

## THE ETHICAL AND ECONOMIC ASPECTS OF OLD AGE PENSIONS.

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### INTRODUCTORY OBSERVATIONS.

The whole question of making State provision for the maintenance and support of all helpless and infirm persons who have survived the age of 65 years is too often, in controversy, clouded by the frequent use of the abstract term "State," as if it represented, in itself, a real, distinct, and independent entity.

The provision for the maintenance and support of all dependents of the community in any one year — whether children, helpless invalids, improvident persons, or the aged infirm — is purely an economic question, and depends, not upon an ideal State, but directly and entirely upon the products and services created or supplied by the independent active breadwinners of the community for the time being. Nay, more; every function of the State, as such, which absorbs time and labour, directly or indirectly, by means of general taxation, is wholly maintained by the usefully and intelligently directed services of the active breadwinners of the community for the time being.

It will be observed that much stress is laid upon the phrase, "the active breadwinners of the community for the time being," for it will be made apparent hereafter that the whole argument in favour of Old Age Pensions, both from an ethical and economic point of view, rests upon the fact that the active independent breadwinner of to-day has been a dependent infant and school-child in his earlier years, and he may yet in his old age become one of the helpless and infirm dependents upon the younger generation of breadwinners whom he, in his prime manhood, and during their helpless stage of infancy and childhood, directly or indirectly through State agency, sheltered, educated, and maintained.

## THE COMPOSITION OF A NORMAL POPULATION.

A normal population in a civilised State at the present time consists of:—

1. Independent breadwinners.
2. Semi-independent wives and other relatives engaged in the domestic duties of the household.
3. Dependent children, and helpless and infirm relatives.
4. Friendless and helpless poor, young and old, maintained by breadwinners through the medium of State taxation.

The following abstract, taken from the analysis of "Occupations of the People" in Tasmania at the last census, affords a clearer notion of the character and relative number of these important groups per 10,000 of the population:—

Composition and Relative Proportion of the Four Great Divisions of the People.

(Per 10,000 persons.)

(A.) INDEPENDENT BREADWINNERS.

(a) Rendering personal and immaterial services for express salary, commission, or wages:—			
Professional services ... ..	290		
Domestic services... ..	460		
			750
(b) Rendering material services for equivalent value in salary, commission, or wages:—			
Distributors of materials... ..	716		
Modifiers of materials ... ..	1,088		
Primary producers of materials ...	1,617		
Other independent services ...	90		
			3,511
Total independent breadwinners			4,261

(B.) SEMI-INDEPENDENT GROUP.

Wives and others engaged in domestic duties of the household, but not receiving an express equivalent in a monetary form	1,946
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## (C.) DEPENDENTS.

(a) Maintained directly by breadwinner:—		
Children under 15 years of age	3,650	
Aged and infirm parents 65 years and over ... ..	35	
Helpless relatives 65 years and over ... ..	7	
Ditto ditto, under 65 years ... ..	10	
	—	3,702
(b) Maintained indirectly by breadwinners through the medium of State taxation:—		
Paupers and others 65 years and over ... ..	29	
Ditto ditto under 65 years ... ..	62	
	—	91
Total dependents upon breadwinners ... ..		3,793
		—
Total persons ... ..		10,000

From the preceding tabular analysis it will be seen that there are only about 42 persons in every 100 who can be regarded as making independent provision at any time for their own maintenance by means of direct industrial services having an express monetary exchange value in the eyes of the economist.

The members of the household who perform the necessary domestic duties, although not receiving any express remuneration from a monetary point of view, may be also regarded as self-supporting, as they, by their services within the family, give a value equivalent to breadwinner, although not in a money form.

It will be seen that every 42 breadwinners maintain, on the average, 36 dependent children under the age of 15 years, who have up to this age been recipients of the products created by the labour of breadwinners in the aggregate for the support of the whole population, and who, at this stage, had never contributed anything towards the burden of the State's maintenance.

In addition, these 42 breadwinners, directly or indirectly, support the equivalent of 0.71 helpless dependent persons over the age of 65 years, and 0.72 dependents under this age, the greater part of whom had been breadwinners, and who for 25 years at least had not only maintained themselves by their own industry, but had on the average taken their fair share — during their own prime and active

stage of independence — in the maintenance and support of 38 helpless young and aged dependents. It will be seen, therefore, that while the young and helpless forming 36.57 per cent. of the population have only an ethical claim upon parents and the State for care and maintenance, and education; the deserving aged breadwinners who are past work, aged 65 and over — and only forming 1.28 per cent. of the population, and about 38.73 per cent. of the group 65 years of age and over — have both an ethical and economic right of claim to be honourably provided for by the present active breadwinners of the State generally, in return for the services rendered by such of the survivors of those breadwinners who supported, maintained, and educated the present generation of breadwinners during their helpless earlier stage of childhood.

Let us, for closer comprehension of this aspect of the subject, take for illustration the following case of a breadwinners who marries at the age of 23; has 8 children at the age of 55. Each child has been maintained and educated up to the age of 15 years. The age of the breadwinner at the birth of each child is assumed at the age of 24, 26, 28, 30, 33, 35, 37, and 41 respectively.

The chief breadwinner becomes a charge upon his eight children at the age of 65 years until his death at the 76th year of his age. The ages of the supporting breadwinner's children at parent's 65th year of age, and at his death at the 76th year are as follows:—

	1st child.	2nd.	3rd.	4th.	5th.	6th.	7th.	8th.
Age at Parent's 65th year ...	41	39	37	35	32	30	28	23
Age at Parent's 76th year ...	52	50	48	46	43	41	39	34

	Debt of Children to Parent Breadwinner at the Father's 65th year of age for 15 years' maintenance and education.	Less Share of Children's Support of Parent during his 11 years of infirmity due to old age.	Balance of Debt still Due to Parent.
	£	£	£
1st child ...	416.15	35.95	380.20
2nd „ ...	388.48	33.56	354.92
3rd „ ...	362.65	31.32	331.33
4th „ ...	338.62	29.25	309.37
5th „ ...	305.34	26.37	278.97
6th „ ...	284.96	24.62	260.34
7th „ ...	266.09	22.98	243.11
8th „ ...	224.04	19.36	204.68
Total 8 children	2,586.33	223.41	2,362.92
Per cent to original debt of child ...	100	8.63	91.37

These figures are of the greatest significance, from the ethical and economic point of view, in the support they give to the cause of old age pensions. It indicates clearly that there is no economic or ethical claim so firmly based upon justice and equity, for demanding some reasonable share of the existing available consumable wealth of the State. The economic debt claim alone, due by the eight children to the one surviving parent who has become infirm and helpless at the age of 65 years, is calculated actuarially to amount to a capital sum of £2,586, equivalent on the average to a contribution of £323.6 per child. The average after "life expectation" of a person aged 65 years may be estimated on the basis of life assurance experience to be 11 years. It follows, therefore, on equitable grounds that the surviving parent might fairly claim, if it were at all practicable (i.e., if the eight children, now all breadwinners, possessed sufficient means), an annuity or pension of £287.3 for the remainder of the parent's life, equivalent to a contribution annually for 11 years of £35.9 per child. But while the justice and equity of the claim of such a parent is thus more than fully established from an ethical point of view, it would altogether depend upon the financial means of the eight members of his family whether such a claim could possibly be satisfied or actualised in practice. The world's experience hitherto is sufficient to show that the full claim — even of surviving aged parents who require aid by means of a pension or allowance — could not be realised in practice for several reasons, the more important of which are the following :—

- (1) Some aged persons 65 and over have few children or none. Some or all children of such aged parents :—
- (2) Are too poor themselves to fulfil parental obligations.
- (3) Are too selfish and unwilling to do so.
- (4) Die or disappear before the parent arrives at the old age limit of 65 years.
- (5) All persons 65 and over who are infirm and helpless, and who are not supported by living children or friendly relatives, are now indirectly provided for by non-relative breadwinners through the medium of State taxation.

The only way to overcome the obvious difficulties connected with any scheme, whose object is the honourable maintenance and support of all helpless and infirm bread-

winners who survive their 65th year, would be for active breadwinners as a whole (the State) to adopt the wise and providential policy of pooling all the risks and benefits as in the skilfully devised actuarial provisions of the various fire, life, and marine insurance, and assurance organisations, as also our important friendly societies now managed with such marvellous success in all civilised countries.

# PRESENT AVERAGE CONTRIBUTIONS BY EACH BREADWINNER PER YEAR TOWARDS MAINTENANCE OF DEPENDENT OR HELPLESS NON-BREADWINNERS.

## FOR HUMANE PROVISION.

	Estimated Contribution Per Breadwinner.		
	£	s.	d.
Maintenance and support of all children under 15 years of age, say, £14 each ... ..	11	12	9
Education of children in State schools ... ..	1	6	10
Maintenance of hospitals and charities ... ..	0	14	1
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Total humane provision ... ..	13	13	8
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# PROPOSED BENEFITS (OLD AGE PENSIONS) TO AGED AND INFIRM BREADWINNERS.

	Equivalent Amount Per Breadwinner Per Year.		
The surviving breadwinners at 65 years and over who, through old age and infirmity, may be unable to support or adequately support themselves, to be entitled to and assured of an income, pension, or equivalent provision, which, together with any private source of income, shall not exceed £52 per annum for the remainder of life, but failing any private source of income, shall not fall short of a sum of £18 per annum. A further condition for securing such pension is that the claimant must have led an honourable life and must have resided in the State as an independent breadwinner or semi-breadwinner for a period of not less than 20 years...	0	11	4

The practical experience of New Zealand proves that a provision of this kind would not include more than 1.38 per cent. of the total population; 3.35 per cent. of all breadwinners, and about 35 per cent. of all persons of the age of 65 years and over. The average amount of actual pension for each pensioner would be about £17 per head, and its present capital value for the remaining expectation of life at 65 would, at  $3\frac{1}{2}$  per cent., represent a capital value of £153.

Let us now get at the average effect of the debt of the group of children under 15 years for maintenance and support as due to the parents represented by the group of breadwinners between the age of 25 and 65 years. The children represent 35.40 per cent. of the total population, and the breadwinners between the age of 25 and 65 years represent 24.54 per cent. It means that every 100 breadwinners of the group, on the average, maintain 144 helpless children (or, as 1 to 1.44) for 15 years. The annual support for 15 years of such children would cost each breadwinner of the group, with interest at  $3\frac{1}{2}$  per cent., a capital amount equivalent to £389, which, if then treated as a debt unpaid improved at compound interest for 25 years longer, i.e., until the breadwinner attains the age of 65 years, would represent the debt of youth to age, as equivalent to a capital sum of £918.

On the other hand, let us see how far it would be possible for the children (when they attain the age of the independent breadwinner at the 21st year) to repay to age its indebtedness to the latter, as measured by an assumed contribution to Old Age Pensions, if restricted to £17 per head of such aged and infirm persons who would probably come under its provisions. This would mean that 46 per cent. of the population for 44 years would contribute jointly their fair share to the support and maintenance of 3.35 per cent. of the population, which is a close estimate of all the aged infirm persons who can come under the qualified conditions which determine the aged infirm 65 years and over entitled to the assumed Old Age Pension of £17 per head per year. The final result would be that to discharge this limited provision for old age pension would only demand an annual contribution of £1 4s. 9d. from each breadwinner for 44 years, and which in that time would accumulate to a sum of £125, thus leaving an unredeemed balance of obligation of £793, or 86.39 per cent. still remaining to the credit claim of old age as against youth; or, more significantly, to the unredeemable credit balance of old age as against the existing breadwinners, or, looking at the latter from an abstract point of view—the State!

On the whole, therefore, it has been reasonably demonstrated that the claims of honourable and helpless old age to a State pension are indubitably established as rightful on both ethical and economic grounds.

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### THE PRACTICABILITY OF OLD AGE PENSIONS.

The absence in the existing individualistic State social organisations (with few exceptions) of any provision, save dishonouring pauperism, for the industrious and respectable breadwinners of the past, who from age and poverty have become helpless and infirm, is a lasting reproach, and requires immediate remedial attention if it is to successfully withstand the rapidly growing forces which advocate the adoption of the Fabian and other extreme forms of Socialism.

Nearly all the advanced leaders of drastic socialistic schemes, such as the advocates of the "Eisenach Programme," proudly proclaim that they recognise the ethical and economic right of helpless old age, as well as of helpless children to an honourable share of the currently produced necessities and comforts of life, not as a humiliating pauper dole, but as a primary rightful claim.

The alleged impracticability of making such provision on the lines of existing individualistic State Socialism may be dismissed in view of the success which has attended the introduction of provision for old age pensions in Germany, Denmark, New South Wales, Victoria, and New Zealand; and notably so in the latter.

The New Zealand experience is extremely encouraging. The Old Age Pensions Act, in that wonderfully progressive State, came into force on the first day of November, 1898, and has now been successfully administered for seven years. The breadth of its experience, and the ability shown in the administration of the Old Age Pension Act form an admirable object-lesson to other countries. An enthusiastic admirer\* of the New Zealand scheme of old age pensions

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\*Mr. Frederick Rogers, "Old Age Pensions" "Pro. and Con. Series." (Isbister and Co. Ltd., London, 1903.)

makes the following observation thereupon:—"Looking at the Old Age Pensions Act in New Zealand, and the success that has up to the present attended its administration, it is impossible not to see — even though the colony is small compared with our own country — that the idea of a nation pensioning its old citizens is practicable and workable." . . . "The New Zealanders made their experiment with a simplicity and courage which startled old-fashioned politicians, but which has justified itself by results. The preamble to the Act affirms that 'it is equitable that deserving persons, who, during the prime of life helped to bear the public burdens of the colony by the payment of taxes, by their labour and skill, should receive from the colony a pension in their old age.' " . . . "New Zealand found itself with its aged men and women who were past work, and who — for whatever reason — were without the means of subsistence." . . . "Separating the criminal from the honest man, the wife deserter, and the drunkard from the decent citizen, they found it in a national system of pensions." . . . "A claimant for a pension must have been a citizen of the colony for twenty-five years, must not have suffered during that time for any offence 'dishonouring him in the public estimation,' must not, if a husband, have deserted his wife, if a wife, have deserted her husband, must not have an income of more than £52 pounds a year, or accumulated property of more than £270 and upwards, and must be of good moral character, and within five years of claiming the pension must have led a sober and reputable life."

Such safeguards as are here stated entirely remove all the objections based upon the so-called universal schemes of old age pensions, and which formed the chief stumbling block to the adoption of the English Select Committee's scheme (Mr. Chaplin's, 1900), and adversely reported upon afterwards by a Departmental Committee consisting of Sir E. W. Hamilton, K.C.B., E. W. Brabrook, Esq., C.B., S. B. Provis, Esq., C.B., and Noel Humphreys, Esq.

The following tabular results of the working of the old age pension schemes in New South Wales, Victoria, and New Zealand will afford to those interested a better grasp of their scope and character:—

# OLD AGE PENSIONS IN NEW SOUTH WALES, VICTORIA, AND NEW ZEALAND.

(Based upon Latest Official Publications.)

	N.S. WALES.	VIC- TORIA.	NEW ZEALAND.‡	
	1903.	1904.	1902.	1904-5.
Total Population ... .. No.	1,422,803	1,207,808	820,217	875,539
Population, 65 years and over No.	48,802	66,429	33,465	34,990
Percentage 65 years and over to total Population ... per cent.	3·43	5·50	4·08	4·08
Number 65 years and over actually in receipt of Pension ... No.	19,596	12,622	14,167	11,812
Percentage ditto to total Population ... per cent.	1·33	1·05	1·73	1·38
Percentage ditto to all ages 65 years and over ... per cent	40·15	19·01	42·11	33·76
Amount of Pensions actually paid to Persons 65 years and over... £	468,353*	200,436	210,411	195,475
Ditto per Pensioner ... .. £	23 18 0	15 17 7	14 17 0	16 11 0
Ditto per head of Population £	0 6 7	0 3 4	0 5 2	0 4 6
Ditto per head of all at ages 65 and over ... .. £	9 11 11	3 0 4	6 5 9	5 11 9
Maximum Pension allowed per year—				
To one Person ... .. £	26 0 0	20 16 0	18 0 0	18 0 0
To each of Married Couple ... £	19 10 0	20 16 0	18 0 0	18 0 0
Maximum Income allowed, including Pension—				
To one Person ... .. £	52 0 0	26 0 0	52 0 0	52 0 0
To each of Married Couple ... £	39 0 0	26 0 0	39 0 0	39 0 0
Length of Residence in State to qualify for Pension ...No. years	25	20	25	25

\*Partly estimated.

‡ Since this paper was read, an amending Act has been passed in New Zealand. The new provisions are:—(1) An increase of pension from £18 to £26. (2) An increase from £52 to £60 of the amount of income required to disqualify. (3) An increase of joint income required to disqualify (with pension added) from £78 to £90. (4) An equal division of property between husband and wife. (5) An increase of the deduction from property in certain cases from £50 to £150.

## THE REAL MEANS OF SUBSISTENCE.

The satisfaction of the wants of man is the mainspring of all his activities. Wants are interminable. Some satisfactions affect his very existence from day to day, while others only concern in greater or lesser degree his comfort or happiness. But whatever eccentricities may be exhibited by isolated individuals at times, it is unmistakable that the intensity of the struggle for the satisfaction of

wants in all communities is determined by the nature of the wants; and invariably the greater intensity of the struggle, beginning with the most essential, is in the following order:—

1. The satisfaction of wants essential to life, viz.—  
food, shelter, and rest.
2. The satisfaction of wants essential to comfort.
3. The satisfaction of luxurious wants.

Man — whether millionaire as regards nominal claim upon capital wealth, or beggar without any nominal claim — may exist without the enjoyment of luxurious satisfactions. He may be deprived of all satisfactions saving the first group, and still maintain a more or less extended life struggle with patient fortitude; but if the satisfaction of the primary wants of the first group — food, shelter, and rest—be ever so little curtailed below a certain minimum, he, whether capitalist or pauper, will speedily perish miserably.

Man lives by actual current or annual productions intended for consumption alone — consumable wealth — and not upon fixed capital or animate or inanimate instruments of production, or their nominal claim values, whether annual or capital; and when we discover that services currently rendered, whether by instrument, skilled mind, or hand, constitute the base of what forms the real purchasing power or claim over “consumable wealth” currently available, we are able to more clearly perceive that the distribution of that form of wealth which comprises the immediately necessary products upon which subsistence depends, is determined — not as fallaciously assumed by the proportion of claim which each man holds of the Statistician’s wealth — i.e., the fixed non-personally consumable instruments of production, which the nominal owner no more consumes than the servants who control them, but — strictly by the express measure which current services of various degrees of exchange value have enabled each worker or useful service to constitute a claim upon the current available aggregate products of such services whose values are contained and incorporated in the current production of consumable wealth. The great stumbling block to many who have attempted to deal with the question of old age pensions has been the failure to realise that the essentials for the support, maintenance, and the life of the individual units of the State in any one year, do not consist of, or depend upon the previous accumulations of the compounded interest of sinking funds, money, or nominal investments, or savings. The province of monetary invest-

ments, or other forms of claim, lie wholly within the artificial domain of what may be termed "Banking Economics," and although the latter domain is absolutely essential to the existing form of State Socialism in building up, measuring, distributing, or determining the various forms of individual claims upon or titles to the economist's nominal "wealth of exchange"—the distribution of it by any process, neither in itself forms part, nor can it augment or diminish the needful store of real "consumable wealth" (mostly perishable or wasted if not used within the year of production) produced by labour, instruments of production, and Nature's free gifts, of any one year, upon which alone all persons depend for the real essentials of life, health, comfort, and well-being.

Nominal capital, or other claim or title to economists' "wealth of exchange" (i.e., money, promissory notes, mortgages, stocks, title deeds of property, capital invested in instruments of production, and such like), however skilfully and mathematically summed up by accretions of interest forborne, and however great, can never be put in force in excess of the actual volume of "consumable wealth" (real wealth) which has been produced or is available for consumption in any one year, nor can such claims immediately, by any process of finance, create, augment, or diminish any portion of the year's products. All such artificial claims are of necessity limited in application, to the measurement and allocation of title or claim to whatever consumable wealth may be absolutely necessary to the claimant, and available at the moment of presentation of claim.

The well-being of any community in any one year is, therefore, determined, not by the nominal capital or annual values of its instruments of production, but by the volume and character of the created products of the year available to all claimants for consumption.

To realise this most important distinction more closely in a practical way, let us examine the well-being of a country by its "Standard of Living," i.e., its average wealth yearly consumed and enjoyed.

Let us, for illustration, take the experience at the present day of the estimated average "Standard of Living" of the people of the Commonwealth of Australia, and its character as shown in the following summary:—

TABLE SHOWING CHARACTER OF THE FORMS OF WEALTH (CONSUMABLE WEALTH) ACTUALLY PRODUCED AND CONSUMED IN EACH YEAR IN AUSTRALIA, TOGETHER WITH ITS EQUIVALENCE IN THE HOURS OF HUMAN LABOUR ABSORBED ANNUALLY IN ITS PRODUCTION PER HEAD.

HUMAN CONSUMPTION.	COST.		Equivalence in Hours of Labour.	Per cent. to Total Per cent.
	Per Year.	Per Day.		
	£ s. d.	d.		
Food and Clothing ... ..	19 9 3	12·80	1,011	42·13
Rent, Fuel, and Light ... ..	9 5 2	6·09	481	20·05
Spirits and Tobacco .. ...	4 1 8	2·68	212	8·84
Religion, Education, Charities, etc. ... ..	3 8 1	2·24	178	7·37
Art and Amusements ... ..	1 2 8	0·75	58	2·45
Medicines and Medical Attendance ... ..	1 1 8	·70	56	2·35
Other Services... ..	0 16 0	·53	42	1·74
Total Human Consumption.	39 4 6	25·79	2,038	84·93
Man's auxiliary instruments actually engaged in production ... ..	6 19 3	4·58	362	15·07
	£46 3 9	30·37	2,400	100·00

The total amount of real wealth annually consumed in the Commonwealth of Australia by the whole population is estimated at present to be about £185,340,000, or £108 9s. 8d. per breadwinner, or £46 3s. 9d. per head of the total population, including non-effective dependents.

The capital value of property (a) is land, houses, live stock, furniture, machinery, shipping, railway plant, gold and bullion, personal effects, and all other instruments of production, transport and manufacture, is estimated at present to amount to £980,000,000.

It forms no part, however, of the £185,340,000 of the real wealth of products and services annually consumed and enjoyed by the people any more than the estimated capital value of the effective producing energies of man's labour and skill (b), which may be reckoned to amount to a sum of at least £2,937,700,000.

The combined effective capital value of (a) property, and (b) man's effective labour and skill, services engaged in the production of real or consumable wealth, is estimated at £3,917,700,000. All the capital value of claims which the combined agents of production can put in force in any one year therefore cannot exceed the value of consumable wealth produced within the same period, viz., £185,340,000,

representing about 4.73 per cent. of the total capital claim. If we now set down the fair proportion which the two classes of producing agencies (a) and (v) can lay claim to the annual consumable wealth produced and available, it would stand as follows :—

APPROXIMATE PROPORTION OF CONSUMABLE WEALTH OF AUSTRALIA DISTRIBUTED ON THE BASIS OF THE AMOUNT OF RELATIVE CLAIM OF THE ACTUAL EFFECTIVE FORCES OF THE PRODUCING AGENCIES ENGAGED.

	Mode of Claim.	Capital Value of Producing Agencies and Instruments.	Annual Share of Products, Consumable Wealth.	Per Centage.	
				To Capital.	To Total.
		£	£	p. cent.	p. cent.
(a) Capital invested in Property and Instruments of Production ..	Rental, Interest, Tribute, Taxes, etc.	980,000,000	46,360,000	4.73	25.00
(b) Capital Value of Effective Labor and Skill of Man engaged in the work of production .. ..	Commission, Wages, Salary, etc.	2,937,700,000	138,980,000	4.73	75.00
Total .. ..		£3,917,700,000	£185,340,000	4.73	100.

From this analysis, which is sufficiently comprehensive, it would appear that ordinary labourers are simply poor capitalists, and that employers and wealthy people are rich capitalists: that both forms of capital are necessary to the production of the current necessities of life; and that both — whether as interest, rental, or tribute, or as commission, wages, or salary — derive their share of these necessities of life by their combined action.

In this view of the case it is no more true or false that commission, wages, and salary are derived from the abstract idea, capital, than that rental, interest, tribute, and taxes are derived from capital.

The object of all this reasoning is to show that if the citizens of any State impose any new function — such as provision for old age pensions — upon the State Administration which may be deemed necessary to the life and well-being of its members, it creates for the State administrators a real right of claim upon whatever consumable wealth is available, commensurate with the cost of the function so imposed. The mode of claim by the State, which would correspond with that of capitalists' interest, rental, wages, or salary, would be that of taxation.

Two chief arguments of all objections to old age pensions are:—(1) That it adds additional cost to the country, and (2) that it would destroy the existing habit of thrift.

## 1. THE DIFFICULTIES ARISING OUT OF AN ALLEGED ADDITION TO THE COST OF THE COUNTRY.

The introduction of old age pensions for the reasons given in the previous pages would entail no fresh or additional cost to the country, or to breadwinners or taxpayers in the aggregate. It would only distribute the existing provision for support and maintenance in a less humiliating form, in a less costly manner, and in a more equitable and effective way. It would relieve to some extent the unequal direct burden now imposed upon the willing, kind, and conscientious; and impose, indirectly by taxation, a little more burden upon the selfish and unwilling who at present to a large extent evade directly their rightful share of burden.

By the present haphazard provision it often happens that the forward, hypocritical, and undeserving poor get more than their fair share, while the unobtrusive, shrinking, but deserving poor, get little or nothing.

## 2. THE ALLEGEMENT WHICH ASSUMES THAT OLD AGE PENSIONS WOULD HAVE THE EFFECT OF TENDING TO DESTROY THE EXISTING HABIT OF THRIFT.

Thrift is a word that may mean many things. In a reply to this objection, Mr. Frederick Rogers observes:—"To many (thrift) it appears simply to mean the saving-up of money, but that virtue (?) is not likely to flourish among people who have no money to save. Mr. Charles Booth showed in his evidence before the Commission on the Aged Poor that two-fifths of the adult population of England and Wales consist of agricultural labourers, unskilled town workers, and women wage-earners, and that these classes account for 80 per cent. of the paupers of our own country, and that two out of every three who live to old age have come to the Poor Law for assistance. Sir Robert Giffen told the Labour Commission that there are one million and three-quarters of adult men in the United Kingdom earning a pound a week or less. There are no

figures to show how many millions of women there are living on half that sum." Mr. Rogers goes on to add:—"It is a cruel mockery to talk about thrift to classes like these." . . . "The problem of how to treat the deserving poor was the subject of a special committee's report to the Stockton Guardians." . . . "Mr. Andrews, in moving the adoption of the report, stated that of the 783 persons in the workhouse over 64 years of age, 370, or 47.88 per cent., were deserving poor who had been well-behaved and self-supporting. The cause of 370 persons entering the workhouse was the smallness of the wages they had received, not drink."

"Thrift is in the last result of making the best" . . . "that can be got out of existing circumstances." . . . It has often happened that the duties lying nearest to hand have rendered it impossible for the man or woman to make provision for their old age, as they have been the keeping of aged parents for a long period of life. But no theory of thrift could ever excuse a human being for neglecting his or her duties to their family for the sake of providing . . . for an old age that he is not sure he will ever live to." . . . "It would be a form of human selfishness that would win for its practiser the wholesome contempt of their fellows of society." Mr. Rogers concludes with the statement . . . that "common-sense indicates that a young man is not likely to refuse to make provision for the mishaps and misfortunes of his younger years, because he is likely to get a pension from the State when he is old."

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## THE EFFECT OF THE ADOPTION OF OLD AGE PENSIONS ON THE LINES OF NEW ZEALAND IN THE COMMONWEALTH OF AUSTRALIA.

There are at present in the Commonwealth of Australia a population (exclusive of aborigines) of 3,984,376 persons, of which it is estimated that 159,375, or 4 per cent., are of the age of 65 and over. By the seven years' experience of New Zealand it may be safely reckoned, under the conditions prescribed for old age pensions, that about 55,781 persons, or about 35 per cent. of the old age group, 65 and over, would become pensioners.

This, at the average pension of £17 per pensioner, would represent a cost to the State of £948,177 per annum, and a tax of 4s. 9d. per head.

The burden and effect of such a provision to each State on the basis of population would be somewhat as follows:—

PROPORTION OF TAX BURDEN FOR EACH STATE  
ON ACCOUNT OF OLD AGE PENSIONS.

	Per centage of Total Popula- tion.	Old Age Cost.	Less Existing State Provision (if any) 65 & over.	BURDEN.	
				Increase.	Decrease.
		£	£	£	£
N. S. Wales ...	36·58	346,843	468,353	—	121,510
Victoria... ..	30·38	288,056	200,436	87,620	—
Queensland ...	13·09	124,116	<i>nil.</i>	124,116	—
S. Australia ..	9·35	88,655	<i>nil.</i>	88,655	—
W. Australia ...	6·08	57,649	<i>nil.</i>	57,649	—
Tasmania ...	4·52	42,858	<i>nil.</i>	42,858	—
Commonwealth	100	948,177	668,789	400,898	121,510
				279,388	

Only to one of the two States that now make provision for old age pensions for ages 65 and over (N.S. Wales) would the adoption of the New Zealand scheme be of advantage to the local State Treasury or local State. To enable the Commonwealth to bear the burden of old age pensions for Australia as a whole, it would have to raise an additional revenue by taxation of at least £948,177.

### CONCLUSION.

However fair and desirable it may, therefore, be that the Commonwealth of Australia should adopt the scheme of old age pensions, and notwithstanding that the citizens themselves as a whole would have their State and direct personal burden lessened in proportion, as to the extra indirect taxation required from them by the Commonwealth, the real practical difficulties which would arise, and would have to be overcome, would be the fiscal one. It would mean a complete revisal of Customs and Excise tariff, and this would involve much personal differences of opinion among our Australian Statesmen. It would be both unjust, as well as impossible, to try to raise, by direct taxation, so large a sum of revenue. The burden should fall broadly and as lightly as possible on all existing persons who may in their own old age have to claim a right to a pension. In no other way could the broad mass of citizen breadwinners contribute to enable them to establish such

a claim than by the easy, flexible, and indirect method of extra duties on consumable goods through the machinery of Customs and Excise.

Should the latter policy be adopted, I have no fear but that the noble object of honourable provision for well-deserving old age breadwinners who have become pecuniarily disabled in life's battle, will soon become an accomplished fact.