottage Plans and Common Sense. By RAYMOND UNWIN. 76. Houses for the People. 99. Local Government in Ireland. 82. Workmen's Compensation Act. New edition for the Act of 1906. 62. Parish and District Councils. 54. The Humanizing of the Poor Law. By J. F. OAKESHOT. LEAFLETS.—68. The Tenant's Sanitary Catechism. 71. Same for London. 134. Small Holdings, Allotments and Common Pastures: and how to get them. FABIAN MUNICIPAL PROGRAM, FIRST SERIES (Nos. 32, 37). Municipalization of the Gas Supply. A Labor Policy for Public Authorities. SECOND SERIES (Nos. 90 to 97). Municipalization of Milk Supply. Municipal Pawnshops. Municipal Slaughterhouses. Women as Councillors. Municipal Bakeries. Municipal Hospitals. Municipal Steamboats.—Second Series in a red cover for 1d. (9d. per doz.); separate leaflets, 1/- per 100.

IV.—Books. 132. A Guide to Books for Socialists. 29. What to Read on social and economic subjects. 6d. net. 129. More Books to Read. Supplement to October, 1906.

### V.—General Politics and Fabian Policy.

127. Socialism and Labor Policy. 116. Fabianism and the Fiscal Question: an alternative policy. 108. Twentieth Century Politics. By SIDNEY WEBB. 70. Report on Fabian Policy. 41. The Fabian Society: its Early History. By BERNARD SHAW.

VI.—Question Leaflets. Questions for Candidates: 20, Poor Law Guardians. 28, County Councils, Rural. 102, Metropolitan Borough Councils. Book Boxes lent to Societies, Clubs, Trade Unions, for 10s. a year.