

# The Commercial Success of Municipal Trading

(By George Bernard Shaw.)

In view of the many charges that have been made by interested parties against the ownership by municipalities of their own public utilities the following excerpt taken from "The Common Sense of Municipal Trading" by George Bernard Shaw and written in this remarkable man's best vein, makes encouraging reading to those who believe that all public utilities should be publicly owned.

Municipal Trading seems a very simple matter of business. Yet it is conceivable by a sensible man that the political struggle over it may come nearer to a civil war than any issue raised in England since the Reform Bill of 1832. It will certainly not be decided by argument alone. Private property will not yield its most fertile provinces to the logic of Socialism; nor will the sweated laborer or the rackrented and rackrated city shopkeeper or professional man refrain, on abstract Individualist grounds, from an obvious way of lightening his burden. The situation is as yet so little developed that until the other day few quarter columns in the newspaper attracted less attention than the occasional one headed Municipal Trading; but the heading has lately changed in the *Times* to Municipal Socialism; and this, in fact, is what is really on foot among us under the name of Progressivism.

At first sight the case in favor of Municipal Trading seems overwhelming. Take the case of a shopkeeper consuming a great deal of gas or electric light for the attractive display of his wares, or a factory owner with hundreds of work benches to illuminate. For all this light he has to pay the cost of production plus interest on capital at the rate necessary to induce private investors to form ordinary commercial gas or electric light companies, which are managed with the object of keeping the rate of interest up instead of down: all improvement in the service and reductions in price (if any) being introduced with the sole aim of making the excess of revenue over cost as large as possible.

Now the shopkeeper in his corporate capacity as citizen-constituent of the local governing body can raise as much capital as he likes at less than four per cent. It is much easier to stagger consols than to discredit municipal stock. Take the case of the London County Council. For ten years past the whole weight of the Government and the newspapers which support it has been thrown against the credit of the Council. A late prime minister denounced it in such terms that, to save his face, his party was forced to turn all the vestries into rival councils on the "divide and govern" principle. The name of the London County Council has been made a hissing among all who take their politics from the Court and the Conservative papers. To such a torrent of denunciation a private company would have succumbed helplessly: the results of an attempt to issue fresh stock would not have paid the printer's bill. But the County Council has only to hold up its finger to have millions heaped on it at less than four per cent. It has to make special arrangements to allow small investors a chance. The very people who have been denouncing its capital as "municipal indebtedness" struggle for the stock without the slightest regard to their paper demonstrations of the approaching collapse of all our municipal corporations under a mountain of debt, and of the inevitable bankruptcy of New Zealand and the Australasian colonies generally through industrial democracy. The investor prefers the corporation with the largest municipal debt exactly as he prefers the insurance company with the largest capital. And he is quite right. Municipal expenditure in trading is productive expenditure: its debts are only the capital with which it operates. And that is why it never has any difficulty in raising that capital. Sultans and South American Republics may beg round the world in vain; chancellors may have to issue national stock at a discount; but a Borough Treasurer simply names a figure and gets it at par.

This is the central commercial fact of the whole question. The shopkeeper, by municipal trading, can get his light for the current cost of production plus a rate of interest which includes no insurance against risk of loss, because the security, in spite of all theoretical demonstrations to the contrary, is treated by the investing public and by the law of trusteeship as practically perfect. Any pro-

fit that may arise through accidental overcharge returns to the ratepayer in relief of rates or in public service of some kind.

The moment this economic situation is grasped, the successes of municipal trading become intelligible; and the entreaties of commercial joint stock organization to be protected against the competition of municipal joint stock organization becomes as negligible as the plea of the small shopkeeper to be protected against the competition of the Civil Service or Army and Navy Stores. Shew the most bitterly Moderate ratepayer a municipal lighting bill at sixpence a thousand feet or a penny a unit cheaper than the private company charges him, and he is a converted man as far as gas or electric light is concerned. And until commercial companies can raise capital at lower rates than the City Accountant or the Borough Treasurer, and can find shareholders either offering their dividends to relieve the rates of jealously determining to reduce the price of light to a minimum lest they should be paying a share of their neighbors' rates in their lighting bills, it will always be possible for a municipality to average capacity to underbid a commercial company.

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Here, then is the explanation of the popularity and antiquity of municipal trading. As far as their legal powers have gone, municipalities have always traded, and will always trade to the utmost limits of the business capacity and public spirit of their members.

No doubt a body of timid and incapable councillors will leave as many public services as possible to commercial enterprise, just as, in their private concerns, they keep small shops in a small way instead of becoming Whiteleys and Mannamakers, Morgans and Carnegies. And a body of rich and commercially able councillors may pursue exactly the same policy because they hold shares in the commercial enterprises which municipal enterprise would supplant, and have in fact deliberately taken the trouble to get elected for the purpose of protecting their private enterprises against the "unfair" (meaning the irresistible) competition of the municipality. Further, a body of amateur doctrinaires who rush into municipal trading on principle without enough business training and experience either to manage the business themselves or allow their staff to do it for them, will make a mess of it at first, precisely as that much commoner object the amateur joint stock company makes a mess of it. There is no magic in the ordeal of popular election to change narrow minds into wide ones, cowards into commanders, private ambition into civic patriotism, or crankiness into common sense. But still less is there any tendency to reverse the operation; for the narrowest fool, the vilest adventurer, the most impossible fanatic, gets socially educated by public life and committee work to a degree never reached in private life, or even in private commerce. The moment public spirit and business capacity meet on a municipality you get an irresistible development of municipal activity. Operations in kind like those effected by the Corporation of Birmingham in Mr. Chamberlain's time, and by the London County Council in our own, are taken in hand; and the town supplies of water, of light, of tramways, and even of dwellings, are conquered from competitive commerce by civic co-operation. And there is no arguing with the practical results. You take a man who has just paid a halfpenny for a ride in a municipal tramcar which under commercial management would have cost him a penny or twopence; and you undertake to go into the corporation accounts with him and prove that under a "fair" system of book-keeping he should have paid fourpence. You explain to the working man voter how true economy demands that his relative who is employed as a driver and conductor in the municipal service for ten hours a day, and six days a week, with standard wages and a uniform, should go back to competition wages, seventeen hours, seven days, and his own seedy overcoat and muffler. You buttonhole the shopkeeper who has just paid two and threepence per thousand cubic feet for his gas, with the public lighting rate and a bonus thrown in; and you assure him that unless he votes for a return to the supremacy of the commercial company at three shillings per thousand and a reimposition of the Lighting Rate, the city will be bankrupt and the Mayor replaced by a Man in