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SAVINGS AND THE SOCIAL WELFARE.

The following paper was read by Mr. George Paish, Editor of *The Statist*, at an afternoon meeting of the Sociological Society, held in the Hall of the Royal Society of Arts, Adelphi, W.C., on May 2, 1911. The chair was taken by Mr. A. C. Cole, Governor of the Bank of England.

No feature of modern life has struck the popular imagination more than the display of wealth which is so conspicuous in every part of the world to-day. Money is now spent with a profusion which would have amazed our fathers, and was totally unknown and impossible to former generations. The expenditures of the nations upon armaments are incredibly great; indeed, in the aggregate, they are greater to-day in peace than they ever were in war. The sums spent upon travel and upon recreation are almost incalculable in their magnitude. Floating hotels carry the well-to-do from country to country in a state of luxury that kings could not afford a generation or two ago. Sumptuous trains worked at heavy cost convey travellers with great rapidity over the larger part of the earth's surface. The motor-car, notwithstanding its expensiveness to construct and to run, has become the plaything of a great many persons who, but a short time ago, were unable to set up a carriage and who now spend hundreds per annum when previously they could not spend tens of pounds. Every coast and nearly every beautiful district on the earth's surface are studded with hotels or summer residences, and in these days the multitude spends some portion of the year in recreation on the sea coast, or in the country. Upon ornamentation and upon dress the outlays have expanded in a remarkable manner. Gold has replaced silver as the ornament of the masses over the greater part of the world, and even so poor a country as India is now using two or three times as much gold as formerly. Furthermore, the demand for pearls, diamonds,

and other precious stones has never been so universal as it has been in recent years. Probably, one of the greatest indications of the vast increase in the world's wealth in modern times is in the sums now expended on what the womanfolk term "dress." One can visit no city, town, or village in Europe, or in the new countries either, without being impressed with the almost unlimited expenditures upon clothing. The sums now spent from year to year upon buildings and houses are of fabulous extent. In all the great cities of the world unprecedented numbers of costly buildings and houses have been, and are being, erected. Nor are the expenditures confined to cities of the first rank. In all the important towns of the world, expensive buildings and houses are rapidly increasing in number. Moreover, large sums are being spent upon what are termed city improvements, designed to raise the standards of comfort, of health, and of æsthetic enjoyment. In a recent visit to the United States I derived special pleasure from the parks, either actual or contemplated, which have been or are to be laid out at great expense in the suburbs of New York, Boston, Philadelphia, Pittsburg, Chicago, and other cities. The improvement in the housing of the masses of the people, both of this and of other countries, is equally marked. Our forefathers would have regarded a constant supply of pure water and baths for labouring men as extravagant superfluities; yet we are rapidly approaching the time when the working men of the civilised world will enjoy these luxuries, and when the morning bath will be a ceremony as sacred as the morning meal.

The intellectual advantages and amusements of modern life have shown equal advancement. Education is universal, except in the dark countries. Children are now but rarely called upon to contribute to the family purse at the early age at which they used to seek employment, and the average age at which children now leave school is steadily rising. Moreover, the education, instruction, and amusement of everyone in the past generation or two by the circulation of newspapers, magazines, and books is nothing short of a revolution. Never did the average man and woman advance in knowledge and intellectual attainments as in modern times, and the annual cost of supplying the world with literature has risen by leaps and bounds. The declining tendency of the death-rate shows, I think, conclusively the great attention now paid and the large sums now devoted to medical nursing and sanitary science, although it is also due to the general advance in intellectual, moral, and physical standards which has

come with the improvement in the conditions of existence rendered possible by the enormous growth in the world's wealth.

It is obvious that all this additional expenditure upon defence, upon recreation, upon travel, upon ornamentation, upon clothing, upon housing, upon education, upon literature, and upon the preservation of health, could only have been effected concurrently with a vastly increased expenditure upon food. Indeed, the immensely greater sums available for the purchase of food, and the vast increase in the supply of food, have alone rendered possible the liberal expenditures upon necessities, comforts, and luxuries to which I have referred. Never has the world enjoyed as much food in proportion to its population as it has secured in modern times, and, consequently, never has the world been as healthy, as well clothed and housed, had greater warmth in winter, had as many intellectual advantages, possessed as many comforts, and enjoyed so high a state of luxury as it does to-day. In fact, *la joie de vivre* has rapidly broadened and deepened, and all ranks, classes, and sections of society in the new and in the old countries, in the backward as well as in the progressive state, in the brown, yellow, and black races as well as in the white, have attained a degree of wealth and prosperity immeasurably higher and greater than anything that has hitherto been witnessed.

The causes of the great revolution in the material, moral, and intellectual condition of the world in modern times have been many, but there can be no doubt that the wonderful progress we have witnessed has been mainly brought about by wider knowledge and sounder principles of social welfare than were formerly held; principles which, when they gain still wider acceptance, cannot fail to bring a degree of prosperity to the race which will surpass anything that is now dreamt of. Over the past century and a half the world has become increasingly conscious of the fact that individuals and nations in seeking to grow wealthy at the expense of other individuals and nations were retarding progress and creating poverty, and that a nation's prosperity is enhanced, not diminished, by the prosperity of other countries.

Throughout the ages this knowledge has been slowly gaining acceptance. The spread of population speaking the same language, holding the same religion, and having many interests in common, brought with it the interdependence of families, of villages, and of districts, until finally the inhabitants of whole countries came to recognise the solidarity of their interests, and to look upon the welfare of the state as the matter of the highest

importance, which must be protected at all costs and at any sacrifice. But while it was recognised that the welfare of the individual was governed by the welfare of other individuals in the same village, town, or state, the prosperity of the inhabitants of other lands was regarded with envy and distrust, and the progress of other states was looked upon with suspicious jealousy. In modern times there has been a great change in the relations of individual with individual, and of state with state. The hatred of the foreigner has largely disappeared, and there has been a growing appreciation of the fact that not only is the prosperity of individuals bound up with that of other individuals, towns with towns, and districts with districts, but that the prosperity of states is dependent upon the well-being of the other states of the world.

In brief, the world is fast approaching economic maturity and to that high condition of well-being which cannot fail to result from fuller knowledge, and from the elimination of the physical and mental barriers which have so greatly impeded progress in the past. When families ceased to preserve a self-contained existence, and the economic unit became the district, the human race left behind its swaddling clothes, and there was a great advance in social well-being. Again, when the state instead of the district became the economic unit, the race entered upon its adolescence, and mankind rose to a still higher level of material well-being. In modern times the whole world has been rapidly taking the place of the state as the economic unit, and although the process is far from complete, the advantages already gained from the removal of the physical barriers—and some of the economic ones, too—which divided continent from continent, and country from country, are so remarkable that, as the work advances and the nations more fully recognise the solidarity of their interests, the world can look forward to a degree of well-being for the race far beyond the dreams of the dreamer.

Greater knowledge and the wider principles of social welfare brought with them inventions of the most remarkable character. The closer intercourse of district with district, and country with country, which came with greater knowledge, opened up new markets and created new needs; and to supply these larger needs machinery was invented, by means of which the efficiency of labour was increased manyfold. Probably the invention which had the greatest influence upon progress was the application of steam to transport. This invention almost annihilated the great distances

which, up to the middle of the nineteenth century, separated district from district and country from country, and has brought all the districts of the world into close communication with each other.

Another important cause of the great progress of modern times was the need of the Western countries of Europe to supplement their own supplies of food and raw materials by imports from other lands, and the knowledge that these essentials could be obtained in abundance by developing the fertile districts and the natural wealth of the new countries.

A third influence of great moment was the development of banking, by means of which the aggregated savings of large numbers of persons were made available for works of utility. Until the seventeenth century banking was almost unknown, and it was not until the nineteenth century that the public possessed the education and knowledge to induce them to employ their growing savings to any appreciable extent wherever they could be profitably used, both in their own country and in other lands. At all times thrifty persons have existed—persons desirous of adding to their wealth either for their own enjoyment or for the benefit of their families; but until comparatively recent times, these savings were almost entirely confined to expenditures by individuals upon their own estates, houses, farms, or businesses, to the ornamentation of their houses or persons, or to hoardings of specie; and the growth of wealth was limited by the relatively few inducements and few opportunities which then existed for the mass of mankind to make provision for their future by keeping their consumption beneath their income and by devoting their surplus labour or surplus income to works designed to increase their own consuming power. The introduction of banking and the increasing opportunities of profitable employment for savings greatly stimulated the desire to save, and caused the annual amount of wealth available for the construction of productive works to grow by leaps and bounds. The combined effect of these three factors upon the progress of the world cannot be exaggerated.

Education and invention wonderfully increased the efficiency of labour, and made it possible for the labourer to obtain access to the natural wealth of the whole world, wherever it could be found; the needs of the Western countries of Europe made them anxious to supplement their own supplies of food and materials, and rendered them willing to employ labour and capital in the development of the natural resources of other lands, while the

growth of banking and the great expansion of savings which resulted created the large supply of capital necessary for the construction of the means of transport and the provision of all the other machinery required to create, to distribute, and to manufacture for consumption the additional supplies of natural wealth.

During the sixteenth, seventeenth, and eighteenth centuries, Great Britain supplied small amounts of capital to her colonies and to India for developing their resources, and these investments taught the British people to appreciate the value and profitability of placing their savings in other lands, when by so doing they could obtain the raw materials they needed for their manufactures and the tropical luxuries they required for their consumption; but it was not until the nineteenth century forced the British people to look abroad, not only for many of the raw materials they required for their manufactures, but for a large portion of their food supplies, that the amount of British savings supplied to other countries reached large proportions. In less than three generations, railways have been constructed in nearly every country of the world, and a very large portion of the capital that was necessary for the purpose has been supplied out of their savings by the inhabitants of these islands. After building railways for themselves, the British people built railways for the Continent, for the United States, for Canada, for Mexico, for the whole of South America, for Australasia, for India, and for other countries; and are now engaged in building railways on a great scale in various parts of the world, and more especially in Canada and in Argentina. For their own use, and for the use of colonial, Indian, and foreign countries, the British people have supplied upwards of three thousand millions of capital for railway construction in a little over seventy years—the greatest work that any nation has ever accomplished, and a work that has brought greater material welfare to the world than any deed which preceded it, or is likely to be accomplished in future. But Great Britain has done more for mankind than merely providing the means of communication over land and sea. She has also provided other countries with great amounts of her savings for the development of their natural resources. The immense increase in the production of foodstuffs, of wool, of cotton, of tobacco, of tea, of rubber, and of other agricultural produce in the various countries of the world has been largely due to the capital supplied to farmers, ranchers, and planters by the British people; and the vast expansion in the production of minerals of all kinds and descriptions

from the precious metals to iron ore, coal, and oil has been mainly brought about by the great sums placed by Great Britain at the service of labour in every land. Indeed, to describe fully the beneficial work performed by the skill, self-denial, and enterprise of the British people in creating inventions and supplying the capital and labour which have so powerfully contributed to the prosperity of mankind would need not a paper but a volume.

The effect of these inventions and of these capital investments on the social well-being has been very great. The welfare of the individual is governed by the amount of wealth annually produced in proportion to population: the greater the production the greater the amount available for consumption per head, and all inventions and all capital expenditures upon improving the machinery of production, tend to increase the comfort and happiness of everyone. Mr. Bowley and Mr. Wood have calculated that the real spending power of the wage-earners of Great Britain per head has doubled in the last sixty years, notwithstanding the growth of population—a remarkable result when the limited natural resources of these islands in proportion to their population is considered. But the effect upon the welfare of Great Britain is but a small part of the advantages which have come from the inventiveness, enterprise, and thrift of the British people. By means of the shipping, the railways, and the banking and other facilities provided mainly by England, tens of millions of persons have been enabled to escape from poverty and want in the older countries to affluence in the new, and great nations have been created which enjoy a high standard of comfort and luxury. The great and wealthy American Republic, the population of which has grown in a little over a century from 5,000,000 to 92,000,000 of persons will, I am sure, be the first to acknowledge that her present prosperity and population could not have been attained but for the vast quantities of capital supplied by Great Britain for railway construction and for other purposes, and by the immense purchases of her products by the British people. And the growth in the population and in the welfare of the many millions of persons in all the young countries, is equally traceable to the wise policy of this country. Nor are the advantages confined to the young countries. It would be impossible for Europe to maintain her great populations in the degree of comfort they now enjoy had not the means been found for increasing the world's supplies of food and raw materials in the manner they have been increased by the aid of British capital. It is true that in the

past generation France and Germany have largely shared in the work of supplying the world with the capital it needs for the development of its supplies of natural products, and that this participation has increased the rate of progress; but the amount of capital which Great Britain has supplied to colonial and foreign countries is as great as the total sum supplied by the whole of the other countries of the world for use beyond their borders, and it is upon the great investments of the British people in other lands that the world mainly depends for the new supplies of capital required to open up additional land to cultivation and to increase the supplies of minerals and other raw products. Furthermore, the condition of the ancient and populous nations of the East is being steadily raised by means of the railways and other works, the construction of which has been rendered possible by the savings and enterprise of the British nation. The phenomenal increase in the prosperity of Egypt since its occupation by England caused British capital to flow in freely for railway construction, for irrigation, for banking, for mining, and for other purposes, is known to everyone. The welfare of the people of India has also immensely improved in the last two generations, and the great sums that have been supplied to India by this country for railways, irrigation, and other purposes have not only diminished the effects of intermittent drought upon the districts suffering from famine by bringing supplies of food from other districts, but they have so increased the wealth production of the country that we can now look forward to the time when the failure of the monsoon will cease to have the disastrous consequences it had in former days. The work of supplying the great Chinese Empire with the railways needed to connect its giant provinces one with the other is now proceeding, and the day is not distant when the population of China will no longer be decimated by the great famines which visit them in consequence of the lack of an efficient system of transport. In brief, not only has the social condition of this country been raised to a high level by means of the inventions of the British people, coupled with the savings which permitted those inventions to be introduced, but the social condition of the whole world has been placed upon a level the height of which can only be realised by those who are old enough to recollect the conditions that prevailed before the savings of this country were placed at the service of other lands.

The outlook for the future seems to be a very bright one. Never was the world more inventive. never was the spirit of enter-

prise more apparent, and never were the savings of the world on a greater scale in proportion to population than they are to-day. Look where we will, there is progress, and Great Britain appears to be more progressive than ever. Never have the British people paid greater attention to the education of their children and young people upon whose efficiency the future depends; never have they devoted so much thought to invention and to the introduction of more economical methods of production and of distribution; never were their annual savings greater than they are to-day, and never were they more careful to employ their savings in promoting enterprises which will create the wealth essential to the maintenance of the world's growing population.

It is now generally recognised that money spent upon education is a reproductive outlay, and that in the hands of the efficient a given amount of capital will yield a much larger quantity of wealth; hence the proposals to extend the school age, and to equip the youth of this country as well as of other countries with an industrial training, cannot fail to cause wealth to grow more rapidly in proportion to population than it has grown in the past. Everyone who realises the revolution that has been going on all over the world in methods of transportation, by means of which produce and manufactures are now carried with incredible economy from district to district, and from country to country, is aware that a smaller proportion of the world's growing savings will be needed to provide the machinery of transportation, and that a larger proportion will be available for increasing the world's productions. Furthermore, everyone acquainted with the progress of farming, of mining, and of manufactures in recent years is aware of the great economies that have been effected, and of the increasing output in proportion to the labour employed. Thus we have the fact that the efficiency of labour is rapidly increasing, that it is likely to increase, and that a larger amount of capital will everywhere be available for the use of labour, and we cannot doubt that this combination will cause the production of wealth to increase much more rapidly in proportion than population, and that the social welfare of the whole world will rise to a much higher level than it has yet attained.

Before concluding my survey of the future, I ought to make three provisos. There can be no doubt that the world will attain to a much greater degree of prosperity than it has yet enjoyed if peace is maintained, and the enormous waste of wealth which would result from its disturbance in the twentieth century is

avoided. A great war would absorb the capital, which would otherwise be devoted to the work of increasing the world's production of wealth, would cause production to grow more slowly than population, and would do serious injury not only to the countries that were engaged in the conflict, but to every other country in the world.

The second proviso is that wealth will grow more rapidly in proportion to population if the new inventions and the increase in efficiency continues to bring with them corresponding advantages to labour; that is an advance in the rate of real wages in proportion to the increase in production per head. It is necessary to recollect that two things are essential to progress, increased supply coupled with an increased demand, and that neither can be checked without disaster. The advances in the rates of both nominal and of real wages that have been in progress all over the world in modern times have been as conducive to prosperity as the immense increase in production, and unless the rate of real wages continues to advance with the increase of production in proportion to population, it will be impossible for the world to consume the additional wealth that will be created, and progress will be checked.

The third proviso is that it is essential for wage-earners to recollect that an increase in the rate of real wages cannot take place unless labour is more efficient than hitherto, and unless the production of wealth per head of population continues to expand. Were labour to imagine that it could increase its rate of consumption without increasing its rate of production, then the supply of new capital available for increasing production would be curtailed, there would be no expansion in the quantity of wealth available for consumption in proportion to population, and there would be no advance in the social well-being.

But I do not apprehend that any of these disasters will occur. Indeed, one of the results of the great progress in education and knowledge seems to be a juster appreciation of the injury to everyone caused by war, of the advantages of meeting the rightful claims of labour to a full share of the increase of wealth, and of the necessity and benefit to everyone of creating new savings from year to year sufficient to provide the vast amount of capital now required for the maintenance of the world's growing population in an advancing state of comfort. Indeed I anticipate that the continued advance in the rate of real wages will enable the wage earning classes to save much more largely than hitherto and to

contribute in a greater measure to the savings annually available for productive works. Hence I look for the supply of capital to grow more rapidly and to bring yet greater advances to the whole of mankind in general and to the wage earning classes in particular.

Thus not only can we look back to the great progress of the world in the past century with feelings of thankfulness to those whose inventions, whose sacrifices, and whose policy have brought us to our existing relatively high state of comfort, but we can look into the future in the confident anticipation that nothing can prevent the nations from working in closer sympathy and co-operation as the years pass, and that the effect of the unity of mankind will be a degree of well-being beyond the hopes of the most sanguine.

GEORGE PAISH.

DISCUSSION.

MR. A. C. COLE.

THE CHAIRMAN said it was not perhaps inappropriate that a representative of the banking community should preside on such an occasion, for while bankers were not primarily the creators of wealth, the development of banking, as Mr. Paish pointed out, had been the great means, not only of assisting the accumulation of capital, but also of directing its employment in profitable fields of investment. This country in the first half of the last century developed its banking institutions faster than our neighbours and competitors had done, and our commercial relations all over the world gave us opportunities for investments of which we took, and were still taking, great advantage. Our capitalists have no doubt made their investments primarily for their own benefit, but Mr. Paish had admirably brought out in his paper the fact that the investments of English people abroad had materially benefited the whole world. He had been interested in hearing what Mr. Paish said in regard to the three provisos for the future. First, while peace was a good asset, they must be careful not to cultivate a dread of war. Mr. Paish had shown that the whole world had been so reduced in size that the nations were practically all neighbours. The uncivilised nations were increasing at a far greater rate than the civilised, and the latter must never give up, for the sake of a comfortable or luxurious feeling, the consideration that they may have to fight for their very existence. As regarded the second proviso, Mr. Paish said that two things were essential to progress—an increased supply coupled with an increased demand. That raised what had always seemed to him the unsolved and unsolvable problem of political economy, viz., the drawing of a definite line between beneficial saving and beneficial expenditure. If they were all misers there would be no progress; equally, if they were all spendthrifts there would be no accumulation of capital and again, no progress. On this point, he doubted whether it was