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Municipal Policy and State Control

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Conservative leader in the Reichstag contemptuously declared, indeed, that he "had not the slightest fear" of such an encounter, but fear has never been a characteristic of his party so long as the interests at stake were not its own.

At the moment Germany's economic prospects are far from hopeful, for the Tariff troubles come on the top of an industrial and commercial depression which has lasted over two years and still shows no signs of relaxation. The textile industry complains that last year was the worst experienced for a decade. The mechanical trades generally report a diminished demand both in the home and foreign markets, and while there has been greater activity in the coal and iron industries since last autumn, thanks to larger exports, the extra trade has admittedly been done at unremunerative rates. There is a great amount of unemployed labour in all parts of the country, and relief works have been opened in many of the large towns. In a memorial presented to the Imperial Government last November the Commercial Treaties Association took a very gloomy view of the situation. "Notwithstanding the considerable export trade which is still conducted under the protection of the existing treaties of commerce," says this document, "German industry in its most productive branches is suffering from want of employment in a high degree, from widespread want of work for those whom it employs, and from reduction of wages. The spirit of enterprise is practically extinct, new plant is hardly anywhere being acquired, and manufacturing premises are hardly anywhere being extended. Moreover, the efforts of employers at least to keep their works going have resulted, especially in the case of syndicated industries, in the exportation of large portions of their productions at unprecedentedly low prices—a procedure which, if it were to last much longer, must inflict the gravest damage upon the German economic body and entail consequences which would exercise a prejudicial influence for decades. The present melancholy situation has, therefore, a significance which is not merely transitory, but is of decisive importance for the whole future of Germany as a world-power."

This document was drawn up just before the Tariff Bill was passed, and though the uncertainty which then prevailed as to the issue of the controversy has disappeared it is safe to say that the economic outlook is now worse rather than better.

WILLIAM HARBUTT DAWSON

MUNICIPAL POLICY AND STATE CONTROL

THE controversy in regard to the municipalisation of public services has shown recently a strong tendency to change its character. The problem is coming to be argued less on theoretical grounds, and more

as a matter of practical expediency. In this it only shares in the change coming over the discussion of the larger question of which it forms part, the question of national economic policy. There has long been in Great Britain a steady, though gradual movement away from the old *Laissez-Faire* theories, of which *Free-Trade*—the non-restriction of commerce—was only a part. State intervention in the form (among others) of factory legislation has been generally approved as a measure necessary for the protection and promotion of public health, that is, as a means of securing national efficiency; and now there is a growing belief that, for the same reason, the state must interfere much more actively in matters of commerce. Two things have helped to bring about this state of the popular mind—first, the realisation that the benefits of free competition, even where they exist, are far from being unmixed with evil; and second, the idea that for a nation considerations of political power may be more important, under some circumstances, than considerations of economic plenty. So, consciously or unconsciously, we have commenced to seek a middle term between *Laissez-Faire* and *Free Trade* on one side, and *State Control* and *Protection* on the other.

It seems probable that this attitude towards national economic questions is to be ascribed, in part at least, to the growth of municipalisation, which has accustomed the nation to an amount of state intervention unimagined thirty years ago. Local authorities came early to the conviction that competition in the supply of local public services—water-supply, lighting, means of transit—was very seldom effectual; that in fact almost all such services tend to become monopolies.¹ They thought that for the sake of efficiency in local administration, interference on their part in the management of such services was absolutely necessary. The tendency in Great Britain has been, therefore, for local public services to be only for a short time, if at all, uncontrolled; then for the state,² or the local authorities, to impose conditions more or less rigorous; and then for the services to be municipalised, that is, to pass under the ownership and management of the local authorities.³ This is also the case outside Great Britain. In Prussia not only is a strict regulation of private companies supplying public services exercised by local authorities, but municipal ownership has greatly developed as part of the deliberate policy of a bureaucracy altogether anti-socialistic in its ideas, but eager for the efficient discharge of the tasks of local administration.⁴ France has not yet gone beyond the

¹ Cf. the case of the London Water and Gas Companies.

² The state may impose a limit on charges or profits. It does this in some cases in Great Britain, and even many of the American state legislatures fix gas-charges.

³ The condition of things under which municipalities own, but do not work these enterprises, has usually been very short-lived.

⁴ When so much is talked of "municipal socialism," it is well to remember that to an ordinary German town administrator the term would have little or no meaning.

control stage, save in a few cases, but even in that country there is in the large towns a considerable movement towards municipalisation. And everywhere the chief argument advanced is efficiency and expediency.¹ But although widely adopted and continued for some time with a large amount of popular approval, this whole policy has again been challenged recently; but (as already remarked) the old line of opposition to it has been abandoned. There is a general agreement that the municipalisation of some services, *e.g.* water-supply, is advisable²; and the controversy, therefore, is not concerned with a general principle, but with particular applications of it. The charge against the municipalities is that they seek to undertake many services which are not suitable for public ownership; that in this process they have undertaken greater tasks than they can satisfactorily discharge; that their financial policy has been generally reckless and extravagant. Without sharing the alarmist views current in some circles, it is nevertheless possible to recognise the necessity for an attempt to formulate the lines on which municipal policy may safely proceed, and to devise some more adequate method of control than at present exists.

The theoretical line of division between services which may and may not be municipalised having been abandoned, a practical distinction has to be sought; and that means that each case must be considered separately and on its own merits. But it seems possible to formulate certain general principles which may help to determine the decision. In regard to any one proposal, there are two questions which must be answered: (i) Is the provision of the public service in question likely to promote municipal efficiency? (ii) Can such provision be properly made, and the undertaking conducted in a satisfactory manner, by the municipality which makes the proposal?

There are two cases in which municipalisation will *prima-facie* promote efficiency. The first is when the particular public service under discussion in any way concerns public health. Whatever theories one may have as to the origin and first principles of local self-government, it is perfectly clear that considerations of public health, and the necessity of providing for its maintenance, have been the determining force in the development of our modern local authorities in Great Britain, and in the extension of their powers. It is reasonable to assume the continuance of this process, and it may safely be asserted that any service which can be shown to be likely, if properly administered, to promote public health is, other things being equal, a fit subject for municipalisation. And the second case is that in which the public service clearly involves the control of the streets. This is a mere matter of convenience; the proper maintenance of highways is most important, and the difficulties arising from a divided

¹ In the United States municipalisation has made little progress, chiefly owing to (i) the imposition of a somewhat arbitrary debt limit, (ii) the power of private companies, (iii) the general distrust of city councils.

² *Cf.* The evidence before the Municipal Trading Committee, 1900.

control are very serious, and unhappily too well known to need illustration.

There are, of course, certain services which come under both these heads, which affect both public health and the control of the streets. Such are water-supply and lighting (this latter helping also in the discharge of another duty of local authorities, the protection of life and property). In the case of tramways the chief consideration is the advantage of the complete control of busy thoroughfares by the local authority which is responsible for the management of traffic and the upkeep of the streets; but the advantage to public health of a system of tramways relieving the pressure of population on the central districts of a city, may also be alleged. In the matter of housing, on the other hand, the health consideration is supreme. If private enterprise shows itself unable or unwilling to provide sufficient house accommodation to enable all persons to live under such sanitary conditions as the state deems necessary, then the state, through the local authorities, may find itself compelled to make good the deficiency.

When we pass to the question of the ability of a locality to undertake the work proposed, a number of considerations present themselves. The first and most important of these is concerned with local finance, a subject on which much has been written lately, particularly in regard to the growth of local expenditure and indebtedness. In 1874-5 the amount raised by public rates of all kinds was £19,198,579; in 1898-9 it was £38,602,673, an increase of just over one hundred per cent. In regard to debt, it is stated that in 1875 the outstanding debt of the cities and towns of England and Wales was twenty-six million pounds *less* than the rateable value, while at present it is one hundred millions *more*.¹ The total outstanding debt in 1898-9 was £276,229,048; to-day it is a little over three hundred millions. These figures are certainly serious, but it must be remembered that of the total debt nearly one-half (at least 121 millions out of 276) has been expended on enterprises, such as waterworks, gasworks, harbours and docks, which are, or should be, remunerative. Of the remainder, very much has been incurred compulsorily, to enable local authorities to carry out the orders of the central government in regard to highways, sewerage, schools and asylums. And a considerable amount of it is indirectly remunerative in the sense that it saves expenditure elsewhere. A good system of sewerage means less money spent in combating infectious diseases, and a municipal slaughter-house facilitates inspection of meat. But nevertheless it is certainly true that there is every reason for great care.² In any proposal, attention must be paid to the amount of debt to be incurred, to the relation of the total debt of the authority to its assets and rateable values, to the arrangements

¹ Bassett, in *The Investor's Chronicle*, July, 1902.

² It is alleged that the general fall in the value of corporation stocks in the last few years has been due not so much to the general conditions of the money market as to the continual new loan issues of the great towns.

for the payment of interest, the provision of a sinking fund, and the allowance for depreciation. This last is of particular importance. A reduction of the total debt of a municipality is of course only possible if such an allowance for depreciation is made that when the sinking fund has cleared off the original debt, no new debt need be incurred to replace works and machinery. And in any case sufficient allowance for depreciation ought to be made to obviate the necessity of new loans before the old ones are discharged ; and according to the best estimates the period of years appointed for the repayment of municipal loans is in the case of most enterprises considerably longer than the lifetime of the machinery for which the debt has been incurred.¹ It is evident also from the returns that most municipalities have not made sufficient allowances, and have preferred to meet the cost of replacement out of new loans and not out of the proceeds of the undertaking itself.

The sole justification for municipal ownership is the better service and greater convenience of the citizens. Therefore a municipality, in any one of its undertakings, does not so much sell an article as render a service, just as the State renders a service by the Post Office. And the charge made should be fixed on that principle, that is, it should be a *fee*, not a *price* ; defining a fee as a compulsory payment based on an attempt to levy the charge only where a special benefit is conferred, and intended to cover but not exceed the cost of the service rendered. This does not absolutely exclude a profit ; the Post Office charges are intended to be fees, but the state makes a small profit. And just as the profit on the Post Office makes a certain amount of state taxation unnecessary, so the profit on a municipal enterprise might reasonably go to the relief of rates. It is, after all, only another form of indirect taxation. Or it might be allocated to services, such as the provision of recreation, which at present either are *ultra vires* or impossible without a charge upon the rates. But that is a matter which each municipality could be allowed to decide for itself. And where this principle is adopted, municipal ownership and working is altogether distinct from ordinary "trading," a term which, indeed, cannot be properly applied to it, for it is governed by totally different considerations. But there are also some services which are not remunerative, which are not even self-supporting, but are held to be essential because they are connected with public health. It seems not improbable that we shall have to place housing in this category, and allow a loss to fall on the rates. In certain cases also (where great works have to be undertaken) it may be necessary to treat water-supply in the same way. We cannot make a theoretical classification of remunerative and unremunerative enterprises ; each case must be decided according to its own special circumstances. But we may insist that no support from the rates shall be given to enterprises which could be conducted with financial success by a private company ; and that a municipality already

¹ This is particularly the case in electrical undertakings, in which many experts would allow a depreciation rate of 10 per cent.

heavily burdened shall not undertake a service involving a charge upon the rates unless a very strong case can be made out for it.

There is one other point in regard to finance. Complaints are frequently made (particularly by electricians) of the jealousy of local authorities towards private enterprise, and their strong anxiety to avoid competition. The question is very difficult, but it certainly seems that where Parliament has allowed a municipality to incur large debt for an enterprise, until that debt is paid off the municipality has a right to expect Parliament to protect it against anything which seems likely to threaten its financial position. For example, if a municipality, with parliamentary approval, has incurred a heavy debt for gasworks, and is threatened with the opposition of an electric lighting company, then if it desires only to stave off competition till it has paid off its debt, it is entitled to the support of the legislature. But in that case it may reasonably be required to discharge the debt on the gasworks entirely within a fixed period.¹

In the matter of local circumstances there is another set of considerations. Attention must in every case be given to the executive ability of the particular local authority concerned. Account must be taken of the business experience and skill which is at the disposal of the authority, of the probability if it will conduct the enterprise at least as well as a private company, of its readiness to avail itself of expert services. Clearly far greater powers can safely be entrusted to a large town than to an urban district; but more than that, there are differences between the large towns themselves—in the character of the population, the composition of the council, the general conduct of local affairs; and all these help to determine the ability of the local authorities to do properly the work which they desire to undertake. Finally, care is needed that the authority really intends to make use of the powers for which it applies; an end must be put to the system by which local authorities have secured powers, not to use them, but to keep out private companies.²

All these various points, then, must be considered³; but is it possible to devise any method of control which secures due attention for them in each application for fresh powers? Our present methods

¹ Parliament does often act in a protective manner. A recent example may be given. The metropolitan borough of Bermondsey includes two districts formerly separate,—Bermondsey and Rotherhithe. The old Bermondsey Vestry undertook electric lighting; but Parliament refused to give the new Borough Council power to extend its operations into Rotherhithe, as private companies were already in the field there. So the Council now supplies one part of its borough, and not the other.

² This has undoubtedly been the case where local authorities possessing gasworks have desired to prevent the competition of electric lighting companies. They have secured provisional orders for electric lighting, and then not used them.

³ There are other questions, such as areas, joint-boards, the relations of a city to the smaller and rural authorities around it; but these are matters which do not affect the general question of local ability.

of control are admittedly unsatisfactory. Private Bill procedure, which is the form taken by the legislative control, is very costly, and has other serious defects. The various Select Committees on Private Bills do not necessarily adopt any common line of action.¹ There is not always an adequate report of the Bill from the government department concerned, and the Select Committees of the Lords are not even bound to notice such reports as are presented. Moreover the evidence given before the Joint Committee on Municipal Trading shows that the powers of the Lord Chairman in the House of Lords and the Chairman of Committees in the Commons have in practice, in the matter of Private Bills, become too arbitrary. Apparently they can, if they think fit, absolutely prevent a new proposal from coming before the Houses at all. The administrative control of the government departments (exercised chiefly, so far as we are at present concerned, in regard to Provisional Orders) and the financial control over loans, are alike too limited in scope. They pay attention to special points only; they consider each separate proposal of a municipality by itself and cannot deal with those general considerations which have been set forth above. And administrative control by itself tends to become too bureaucratic and conservative; and for a decentralisation of control—the transference to the County Councils of the supervisory powers exercised by the Local Government Board over the smaller authorities—we are not yet ready. On the whole, we must keep our system of parliamentary or legislative control; but it may be improved, and the recently established Committee on Scottish Private Bills points the way to a new and better arrangement for England and Wales.

Following that example there should be established a Standing Committee consisting of members of both houses, together with a minority of persons nominated by the County Councils Association, the Association of Municipal Councils, and the Local Government Board.² To that Standing Committee all proposals of local authorities should go,³ and the cost of applications should be greatly reduced.⁴ It should decide in full meeting all applications involving hitherto unheard-of powers, and any points referred to it by any of its sub-committees. It should deal with all separate ordinary applications (*i.e.* proposals not involving novel powers) by sub-committees, each including representatives of both classes of the members of the

¹ The recent action of the committees on London Tube Railways is an encouraging sign of better things.

² All the non-parliamentary members of the Scottish Committee are appointed by the Secretary for Scotland, who usually chooses persons experienced in local administration (such as ex-provosts). But the English Local Government Board is not on nearly such good terms with the local authorities as is the Scottish Board.

³ Just as all Bills containing clauses affecting sanitation or police go, or did go until recently, to the Police and Sanitary Committee of the Commons.

⁴ The Scottish Committee holds its inquiries "locally," which greatly reduces the cost of appearing before it.

Committee. The Committee and its sub-committees should be required to have before them in all cases two reports—one from the department which exercises financial control (the Local Government Board) dealing with the finance of the proposal and the position of the local authority concerned, and the second dealing with the general question from any other government department (Home Office, Board of Trade, etc.) interested in the matter.

For the guidance of this Committee certain definite instructions could be formulated. It should be required—(i) to decide if there is *prima-facie* a case for municipalisation; this would be settled by the general considerations indicated earlier in this article. (ii) To examine the general character and qualifications of the local authority which is applying for power. Such a task would be greatly simplified if in some future rearrangement of English local government control could be decentralised, and some at least of the powers of the Local Government Board transferred to the County Councils, which are better acquainted with local conditions than any central authority can possibly be.¹ They could then report to the Committee on any proposal of an inferior local authority. But for the present the Committee would have to be authorised to hear objections to the grant of new powers, based on the unsuccess of the municipality in the work which it already has.² This part of the Committee's work would undoubtedly be hard, but not impossible. (iii) To decide if a particular enterprise shall or shall not be classed as remunerative, and to require that in all remunerative enterprises the principle of a fee rather than a price shall be followed whenever possible. (iv) To require that the accounts of each separate undertaking shall be kept by themselves, and as fully and distinctly as those of a similar enterprise conducted by a private firm; that they shall be subject to an accountant's audit, in which special regard shall be paid to the provision made for sinking fund and depreciation—and it should be required that a copy of the accountant's report be sent to the controlling authority.³ (v) To fix a reasonable limit of time within which the local authority shall make use of its powers, or (unless it can show good cause for delay) have them revoked.

In a country like England political traditions will not allow a government department to exercise powers of control anything like so great as those wielded by the bureaucracy of France or Germany. Any considerable development of administrative control is probably out of the question here; all that can be done is to reorganise the system of legislative (parliamentary) control. The scheme here

¹ It will be remembered that such a transference was contemplated originally when the Act of 1888 established the County Councils.

² Irresponsible opposition could be prevented by the requirement, that unsuccessful objectors might at the discretion of the committee be required to pay the costs incurred in encountering their objections.

³ Besides this, there is no reason why the municipalities should any longer be exempted from the Local Government Board audit.

suggested would, it is believed, strengthen the control exercised by the central government and check any undue haste towards municipalisation, secure proper attention to the various aspects of the problem, and particularly to finance; whilst at the same time it would restore public confidence to the work of the municipalities and give to that work full opportunities for reasonable development.

PERCY ASHLEY

THE PROJECTED STATISTICAL ENQUIRY OF THE "SOCIETÀ UMANITARIA" OF MILAN.

ELEVEN years ago Prospero Moisè Loria, a Milanese citizen, left the whole of his property, amounting to about £400,000, to found a charity for the benefit of his fellow-citizens. His hope seems to have been to find work for the unemployed, especially by the foundation of "Houses of Labour," where men in want of work could find materials and an organization to market their produce. The idea of course proved incapable of realization, and for some years the trustees—hampered too by lawsuits with claimants to the property—did little or nothing, while the fund of the charity steadily accumulated, till it now stands at about £500,000. Two or three years ago the charity passed into the hands of trustees belonging to the "popular parties," especially the socialists, and they determined to use it for the promotion of labour organization. But they saw that no effective action was possible till the conditions of the problem were better known. Hence they are putting aside for the present almost every other object, and utilizing the charity for elaborate statistical enquiries. The enquiries are organized by a Labour Bureau (*ufficio del lavoro*) in close connection with the Milanese Chamber of Labour, which is the centre of the local labour organizations. The Bureau is controlled by a Council, which is for the most part elected by the Chamber of Labour and the Peasant Leagues of Upper Italy. They have appointed as Director Signor Lorenzoni, the author of a very able work on agricultural co-operation in Germany. Ten commissioners have been selected, the good-will of the municipality has been secured, and, in spite of their ultimate aim, they appear to have obtained promises of assistance from many of the employers.

They are at work now on two concurrent enquiries. The first and less difficult is an industrial census of Milan, to be taken this spring. The estimated working-class population of the city is about 200,000, and it is intended to obtain exact particulars as to the economic position of every individual (it may be assumed, children excluded) by a house to house census, to be carried out by 100 enumerators. The results are to be checked by the schedules of the general census