2 Robert Owen

The industrial revolution that gathered momentum in Britain during the late eighteenth century stimulated radical political economy. Utopians argued that private property was the source of existing inequalities but the framework of their thought, based upon conceptions of a pre-industrial society, is today remote. The extensive development of factory production, the social conditions that ensued and the interpretation of these events favoured by conventional economists created the conditions in which modern socialism was born.

THE SOCIAL COSTS OF THE INDUSTRIAL REVOLUTION

The industrial revolution brought about unprecedented increases in productivity based on the development of factories and the widespread use of machinery. The major cost of these innovations was borne by those with least power. In 1750 the working class lived near subsistence level and the purchasing power of wages deteriorated during the second half of the eighteenth century, while the controversy among economic historians as to whether real wages rose between 1800 and 1850 suggests that any improvement was only slight. However, national income grew over this period, so that workers' relative living standards fell and the potential consumption they involuntarily sacrificed financed the investment required for industrialisation. Had working-class incomes kept in step with national income, the average worker would have been approximately fifty per cent richer in 1840 than thirty years earlier. No historian claims that this occurred.

Qualitative deteriorations in the environment reinforced quantitative trends. Workers lost access to ownership of the means of production, and therefore the possibility of independence, as fewer could bear the cost of the equipment now necessary for efficiency. The capital required to put technical knowledge into effect grew more expensive, until its acquisition came to be beyond the financial capacity of most people, whose
sole means of livelihood was to offer themselves for employment as machine operators. Specialised, monotonous factory routine replaced traditional jobs, while to reap full economies of scale capitalists subjected workers to a structure of discipline which maximised the effort supplied. Mechanisation facilitated the division of labour, creating tasks that women and children could perform. Consequently whole families often worked to achieve subsistence. The conditions under which labour was performed were unregulated, dangerous and involved long hours.

The growth of factory production stimulated urbanisation; in 1750 only two British cities had a population greater than 50,000, but a hundred years later the total was twenty-nine. Street cleansing, water supply and the provision of open spaces failed to keep pace with urban migration, while housing was concentrated in crowded slums. The inevitable result was air and water pollution, epidemics of typhoid and cholera, and widespread respiratory and intestinal disease, with a consequent low expectation of life. In addition to being driven from the land by enclosures, made redundant or exposed to the competition of child labour by new machines and enwalled in factory towns, workers suffered the additional burden of political persecution due to government fears of a repetition of the French Revolution. Successive administrations were slow to remedy social problems, intervened to maintain the price of bread and impeded the development of trade unions.

Today Cole's (1952) verdict is widely accepted, i.e. the period of the Napoleonic War and the subsequent economic crisis constituted the blackest chapter in British labour history, when the foundations of modern industry were erected on the suffering of workers denied access to the fruits of an expanding economy. By contrast, capitalists enjoyed absolute power over their labour force, in pursuit of expanding profits. The industrial revolution created the modern working class, nominally free but able to live only by selling labour power. Britain witnessed in response a considerable development of radical economic doctrines in the first half of the nineteenth century.
THE RADICAL REACTION TO INDUSTRIALISATION

Late eighteenth- and early nineteenth-century industrialisation rested on three sets of institutional data — private property in the means of production, a self-regulating market economy and the transformation of labour into a commodity. Orthodox economists either took as given or positively approved these phenomena but many Conservatives and socialists opposed them. Such 'Tory Radicals' as Oastler and Shaftesbury maintained a paternalist ethic based either on Christianity or an aristocratic disdain for industry. These views seemed impractical in ignoring the productive potential of industry and assuming that earlier life styles remained viable.

Radicals, however, accepted industrial techniques but not the unrestrained rule of private capital or a self-regulating market, which they argued were the ultimate causes of contemporary inequalities and social problems. They believed that, through elimination of the private ownership of capital, an industrial economy would be created where every person was treated with dignity and the proceeds of production were divided equitably. The operation of the economy was then criticised by reference to such an ideal. Perhaps the most influential early nineteenth-century British socialist was Robert Owen.

OWEN AS INDUSTRIALIST AND ECONOMIST

Owen (1771-1858) achieved fame as a businessman, an economic theorist and a social reformer. From the age of ten he served as a draper's apprentice but at twenty he was the manager of a large cotton factory at New Lanark, which became renowned throughout Britain for its conditions of work. Owen was a benevolent autocrat who insisted on strict industrial discipline, but in combination with living wages, a decent job environment and compulsory education for workers' children. He strove to maximise profits and believed that the profitability of New Lanark demonstrated the shortsightedness of other capitalists' treatment of their workers. Despite the admiration he received as a successful businessman, he was regarded as eccentric because of his condemnation of a social order based on private enterprise and his anti-religious sentiments.
Owen’s industrial management rested on his belief that environmental improvements were the means to progress. His central tenet, that human character is moulded by circumstances, places policy emphasis upon alterations in the environment with education the key. He saw human nature as malleable, with society being the formative influence. On this basis, Owen wrought decisive changes at New Lanark. He created infant schools as a substitute for child labour, enforced standards of cleanliness and abolished public houses. These reforms were easier to implement because he wielded the unrestrained authority of capital in his factory and in the town. Over the years Owen gradually attempted to extend his influence. He saw his successful experiment at New Lanark as a precursor for national policies, i.e. an improvement of the overall environment by legislation to inculcate rationalism, the abolition of child labour, drinking, gambling and the punishment of crime, plus the collection of statistics on the condition of labour by a state which assumes responsibility for providing work for the unemployed.

These proposals emanated from Owen’s distinctive economic philosophy. Although many of its components remained underdeveloped, its essential elements were these:

(i) The experience of New Lanark convinced Owen of the validity of what later was termed the ‘Economy of High Wages’, which holds that a wage increase may produce an increase in labour’s productivity due to a direct improvement in workers’ efficiency arising out of their improved living standards or to greater efficiency in use of the other factors of production in response to higher labour costs. In such circumstances, rises in wages generate additional revenue from which they can be paid. Owen’s theory conflicted with the prevailing orthodoxy which stated that any wage increase occurred at the expense of profits and hence led to a diminution in employment and economic activity.

(ii) Owen saw an individualistic economy as inequitable, irrational and anti-social, arguing that private ownership was an institution whereby one class gained power over the rest in order to gain profits. In contrast he stressed that the greatest collective benefit accrued only when people cooperated to control nature. He did not attack industry or new technology, but denounced private ownership of the means of production,
the unrestrained spread of competition and the notion that people could better themselves by individual effort.

(iii) Owen held a rudimentary labour theory of value which he attempted to apply on behalf of the working class. He saw human labour as ‘the natural standard of value’ and thought that this concept required machinery to become the servant of labour. He wanted the state to determine the amount of labour expended on commodities and then ensure that they are exchanged on this basis.

(iv) By extending the ‘Economy of High Wages’ from an individual firm to the nation, Owen embraced an embryonic underconsumption theory of depressions. He advocated a high wage policy that maintained purchasing power as a cure for unemployment.

(v) Owen opposed the Malthusian theory of population. He believed that New Lanark illustrated the possibility of expanding output and real wages simultaneously while environmental reforms and the establishment of new social relations prevent a rise in the birth rate when real wages increase.

(vi) Owen's solution to contemporary problems focussed upon cooperation as the motive economic force, operating through a network of self-governing communes, where private ownership of the means of production is abolished and the quest for profit eliminated. He visualised a brotherhood of equals that would be impossible to attain if owners of capital deployed machinery in their own interests or if each employer was driven by competition to force down the price of labour. The solution of present difficulties and the future blueprint lay in the conscious organisation of production by self-governing communities.

OWEN’S CAREER AS A SOCIAL REFORMER

Owen's career as a national reformer fell into distinct stages. Between the publication of Towards a New View of Society in 1813 and A Report to the County of Lanark in 1821, he concentrated upon ameliorating existing social problems such as poverty, child labour, long hours and unemployment. He thought that these could be avoided if his fellow manufacturers copied New Lanark on grounds of enlightened self-interest. Indeed his arguments at this stage could be shared by capitalists
more concerned with long-term profitability than with immediate gains, but he found that his appeals met with little response. He then attempted to persuade the government to alleviate social distress. He was intermittently popular in official circles after 1815 when he stressed the importance of environmental improvements more than socialism. As he advanced beyond the role of wealthy philanthropist to the advocacy of wider reforms that threatened established authority, he became less influential.

Failure led Owen into attempts at achieving reform by examples that would demonstrate its benefits. Thus he established communist communities at Orbiston (near Glasgow), Tytherley (in Hampshire) and between 1824 and 1829 at New Harmony in Indiana. Their aim was to settle unemployed labourers on the land in self-governed ‘Villages of Unity and Cooperation’. Such schemes reflected his conviction that society as then constituted would permit cooperatives to supplant existing institutional structures. At this stage of his career as social reformer Owen was still preaching to the rich and influential. All the Owenite settlements declined and ultimately disappeared, partly because of internal administrative difficulties, partly because of the hostile external environment and partly because of the agricultural depression which generated an influx of unemployed workers, and thus excess supply of labour, to the villages of cooperation. The establishment and collapse of these schemes devoured a large proportion of Owen’s wealth.

In 1824 the London Cooperative Society was formed as a store for cooperative trading, designed to supersede competitive distribution and allow craftsmen to exchange goods without capitalist intermediaries. It aimed to sell at trade prices and use the savings accumulated through elimination of retailers’ profits to establish socialist communities. The next envisaged stage of development involved members’ cooperation to produce directly for each other rather than choosing between capitalist goods sold in their stores; in 1830 the London Society opened an Exchange Bazaar for societies and individuals to engage in mutual exchange. Owen returned from the United States in 1829, when more than three hundred cooperative societies were in existence, a figure which rose to almost five hundred by 1832, although many pursued solely educational
objectives. After 1830 producers' societies aiming to supply cooperative stores developed rapidly. They arose first in trades requiring little capital, and were particularly attractive to craftsmen whose independent status was threatened by capitalist production methods. They often possessed close connections with the relevant trade unions, which saw them as auxiliaries in the struggle for better conditions by providing jobs for the unemployed and those on strike. In 1831 the first National Cooperative Congress met, at which Owen fostered producers' cooperatives as a means of converting even more unions to the creed of cooperation.

Cooperative stores bought wholesale, and sold retail, the commodities demanded by their members, but cooperative producers faced the difficult problem of obtaining a market for all their products. This problem stimulated development of labour exchanges, where workmen and producers' cooperatives could exchange products directly, so dispensing with both employers and merchants. The most important such institution, the National Equitable Labour Exchange, was set up by Owen in 1832 and stimulated the formation of similar exchanges in provincial cities. They sought to secure a wider market for cooperative groups and to enable them to exchange their products at an equitable valuation resting on labour time. Owen appointed trade union valuers to price goods on the basis of the cost of raw materials plus the amount of labour time expended on them. A new currency of labour notes was issued for the conduct of transactions.

Exchanges obtained a brisk supply of goods most of which were bought readily, while in an era of small banks' note issue labour notes were initially accepted outside the cooperative movement. However, crucial weaknesses emerged. Labour and commercial prices coexisted uneasily; goods the exchanges offered more cheaply were soon disposed of but the more expensive remained unsold. Exchanges would not control their stocks to demand levels and movements in the manner of capitalist retailers, since they had to take what members brought to them. Consequently they became overstocked where there were many cooperative producers and understocked in trades where there were few. In practice their supplies were concentrated upon goods that could be produced by craftsmen possessing little capital. Despite this major weakness, they
Robert Owen enjoyed considerable success for a time, but collapsed in the general crash of the movement in 1834. Even then some exchanges balanced their books, but the National Equitable Labour Exchange incurred a heavy debt which fell on Owen.

When Owen returned to England in 1829, he found that a trade union movement had emerged after the repeal of the Combination Acts in 1824. 1829 witnessed the formation of the first modern national union, the Operative Spinners, while the following two years saw much social unrest in the form of agricultural riots and a wave of strike activity in the northern textile towns as a means of achieving the eight-hour day. Therefore by 1832 several distinct but related bodies, such as Owenite societies, cooperative stores, cooperative producers, labour exchanges and trade unions, looked to Owen for leadership. Most were growing rapidly, as workers disillusioned by the terms of the 1832 Reform Act, swung away from political, towards industrial, action. Owen sought the fusion of these groups into one national organisation, centrally directed and under socialist control, that would endeavour to overthrow capitalism and transform economic relations through its practice of cooperative production.

By 1833 the Operative Builders' Union was the largest in the country, with a membership of sixty thousand. It adopted an Owenite programme to take over the construction industry and reorganise it as a national guild. To implement this programme, none of its members would work for capitalist builders who refused to join the guild, which would be the sole employer, administered by elected managers and paying its members whether in or out of work. The capitalists attempted to destroy the O.B.U. by a lockout; they re-employed only those workers who signed the document (i.e. a written pledge not to join a union, which gives an employer the right to sack them if they violate it). The workers lost as the O.B.U. simultaneously fought the lockout and attempted to launch the guild with inadequate financial resources. Its members were forced back to capitalists' employment region by region during 1834 and by the end of that year the O.B.U. ceased to exist. It split into craft sections with a greatly reduced membership.

Owen sought to unite 'all the associations intended for the improvement of the working classes'. To this end he inspired the formation of the Grand National Consolidated Trades Union
which was intended to be a single inclusive union aiming to supersede capitalism by a cooperative system based upon workers' control of production. It sought to implement on an economy-wide basis a plan similar to the O.B.U. guild for construction. Ultimately the G.N.C.T.U. would control, through its constituent members, all industry, thereby taking over the functions of capitalists, parliament and local government. It would become the locus of economic, and ultimately political, power. The G.N.C.T.U.'s formation was followed by feverish organisation; discounting cooperative retail and producer societies, unions alone attracted over one million members (the figure does not include the membership of two large unions, the Operative Builders and the Yorkshire Trades Union organising in wool textiles, which chose to stay outside the G.N.C.T.U.).

As with the O.B.U., capitalists reacted to the G.N.C.T.U. by presenting the document to workers, with the threat of a lockout if not signed. This response originated in Derby; it was imitated in other towns but Derby remained the test-struggle. The workers lost, being forced back to work after a lockout lasting four months. This severe setback to the G.N.C.T.U. was followed by the notorious 'Tolpuddle Martyrs' court decision, under which unionists were transported for administering unlawful oaths. Given the repeal of the Combination Acts, the case was pursued under the 1797 Naval Mutinies Act which was never intended to apply to trade unions. This opportunity for the government to deter union organisation arose because many unions adopted secret initiation ceremonies under the threat of employer retaliation.

The G.N.C.T.U. encountered severe administrative problems. The recruits it made and the disputes it faced were so many that urgent problems of management were inevitably ignored. Internal dissension developed and Owen became disillusioned; he hoped to initiate bloodless revolution by providing examples of the benefits derived from cooperation, not to become a leader of mass industrial disputes. Accordingly he dissolved the G.N.C.T.U. in August 1834, arguing for a return to education and the need for an ethical appeal in preference to coercion. The G.N.C.T.U. faded away, but some of its constituent groups and elements of its cooperative ideology remained. Owen returned to establishing villages of
cooperation (e.g. Queenswood in 1839), and in 1844 the Rochdale Pioneers’ Cooperative Society, forerunner of the modern movement, developed from a local Owenite body. However, after 1834 the thrust of working-class agitation moved from industrial to political arenas, focussing upon the demands of the Chartists.

The G.N.C.T.U. was undoubtedly a failure. It suffered from weak, incompetent leadership, inadequate thought and lack of finance, yet it was attempting an impossible task which no leadership could have achieved; trade unions were still learning the art of combination (they had enjoyed less than ten years to organise), capitalism had not fully developed its productive potential and the working class was immature. Workers could accomplish sporadic revolt but not yet sustained action. By contrast, capitalists were strong and determined, having just won a great political victory in the 1832 Reform Act. They also possessed the support of a Whig government determined to show that the Reform Act would not destroy property rights. Against such power, workers were poorly paid, uneducated and only beginning to organise. Owen’s career as a social reformer must be assessed in terms of this hostile environment.

CONCLUSION: OWEN’S INFLUENCE

Although Owen’s schemes beyond the sphere of New Lanark failed during his lifetime, he bequeathed an enduring legacy to future radicals:

(i) The personal example of one who cast aside wealth in an endeavour to secure a happier future for others.

(ii) The paternalistic measures at New Lanark illustrated that a policy of high wages and improved conditions need not destroy profitability. Owen thus initiated a new attitude to wage questions, as demonstrated by the emergence of a labour aristocracy in the 1850s, and he became unwittingly the forerunner of the modern ‘soulful corporation’.

(iii) Many of Owen’s theoretical innovations (e.g. labour values to replace money; an Equitable Labour Exchange) are not inherently impractical, the degree of their success depending upon institutional circumstances.

(iv) His theories of, and attempts to establish, workers’ cooperatives made Owen the instigator of a significant move-
ment of later times, as developments from the Rochdale Pioneers of 1844 demonstrate.

(v) Owen’s appreciation of the role of trade unions in replacing individual worker motivations by collective policy provided a clue to improving quantitative and qualitative living standards, and also pointed to a force that could potentially be harnessed for achieving a future transformation of productive relations.

(vi) Owen’s career epitomised the Utopian approach and dilemma. He hoped first for individual conversion, then government action and then the illustrative effect of example. Personal behaviour, political reform and ‘trail blazing’ were seen as potentially transforming because an agent initiated voluntary changes, but he identified no social force capable of working towards his goal, so that capitalist or state aid was required to achieve it. This was an unrealisable ambition given the existing power structure. Owen lacked a theory of class struggle, believing instead that transition to socialism would occur through the influence of reason, practically demonstrated. Owen’s career was a social reformer was a failure, but he bequeathed an important legacy, and, despite his lack of success as a leader, no personal qualities could in the 1830s have converted the G.N.C.T.U. into a vehicle for achieving his ideals.

NOTES

1 Taylor (1960) summarised the major contributions to this controversy.
2 This calculation is based on the national income estimates of Deane (1956).
3 The first effective Factory Act was not implemented until 1833.