

CHAPTER VII

ASPECTS OF OUR HOME TRADE

The State and Municipal Trader—The Corporate Trader
—Multiple-shop Trading—The Industrial Trader.

It is customary to speak of the export or foreign trade of Great Britain as though it were distinct from the home trade. Possibly it is the wider public attention given during the past ten years to tariff matters that makes us speak of the home and the foreign trade as if some impregnable barrier existed between them. Any distinction thus set up is quite artificial, for the principles underlying both are very similar. Any action affecting our foreign trade would speedily react upon our home trade, and vice versa, and anything which affected either would also affect the country generally. Our home trade may be split up into three classes: Trading enterprises carried on by the State; by corporate bodies, such as companies; and by the individual. We will deal with them separately. The policy adopted by Great Britain in carrying on its industries is closely watched by other countries, which in many, if not in most, cases often follow our lead, shaping their own trading

policy on lines similar to ours. In one direction, that of municipalisation of trade, we have perhaps followed other countries rather than initiated a policy of our own, and it is questionable whether what we have copied has proved of much benefit to the country.

For example, it was the favourite argument of municipal advocates in the 'nineties to point to any 'small German town with a splendid system of electric trams running in every main thoroughfare and furnishing a big profit to the town,' and to paint a glowing picture of the contented burgher and his wife and family going for long rides in the country on swiftly-moving electric cars owned, every bit of them, by himself and his fellow-townsmen. Well, there are few municipalities in this country which do not now possess their own electric tramway systems, or have a lien upon their future disposal, but whether such tramways are always profitable remains a debatable question.

The primary purpose of municipal trading is to carry out works of a reproductive character so that the community shall receive a yield either in profits or services. What are reproductive works? An attempt to answer this question was made in a table drawn up by

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the Joint Select Committee on Municipal Trading which sat a few years ago. The reproductive works there reviewed were water-works, gas-works, electricity supply, tramways, markets and slaughter-houses, harbours, piers, baths and wash-houses, working-class dwellings, cemeteries, etc. Unproductive works—apart from the great State Departments of Education, Police and Highways—consist of free libraries, parks and open spaces, museums and art galleries.

Considerable differences of opinion exist as to whether some of the undertakings specified may justly be described as reproductive in character. It has been urged, for instance, that the capital expended on baths has been out of all proportion to the profit possibilities or the needs of the people. Examples have been given of bath establishments, notably that of Camberwell, fitted up with drinking fountains in marble and gold mosaic, and staircases of Sicilian marble; and also those at Bradford, where there are Vichy douche baths, dowsing, radiant-heat and light baths, electric sun baths, Turkish and Russian baths.

The business man will readily understand the difficulty of the task which lies before any

municipality endeavouring to make such heavy capital expenditure yield an adequate return. It is not surprising, therefore, to find in the results of this department municipal trading has often proved barely, if at all, profitable.

Again, the rapidity with which methods of locomotion have changed of late years and will probably continue to change in the future is causing many business men to look with great misgiving upon the heavy capital involved in the various municipal tramway systems. In some towns the tramways appear to be yielding a handsome profit; in others a profit can only be shown by reducing the amounts written off for depreciation to an absurdly low figure; and in others the tramway system is carried on confessedly at a loss, but is defended on the ground that it provides very cheap travelling for the people.

The pros and cons of municipal trading are too many to recount in these pages. For the purposes of our present inquiry, the important questions are: How far may the principle of municipalisation be extended in the future, and what is likely to be its ultimate effect upon the general commerce of the country? The rationalisation of railways, and a revival of the canals with State subsidies, is no more remote

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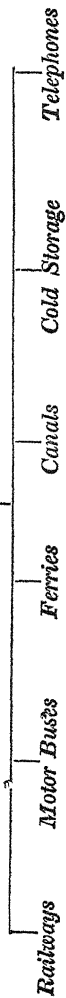
than the establishment of State doctors was thought to be ten years ago. The principle can be applied, moreover, to other branches of commerce and industry, and it is not difficult to realise how the municipalisation of one branch of commercial life would be held to justify another, and so on. The chart on page 108 will best indicate this.

The stages in the progress towards municipal trading ownership may be easily traced in each of the class of enterprise. The running of motor buses by municipalities follows as a natural sequence on their ownership of tramways; the establishment of *crèches* or nurseries for the general use of the community is but a logical outcome of the construction of working-class dwellings; the giving of concerts follows the foundation of public libraries, and the exploitation of boating on the lakes in the parks is a natural sequence of their ownership.

If tramways are owned by a municipality, there would seem to be no logical reason for railways and canals remaining outside the proprietorship of the State. Where there are common nurseries there may as well be common laundries. If the care of a score of babies can be brought under one roof to the benefit of the baby and the economy of the

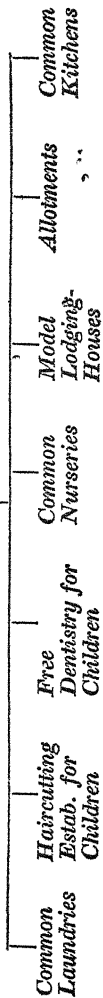
I.—REPRODUCTIVE WORKS.

GASWORKS, ELECTRICITY SUPPLY, WATERWORKS, TRAMWAYS, HARBOURS.



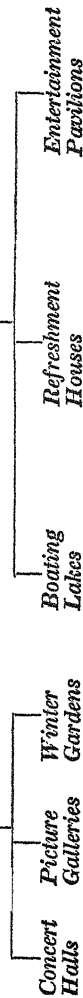
II.—PARTIALLY REPRODUCTIVE WORKS.

BATHS AND WASH-HOUSES, WORKING-CLASS DWELLINGS, ETC.



III.—UNPRODUCTIVE WORKS.

FREE LIBRARIES. PARKS, RECREATION GROUNDS, AND OPEN SPACES.



working mother's time, so will there naturally follow a common kitchen in which the dinners of a score or more families may be cooked to the economy of the workers' time and possibly to the benefit of their digestion. Where wash-houses, free dentistry, and oculists are provided for poor school children, there should certainly follow a provision of free haircutting.

Among unproductive works, if concert halls and winter gardens are legitimate objects for municipal expenditure, there should surely be no bar to the municipalisation of town theatres. The question of whether this general municipalisation of industries would be beneficial to the country cannot be raised here, and is probably one upon the theory of which no two persons will be found to agree entirely. Incidentally, the reader can test this for himself by putting the following questions to any two persons, and asking for a reply to each in the negative or affirmative without any qualification :—

1. Do you think it is good that in poor-class districts mothers should be able to obtain for their children guaranteed pure milk at a fair price from milk depots under the control of the local authority?

2. Do you think it desirable that concert

halls should be owned by the local authorities, and used for the purpose of providing public concerts?

3. Do you think it desirable that the local authorities should create establishments where the public can purchase guaranteed pure sugar free from sand, butter which is butter, and coffee which is coffee?

4. Do you think it desirable that theatres should be owned and run by the local authorities?

The replies to the foregoing questions will probably be :—

1. Yes, most certainly. (Ladies especially will answer decisively.)
2. Yes.
3. No. (Though some mothers would probably say, Yes.)
4. No.

Now, an examination of the questions will show that if the answers to Nos. 1 and 2 are in the affirmative, then, logically, the replies to Nos. 3 and 4 must also be in the affirmative. For, if the supply of milk should be municipalised, why permit sugar, which is so largely consumed by the poorer classes, to go free from similar control? In the same way, if concert halls are municipalised, why not theatres?

Let it be understood that the municipalisation of each and every one of the foregoing works—productive and non-productive—may or may not be justified. I am not prepared to say that *crèches* have not proved a valuable boon to the poorer working women or that boating on the public lakes is not a form of recreation for which public money may legitimately be used. Only do not let us deceive ourselves as to the logical outcome of this nationalisation of industries.

Firstly, we must expect to build up an enormous debt. Eighty towns of this country have already expended a total of over £50,000,000 on *unproductive* works. At three-and-a-half per cent. interest, this involves the payment of nearly nine million pounds sterling per annum out of the rates of those towns. Secondly, the small employer and retailer must anticipate the time when the natural development of municipalisation will hit him personally. The grocer now regards the supply of electric lamps and gas-stores by the Borough Council as something to be proud of, and an excellent, business-like plan, beneficial to the locality in which he carries on business. But he will begin to share some of the feelings of the master gas-fitter and retailer when he

learns that the Borough Council has decided to establish a municipal grocery stores with capital borrowed on the security of the rates, towards which he will be forced to contribute his proportion. For the supply of electric lamps and gas-fittings at cost price by the municipalities has naturally followed on the supply of light; and the supply of groceries and similar provisions at cost price will doubtless in due course follow on the supply of free breakfasts and the establishment of refreshment rooms in public parks.

It is an easy stage of transition from the retailing of goods to the manufacture of goods. Once the municipalities have become financially involved in the retailing of goods, they will resort to their manufacture, and by co-operation among themselves set up Local Government-owned factories and workshops which will enter into competition with private firms.

The growth of joint-stock trade practically dates from the introduction of the Companies Acts, only a very small number of incorporated bodies being engaged in home trade prior to the introduction of the present form of limited liability. Every branch of commerce, from the building of ships down to the selling of

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sweets, has been made the object of joint-stock company formation, and upwards of 50,000 undertakings are believed to be carried on to-day in the United Kingdom under the ægis of the Companies Acts, with a paid-up capital of £2,222,293,974. This huge sum, it may be noted, does not include the large capital concerned in railway enterprises, which are incorporated by special Acts of Parliament. A large proportion of it is, however, engaged in enterprises outside of the United Kingdom. Probably the most profitable and stable of the many modern classes of commerce in which this large joint-stock capital is engaged is that of the banks.

Banking practice in this country, of course, differs considerably from that obtaining abroad. Our bankers do not make themselves responsible, except to a very limited extent, for the financing of private industries. The fortunes of Continental bankers, on the other hand, are bound up in the private industrial growth of the country, because companies do not apply direct to the public for capital, but borrow it from bankers, who become houses of issue, and are thus directly responsible for the financial welfare of the large number of industrial and other undertakings whom they finance. The

bulk of the funds of the British banks is utilised in international and national trade, that is, in financing the movements of the country's commerce here and abroad by means of short loans. The fundamental principle underlying the British banking system is that their funds should be as liquid as possible. During the past decade the securities in the hands of British bankers have been written down to such an extent that their financial position is extremely strong at the present time in comparison with, say, 1900. During the same period the deposits of banks have grown by over £200,000,000, and owing to the prolonged trade prosperity bankers have been able to utilise their additional funds to a profitable extent. Here are a few figures which show the combined strength of the banks of the United Kingdom:—

	1900	1912
Capital paid up ..	£82,194,000	£85,518,000
Reserves	45,817,000	49,175,000
Deposit and current accounts	825,419,000	1,088,614,000
Profit balance ..	5,838,000	6,047,000
Cash in hand and at Bank of England	151,101,000	190,393,000
Money at short notice	69,143,000	114,813,000
Investments	227,425,000	246,338,000
Bills discounted and advances	237,041,000	695,031,000

The profitable use to which bankers have been able to put their money during the past few years is indicated by a comparison of rates. In 1912 the average rate allowed by bankers on deposits was £2 ½s. 6d. against £1 19s. 4d. in 1911, £2 4s. 6d. in 1910, £1 12s. 0d. in 1909, and £1 9s. 3d. in 1908. As bankers were able in 1912 to use this money at from 3 per cent. to 3½ per cent. on call and short notice and in the discounting of bills, and at from 4¾ per cent. (or 1 per cent. over the average Bank Rate) for advances to customers, it will be gathered that the last year has been a profitable period for British banking.

The banking system of Great Britain stands in very close relationship to the home trade of the country. Without successful manufacturers and profitable commerce there would be little need for bankers. Manufacturers and merchants require money to carry on and develop their trade, and, on the other hand, bankers have to lend money in order to make their banking business profitable. The relations between bankers and manufacturers to-day, however, are very different from what they were half a century ago. At one time numerous banking accounts in the manufacturing districts of England had drifted into the

condition of being largely represented by fixed property. That is to say, half the cotton mills of Lancashire, the woollen mills of Yorkshire, and the iron foundries of the 'black country' were mortgaged to the banks, some of which were subsequently ruined by the heavy losses they suffered on this class of business.

The joint-stock principle has to a great extent changed this position, and the existing mortgages upon the large works and mills of the country are distributed among the whole investing community in the shape of debentures and debenture bonds. Limited liability companies have thus been able to acquire at a fixed rate of interest capital for use in their businesses, and a large number of them, during periods of trade slackness, are in a position to lend their bankers large sums of money instead of requiring to borrow from them. Partners and principals of private firms are still compelled to have recourse to their bankers in times of great trade activity, unless they have large liquid capital resources at their command. Generally speaking, however, the banker does not dominate the manufacturing and industrial position of the country to the extent that he did half a century ago, when a trader went very much in awe of his banker.

Fifty years ago for a trader to quarrel with his banker might have been disastrous unless he were in an exceptionally strong position; whilst even the mere changing of one's banker was looked at askance. To-day, a change of bankers is often regarded as a sign of strength, and traders do not hesitate if necessary to submit their disputes with their bankers to the arbitrament of the law; indeed, on several occasions damages have been awarded by the Courts against bankers who have acted in a manner calculated to harm a trader's credit.

The stress of modern competition among bankers puts the traders in a position to pick and choose their banks, whilst the banks are even being compelled to take steps to secure business by methods of publicity, etc., which a generation ago would have been regarded as derogatory. Such being the circumstances of banking at the present day, the manufacturer and the trader enjoy facilities for raising money at rates commensurate with the risks incurred by the lenders. Where a merchant finds difficulty in obtaining financial accommodation from his bankers it may safely be assumed that it is due to some special circumstances.

Bankers can undoubtedly exercise a very

beneficial influence on traders in the direction of a legitimate restraint, thereby preventing a good deal of that over-trading and over-production on the part of manufacturers which might ultimately lead to a financial crisis.

On the other hand, plenty of justification may be found for the manufacturers' complaints that the bankers' control of the money market and rates sometimes unduly interferes with trade. The manufacturer who enters on a contract taking six or twelve months to execute is called upon to forecast and to insure against any sudden change in monetary conditions. Whereas the Bank Rate may be stationary at 3 per cent. when he enters upon his contract, it may quite suddenly take an upward movement, and before the contract has concluded may have risen as high as 5 or 6 per cent. For example, in May, 1912, the Bank of England rate was 3 per cent., in August of the same year it was 4 per cent., and in October 5 per cent. In April, 1907, it was 4 per cent., seven months later it was 7 per cent., and four months afterwards had receded to 3 per cent.

As all large commercial undertakings are based upon the cost of money as well as of materials, it is clear that traders have to

exercise a remarkable degree of foresight if they are to determine some months ahead the movements of the Bank Rate. For the Bank of England rate indicates the charge for credit. The Rate charged by the Bank of England establishes the rate charged for money throughout the country, and a sudden fluctuation in the rate may disturb the credit of traders very seriously. Hence the directors of the Bank of England only raise the rate when it is essential in order to protect the British money market from being denuded of gold.

The traders of other countries, such as France, are not similarly affected, because France maintains a big gold reserve, and only rarely changes its rate. London is a free market for gold, and its rates therefore oscillate according to the conditions of the gold supply at various centres of the world. For this, traders in this country often have to suffer, and to suffer very severely. In the years 1901 to 1906 inclusive, no change was made in the rate of the Bank of France, whereas during the same period the rate of the Bank of England was changed twenty-two times, to the confusion of trading operations and of the general business of the country.

A monetary crisis in New York or

St Petersburg may cause the Bank of England rate to go up to 6 or 7 per cent.; the joint-stock banks follow suit and raise their rates accordingly, with the result that the small manufacturer down in, say, Barnsley finds the profit on a competitive contract he has in hand is being largely swallowed up by an increase of over 100 per cent. in his bank's charges for accommodation. The crises which arise in our monetary market are almost invariably induced by economic disturbances outside the country; and it is hoped that the revival, at the time of writing, of the Special Committee of the Clearing House to consider the question of the country's gold reserve may lead to some practical remedy for this being found. What is wanted is that our gold reserve should be so altered as to render the credit of our traders less dependent upon incidents occurring on the other side of the hemisphere.

The movements of the money market do not bear so heavily on the incorporated undertaking as on the individual trader, because the former is, if properly capitalised, possessed of sufficient working capital and reserve capital to meet the usual exigencies of its trade. The possession of large

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capital resources is leading to the rapid extension of multiple-shop undertakings, a movement in which the manufacturer and wholesale merchant are directly concerned.

At the recent conference of the United Kingdom Commercial Travellers' Association at Newcastle, considerable discussion took place on this subject. It was urged that the only effective means of curbing the multiple-shop system was the conversion of public opinion and efficient competition by up-to-date and energetic tradesmen.

The opinion was generally expressed by the representatives of the multiple-shop system that public support and appreciation of the system more than justified its existence, and that it was a beneficial system, not only providing cheap and high-class food and other conveniences of life, but giving considerable relief to the labour market by employing many thousands of male and female workers of all ages at remunerative wages. One manager pointed out that co-partnership and bonus systems were recognised and adopted by some of the larger firms, and declared that anything like sweated labour was unknown.

The managing director of one of the largest multiple-shop companies put forward a strong

defence of the system. He pointed out that the best tradesman and the best shop in any district naturally attracted the best custom, and people patronised those places where they obtained the best return for their outlay. The shop that was not up-to-date and not well managed must go to the wall. Although there were so many branches of his company in existence, and several new ones were being added every week, he said it must not be supposed that they all brought profits to the company. Some of them, like some shops of private individuals, did not pay and had to be closed. The measure of support given by the public was the best proof that they were needed.

If we survey the results of a round dozen of the principal multiple-shop undertakings in the United Kingdom, involving a capital of about £7,000,000—I refer to such undertakings as the Maypole Dairy Co., Albert Baker, Home and Colonial Stores, Eastman's, Lipton's, etc.—we shall find the profits vary considerably. The great necessity of the big multiple-shop business is excellent organisation combined with good managers, and the success or failure of these undertakings appears to depend upon the extent to which they acquire

those aids. Neither magnitude of capital nor extension of shops will avail where inferior organisation exists. Organisation plays an even greater part in turning the scale of profit or loss on a multiple-shop undertaking than on a big stores, where the whole of the departments are concentrated under one roof. Hence, it is not surprising that a dozen big London stores controlling a capital of about £12,000,000 are all making handsome profits.

Neither the multiple-shop nor the big stores will altogether crush, although they may seriously injure, the prosperity of the individual trader. Tiny industries, owned by individuals, are found in every trading street of London. They are bred by hope, the confidence of the small man that he can fight his own hand; the Hon. George Peel calls it the confidence of the small man that he can be sergeant instead of private in the army of life.

'And so we trace in London, as in all other of our cities, an infinity of retail shops, of personal businesses, of minnows living in the whirlpool as best they can, of small parties foraging against poverty, of vedettes feeling the way for the Napoleonic hosts of commerce, until we climb to the room of the solitary worker, who has no master but the morrow for

which he has not provided, and no subordinate but the yesterday which he has won from death.' The small businesses form one main division of our industrial structure just as the mammoth stores and joint-stock companies are another. Combines, rings, trade unions, State-control, have no interest for the individual trader, who stands up to the fight single-handed, with the margin between himself and insolvency growing ever more narrow as the prices of the commodities in which he deals tend upwards and make increasing strain upon his slender capital.

The increasing competition among retailers has periodically led to the cutting of rates which has been almost suicidal in many trades, and it is only within recent years that active steps have been taken to establish agreed minimums below which goods of certain qualities are not to be sold. Manufacturers have assisted the retail houses in their deliberations in this respect, and the results which have ensued from the mutual agreements entered upon has already established more satisfactory conditions. The retail drug trade, the tobacco trade, the bookselling trade, the grocery trade, and more latterly the cotton thread trade have effectively

introduced minimum selling prices. The 'cutting' has been highly dangerous to many manufacturers, especially in the drapery trade, because it had become a practice to advertise very widely, at a price below that generally charged, some well-known proprietary article, with a view to securing the visit of new customers to the advertiser's establishment.

The result has been that prices have generally been cut to such an extent that there is insufficient margin to cover even the expense of the retail distributors, and the sale of several proprietary articles has been abandoned by many retailers. It is argued that the manufacturer and consumer are opposed to the policy of price-maintenance because the former suffers from a reduced consumption which accompanies higher prices.

In practice, however, this is not so, since it is to the manufacturer's interest to give the retail distributors a fair margin of profit, in order to maintain and extend a wide distribution of his goods. When Messrs J. & P. Coats were asked by the Drapers' Chamber of Trade to fix a minimum selling price for their threads, that firm took a plebiscite of their 30,000 home-trade customers, a majority of whom declared in favour of minimum selling prices.

In surveying the present condition of British commerce, omission should not be made of the widespread progress made in the more scientific method of keeping accounts in our great industries. The counting-house of a large factory or workshop is a vastly different place from that which our grandfathers used a century ago. I am not sure that the counting-house of even the present middle-aged employer is quite the same place as that which he entered as a junior, so quick has been the adaptation of the British manufacturer to the new principles of account-keeping.

A system of costing is regarded as essential in every well-managed workshop, and trades which have not yet arrived at a satisfactory method are adapting existing systems until they arrive at a thoroughly practical method of assessing the cost of production of every article manufactured. Only by methods of this kind can a manufacturer gauge the margin of profit or loss upon which he is turning out goods in comparison with his competitors.

It must be borne in mind that cost of production represents the expenditure on the work up to its delivery to the warehouse, and not necessarily the cost of the sales department and the incidental expenses attending delivery

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to a customer. The cost of production of, say, soap is probably less than the cost of marketing it; but the cost of production of machinery is necessarily greater than the cost of its sale to a customer who is waiting for it. Shop costing must therefore differ in every industry, especially where there is difficulty in analysing general establishment charges. The more complicated the machinery of an industry, the more detailed must be the method of costing.

The reader who wishes to study the problems attending costing systems will find the series of articles which Mr A. H. Church has contributed on 'Expense Burden' to the *Engineering Magazine* (and since reproduced in book form) full of useful material. The final note upon which Mr Church dwells seems a little pessimistic regarding the attitude of manufacturers towards the new methods of shop costing; but Mr Church must not overlook the naturally conservative character of the Britisher, who does not rush into revolutionary changes without grave consideration, especially when those changes emanate from the United States, that land of hustling business men, who sometimes do not stop to consider the different conditions ruling in their own country and in the United Kingdom.

The British manufacturer has created quite revolutionary changes in his counting-house, and has, at least, recognised that the interdependent sections of a modern factory cannot be represented by a double-entry ledger and an office boy. The spread of the revolution to take in the details of the machine-shops will follow.