

CHAPTER V

THE INDUSTRIAL OUTCOME OF SOCIALISM

THE socialist organisation of industry, substituting State-regulation for self-regulation, compulsory co-operation for voluntary co-operation, equal reward for reward according to service rendered, must also rely upon other motives for exertion than those prevailing under a system of universal contract.

The motive, and only motive, for industrial exertion is the desire to enjoy its fruits. If men could satisfy their material desires without industrial exertion they would not undergo such exertions. Likewise would they abstain if all reward were withheld from them. When men receive as a reward the full result of their mental and physical industrial exertions, the motive for such exertion is strongest. It becomes less active as a greater part of the result of their exertion is withheld from them. The efficiency of labour, therefore, other things being equal, is dependent upon the system of distributing the results of labour. In so far as this system is unjust; in so far as the reward of one falls short of the services rendered by him, and the reward of another exceeds the value of his services; in so far it must also reduce the efficiency of labour. For the men who are uncertain whether their exertions will meet with their due reward, and still more those who are certain that their due reward will be withheld, will not exert themselves to the fullest extent and their labour will fall short of its fullest efficiency. Still more will this be the case with those who expect or know that their reward will not be substantially affected if they

fail to labour efficiently. This divorce between exertion and reward is one of the main reasons for the universally recognised inefficiency of serf and slave labour. The existing system, suffering from injustice in distribution, largely reduces the efficiency of labour. Under Socialism, however, the reduction in efficiency must be very much greater. For though under the existing system the great majority receive rewards of less value than that of the services rendered by them, yet this reward generally falls and rises with the value of their services. The motive for exertion, while lessened, is not rendered inactive. Under Socialism, postulating equal rewards for unequal service, however, this motive would cease to exist. As no one could hope to increase his reward by increased mental and physical exertion, so no one could fear to lessen his reward by reduced exertion. Labour would, therefore, become infinitely less efficient than it is under existing conditions.

Socialists urge two replies to these arguments. They contend that the desire for material reward is not the only motive for industrial exertion, and that self-interest will continue to stimulate individual exertions under a system of equal rewards.

In support of the first contention, they cite the conduct of soldiers, who, though no material reward may await them, yet eagerly contend for the immaterial reward which valorous conduct brings. There is, however, no analogy between exhibitions of valour and industrial exertion. Other things being equal, the most courageous soldier is also the most popular with his comrades. If cowardice were admired as courage is, few would be guilty of acts of exceptional courage. Even if it were admitted that, under Socialism, exceptional exertion in industry would secure to him who habitually exhibits it as much admiration as acts of valour do now, the motives for exertion would still be largely reduced. For such popularity can and always would coexist with justice in distribution, and the expectation of increased material reward is, therefore, an additional motive to the expectation of popularity. As one is less than two, the withdrawal of the former motive must lessen the inducement to exertion by at least one-half, even if it

were admitted that in its absence popularity would attend exceptional exertions.

Exceptional exertion, however, fails to secure popularity in the absence of justice in distribution. Among clerks in Government offices, he who earnestly strives to fulfil his duties, who wastes no time and renders the greatest service, is, as a rule, unpopular with his colleagues. This trait is still more pronounced among industrial labourers. In the gang system, prevailing in American boot-factories, the quickest workman is placed at the head of the gang, and the succeeding ones must keep pace with him or the material accumulates before them. This man, far from being popular, is generally the most unpopular. The reason is, that his greater exertion imposes a like increase of exertion upon his fellows without any addition to their wages. This rule holds good throughout. The more efficient workmen are generally unpopular with their fellows, because their presence raises the standard of efficiency expected from all without addition to their reward.

Under Socialism this tendency would be much stronger, unless, as some socialists assert, self-interest will continue to induce increased exertion under their system of distribution. This, the second contention alluded to, is, that, as the reward of each is determined by the total divisible product of all labour, this reward, though equal with that of all others, is nevertheless affected by the amount which the labour of any individual contributes to the common stock. If, for instance, the number of those amongst whom the social labour product is divisible is one million, then the reward of an individual labourer is augmented by the one-millionth part of the product of any increased exertion he may undergo.

This argument admits, what socialists elsewhere deny, the importance of self-interest as a motive for industrial exertion. For if, as this argument alleges, the receipt of an infinitesimal part of the produce of his exertion is sufficient to stimulate every labourer, how much more stimulating must be the certainty of receiving all of it. An individual worker who, under Socialism, must divide the product of his additional exertion with millions of

others, cannot from this knowledge derive as much inducement to additional exertion as if he individually obtained the whole. Nor can his conduct be affected by the expectation that the special exertion of all others will equally swell his reward and that of each of them. For the individual worker does not know whether all the workers in the same factory are exerting themselves equally with him. Still less do the workers in one factory possess such knowledge with regard to the workers in other similar factories, or the workers in one department of industry with regard to all the workers in all other departments. The tendency, therefore, will be in the opposite direction, and disregarding the possibility of obtaining a share of the product of the additional exertions of others, each worker will only see the share which he contributes to the reward of others.

Under Socialism, therefore, still more than under the existing system, every worker would exert himself as little as possible. Any workers who were to put forth greater exertions than the majority of their fellow-workers would become unpopular, because their example would raise the standard of exertion which foremen and managers would expect from all. Not only would the motive for exertion arising from coequal reward be absent, that of self-interest, but there would also be absent the other motive which socialists want to substitute for it, the approval of fellow-workers. On the contrary, self-interest would cause efficiency to be regarded with disapproval.

The only substitute for voluntary co-operation is compulsory co-operation. Where men cannot hope to receive an increased individual reward for increased exertion, the only alternative, capable of inducing exertion, is compulsion. Fear must take the place of hope; sullen resentment that of cheerful anticipation; distaste for exertion that of joy in the work produced. The feelings and opinions of the slave-gang, cowering under the lash of a driver, must displace all other motives to exertion, and the efficiency of labour under Socialism must sink to the inefficiency which is the universal attribute of slave-labour.

The factors which thus tend to reduce to the lowest ebb the efficiency of the regulated labourers would likewise tend to reduce the efficiency of the regulating organisation.

All experience proves that industries are most efficiently conducted by individual undertakers. Where associations of capitalists, acting through paid managers, conduct industries, the efficiency of management is generally impaired. Where the industry, so conducted, is based on a monopoly, the loss of efficiency is still greater, and it is most serious in industries conducted by governmental agencies.

Various reasons account for these differences in efficiency. The individual undertaker is stimulated to the greatest mental and physical exertion by the knowledge that his income will vary with the efficiency of the services rendered by him, and by the fear that competitors, rendering more efficient service, will deprive him of part or the whole of his income.

The manager of a public company, whose income varies less directly and fully with variations in the efficiency of the services which the company renders, is under the domination of this motive to a smaller extent. Nevertheless, inasmuch as the directly interested shareholders watch his conduct through some of their members, the board of directors, the manager's exertions are stimulated to some extent through hope of additional reward and fear of loss of position and reputation.

Where an industry is based on monopoly, the income of the company conducting it does not necessarily vary with the efficiency of the services rendered by it. Such companies as, for instance, railway and tramway companies, may even increase their net earnings by rendering service of less efficiency. Hence the pressure of shareholders and directors on the managers in the direction of efficiency is either reduced, or absent, or pressure in the direction of less efficiency is substituted.

When an industry is conducted by a governmental agency, no one is directly dependent for his income upon the efficiency of the services which the industry renders. The main motive stimulating mental and physical exertion

in the conduct of industries owned by private individuals and public companies being thus withdrawn, the management, almost invariably, becomes least efficient.

Other causes co-operate in producing these variations in efficiency. Where one or more individuals, directly affected by the result, supervise the conduct of an industry, personal initiative is least fettered and great flexibility possible. The wishes of individual clients can be easily responded to, new situations can be met quickly and easily, and the industry can adapt itself to changing conditions with the least friction.

When an industrial undertaking is so large as to require an extensive and graduated managerial organisation, much of this flexibility and adaptability is lost. Fixed rules, limiting the authority and prescribing the action of every unit in the organisation, must be substituted for personal initiative. Each grade in the regulative machinery is more or less fettered; the lower grades cannot grant unusual requests or adopt new methods without applying for permission to officers of superior grade; these again transmit the request to still superior officers; and invariably practice, more or less, takes the place of flexibility.

This graduation, limitation, and inflexibility is greatest where an industrial undertaking forms merely a part of a still wider graduated organisation. For where this condition exists, the ultimate decision rests with officials generally possessing no personal knowledge of the circumstances which induce the proposals of subordinates. Unwillingness to accept responsibility on the advice of subordinates, therefore, generally leads to the rejection of their proposals; and even when they are adopted, the unavoidable delay frequently retards action till the conditions it was to meet have again changed. Invariable routine, involving great loss of efficiency, therefore, is the almost universal attribute of industries, the regulative agency of which forms part of the general governmental agency.

These two causes combine to reduce the efficiency of governmental industrial undertakings to the lowest level,

even when, as at present, they are exposed to comparison or competition with similar private undertakings of greater efficiency. When, however, all industries are conducted by the State, when even this last stimulus is withdrawn—when, moreover, the regulative agency is no longer exposed to the stimulating influence of criticism in Press and Parliament,—the loss of efficiency in management must be infinitely greater than that exhibited by governmental industrial undertakings at the present time.

Another factor must add to the loss of efficiency by both the regulated and the regulators. Labour is most efficiently performed when it accords with the innate tendencies of the labourer. A youth may make an excellent teacher when he would make but a wretched miner or bootmaker; another would render far more valuable services as a farmer than as an engraver; still another would make an excellent business manager or engineer, but a very bad physician. Under the existing system, the number of those who, having special aptitude for one occupation, are nevertheless compelled to enter other occupations, is very great. A still larger number, however, either from the start or ultimately, enter upon the occupations for which they are specially adapted.

Under Socialism, however, special aptitude can be but rarely considered. Choice of occupation by the aspirants being impossible, it is equally impossible for the regulative agency to discover the special aptitude of the numerous aspirants for employment. A few possessing influence may obtain access to occupations which they prefer. The great majority, however, must accept the occupation to which they are allotted, and from which they may be transferred to any other as the necessities of the State or the caprice of officials may decide. With a few and accidental exceptions, special aptitude will thus be neglected, and men capable of doing exceptionally efficient work in one direction will be compelled to work in other directions in which their labour is specially inefficient. The loss of efficiency hence arising—a loss the magnitude of which is appalling—must be added to the loss arising from the causes previously dealt with.

Yet another cause must tend in the same direction. The efficiency of the national labour is largely determined by that of the available instruments of production and their amount. These instruments, made by labour, must be replaced by labour. Every year large deductions are made from the amount of consumption-goods otherwise available, by setting labour to produce production-goods, the fruits of which may not ripen till many years hence. This production of capital, ever increasing and providing for wants of an ever later date, is one of the functions which our society performs unconsciously. Under Socialism it would have to be performed consciously. The regulative authority would have to determine each year how much of the national labour shall be employed in the replacement and extension of national production-goods. The labour thus employed is withdrawn from the production of goods which can satisfy wants in the near future, and directed towards the satisfaction of wants which may arise in the distant future. A large and ever-increasing deduction is made from the national dividend becoming divisible in any year, in order to increase the dividend which may become divisible in distant future years. Will the officials be anxious to sustain such a far-sighted policy, and will the people welcome it? The probability is all the other way. The majority of any people are short-sighted and improvident, unwilling to renounce present enjoyment for future enjoyment. Still stronger is this tendency when the abstention from present enjoyment is not manifestly to their own individual advantage and that of their children. Those who are improvident will desire the largest possible dividend from the national labour in order to enjoy it. Those who are provident will desire the same in order to increase their individual savings. A large deduction from the national dividend for the adequate replacement, and still more for the extension, of the national capital will, therefore, be extremely unpopular with the large majority. Similar sentiments animate the official hierarchy, which, moreover, would derive no immediate and personal benefit from an action which, nevertheless, would expose it to great un-

popularity. Hence must arise a tendency, not only to abstain from adding to the national capital and to the length of productive processes, but to actually curtail the replacement of national capital and to reduce the length of productive processes, and, consequently, to a further reduction in the efficiency of the national labour.

Four powerful causes thus co-operate to reduce the efficiency of labour under Socialism. They are :—The withdrawal of all motive for mental and physical exertion in production when reward is divorced from the value of the service rendered. The substitution of compulsory co-operation for voluntary co-operation. The neglect of special aptitudes, and the reluctance to extend, if not the desire to shorten, processes of production.

The inevitable result of reduced efficiency is a reduction of the amount and a lowering of the quality of goods and services produced. As already pointed out,¹ equality of reward and the determination by the regulative agency of the kinds and quantities of goods to be produced by the national labour, must inevitably lead to an enormous reduction in the kinds and qualities of goods produced. The tendency must be to confine production to as few designs, colours, and qualities of every kind of goods as practicable, and to make these permanent. The tendency towards monotony and uniformity thus arising would be supported and strengthened by the falling-off in production due to inefficiency. As labour becomes less productive, the production of goods required for comfort and for ornamentation must be curtailed, and labour must be concentrated upon the production of bald necessities. With every further loss of efficiency this process must be extended, until the national dividend, receivable by every citizen, will consist of a smaller amount and variety of goods and services than is now at the command of average artisans. Not only monotonous uniformity, but general poverty, is thus the inevitable result of Socialism. Equality of income will be achieved at least among the regulated masses. But it will not be done by raising the income of all to a level above that enjoyed by the great majority of the

¹ Part IV. chap. ii.

people to-day. On the contrary, the income of all will be reduced to the level of that which is now the lot of those whose condition appeals most strongly for relief. Instead of raising the material condition of this unfortunate minority, Socialism must lower to their level the material condition of all. A monotonous equality in unavoidable poverty will be the condition of the whole people in the socialised State.