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## ROOT MATTERS IN SOCIAL AND ECONOMIC PROBLEMS.

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(2nd Series.)

### NATURAL LIMITS TO THE NUMBERS ENGAGED IN VARIOUS OCCUPATIONS.

Most writers on social problems tacitly assume that no other considerations than those of supply and demand, or competition and remuneration, need be taken into account when questions relating to the numbers that may be employed in the various branches of human industry are concerned. Indeed so able an exponent of the principles of Political Economy as Mr. Henry Sidgwick, assumes with confidence that the adjustment of the apportionment of the employed in the various divisions of industry is sufficiently determined by "rates of remuneration." He states (p. 182 "Principles of Political Economy"): "We assume that labour and capital are *mobile* or capable of being attracted by a higher rate of remuneration, both from district to district, and from industry to industry, so that not merely are the wages paid for the same quality in any one industry approximately the same, but also when the remuneration of labourers or capitalists in any industry is known to be higher than that of labourers or capitalists in some other industry entailing no more sacrifice or outlay, and requiring no scarcer qualifications, the difference tends to be gradually reduced by the attractions which this higher remuneration exercises on actual or prospective labourers or employers."

There is not the faintest recognition here of natural limits to or absolute necessity for employment in a given direction, irrespective of the aggregate intensity of energies expended, or market rates and prices. Neither does he recognise the universal truth in matters animate and inanimate, that mobility or movement in a new direction requires a fresh expenditure of force commensurate with the nature of the subject, the time occupied in transition, and the friction to be overcome due to inertia or foreign resisting media. A physicist would never dream of discussing the mobility of material substances in such a loose way. He would first consider the mass or weight of the substance: the distance and direction of movement: the rate of movement and time: and the friction due to inertia or existing



diversity of movement: and from these he would compute the fresh demand upon energy or force to execute the desired movement.

Because the Political Economist does not think, or does not choose to think, that the transfer of a labourer or capitalist to a new place, or to a new kind of occupation, involves a process analagous to the movement of inanimate bodies, it is not the less true. Take the case of a shoemaker reduced to a state of idleness, or partial idleness, by competition among excessive numbers, or some other cause, locally or generally.

We will suppose that this workman has a family of 5 persons, including himself, to provide for, in addition to his quota of expenditure required for State purposes, such as General Government, Law and Protection, including Gaols, Military and Naval Defences, Police, Education, Public Hospitals, Asylums, support of Paupers, etc.

It is obvious, therefore, that when fairly employed in this branch of labour—making boots and shoes—he is not merely rendering reciprocal services to his countrymen, but he helps them to provide for such expenditure as the requirement of the particular State demands. The greater the effort or energy expended by him during the year, the greater is the value of products by him added to the common wealth, in all these respects, in addition to the important part of support of the four dependants specially related to him.

Under ordinary circumstances (excluding foreign interference, and making due allowance for special skill), all branches of services within a certain country are paid at rates of wages which are, broadly speaking, correlative to effort or time expended, and consequently so long as the rates of wages are locally proportionate to definite effort and skill, it matters not whether the average rate per hour be nominally high or low, so long as expenditure is also determined locally by such correlative conditions. Thus, take the following illustrations: Suppose the price of bread is determined by a daily effort of 10 hours, and that all other services are modified and constantly exchanged in prices which, whether high or low, are also proportional to the *nominal price* of, say, the *quarter of wheat*. Under such circumstances it would not matter to the shoemaker whether the *nominal* amount of his wages was high or low, for it would have the same *purchasing power* over the things which he required to satisfy the wants of himself and family, besides the proportion required from him for the *service* of the State. Thus if the standard—the *quarter of wheat*—bore always the same relation to his remuneration for 10 hours labour and to the various items of his expenditure, it mattered not a whit to him whether the nominal money cost of wheat was high or low. In Australia



the average relation between a breadwinner's effort expended and a quarter of wheat usually represents  $44\frac{1}{2}$  hours labour, equal to  $5\frac{1}{2}$  days labour (8 hours) nearly. If, therefore, the quarter of wheat, and other things (including expenditure) always bore a corresponding relation to each other, as  $44\frac{1}{2}$  hours common labour bears as the equivalent to one quarter wheat, it follows of necessity that nominal prices, whether high or low, would not increase or decrease his receipts or expenditure, nor his average gains or losses. Thus, so far, the various divisions of labour within any one State would never be affected in reciprocal interchanges with each other by alteration in the nominal cost of services, so long as the alteration in cost was a general one within the State, and governed solely by local natural conditions. But a different result would follow, so far as the shoemaker is concerned, if manufactured boots and shoes were largely introduced from a country where nominal money prices were generally much lower, or where the average breadwinners of the population—reduced to a perilous condition—were forced to increase their expenditure of daily effort relative to the standard of cost of one quarter of wheat to 89 hours, or  $7\frac{5}{12}$  days labour of 12 hours per day. The local shoemaker would not have the advantage of distance and cost of transit, as in the case of the local quarryman or coal miner, for shoes and boots can be transferred long distances at a relatively small cost, and hence, if not protected in some other way, the local shoemaker would be unable to compete with the foreign low-paid worker. Not only would he have to increase his efforts to the same extent as the foreign competitor, but, were it not impossible, he would have to *exceed* his efforts before he could drive the foreign competitor from the field; failing this he would be reduced perhaps to half-time employment at the foreign rate of wages, and, probably, soon he and his family, overwhelmed with poverty, would become local victims to competition; and instead of being a help to the State would become dependants upon the rest of the breadwinners, thus increasing their State burdens.

It is usual with theorists to talk lightly of the *mobility* of labour under such circumstances, and to show that the local shoemaker, finding himself unable to compete in his capacity as shoemaker, would at once transfer his services to some other branch of labour, where it is supposed by theorists that there is always some providential provision. But all such writers do not seem to be aware that in a country where manufacturing industries do not dominate, there is a tendency to narrow the scope of operations, and to close more and more the doors of entrance to the remaining branches of active industries in proportion to the number of local industries actually driven out of existence by the influx of



foreign manufactures. This is undoubted so far as the local market is concerned. No one can affirm with reason that an industry driven out does not correspondingly delimit the demand upon the *local market*. Logically, therefore, the only direction in which our shoemaker could maintain his existence as a breadwinner would be (1.) To convert himself into a labourer in raw products, for which there is still a profitable demand in *foreign markets*. (2.) Transport himself and his family to a country where his particular services are in demand, or (3.) Starve or become dependent paupers supported by the local State, already too heavily burdened by Poor Rates, etc.

In theoretical discussion this case would be disposed of by wordy wrangling, or special pleading; indictment of the capacity or lack of reasoning power of opponents; references to alleged harmonies of competition; and to dogmas and general conclusions of various Political Economists of accepted authority.

The usual ruts of controversy may afford ample opportunities for theorists to display literary skill, aided by the usual handy assortment of stock illustrations. But instead of a literary sham-fight, let the theorist enter into the real difficulties by discussing the matter practically with the distressed shoemaker. For this purpose we will take a common incident in these colonies.

#### A DEPUTATION FROM THE SHOEMAKERS DRIVEN OUT OF EMPLOYMENT BY COMPETITION WITH CHEAP FOREIGN MANUFACTURES.

*Shoemaker*, Spokesman for Deputation. *Theorist*, representing the Government.

*Shoemaker*.—On behalf of myself and my distressed fellow-workmen and their families, I have been asked to represent to the Government the terrible distress into which we have fallen by the influx of manufactures of boots and shoes from Europe at such low prices that we have not only been knocked off employment by local manufacturers, who were unable to compete with foreign houses, but we find that as individual workmen, with such high ruling rates in rent, clothing, and other necessities, besides a high local taxation, we are unable to earn enough to maintain ourselves and families—even if we were able to get *full employment* at the foreign selling prices.

*Theorist*.—I sympathise deeply with your distress, but we cannot interfere with the laws of free interchange. You must therefore seek employment in some other way.

*Shoemaker*.—But we cannot turn our hands to another trade, and even if we tried, we would have to spend years as



apprentices. Even in our own trade we had as young men to spend three or four years as apprentices, partly or wholly supported the while by our parents. Now we have no such help. On the contrary, we are each burdened with the support of a family. Even if we could manage for ourselves, what is to become of our families in the meantime?

*Theorist.*—I admit this difficulty, but is there not plenty of work open to you in this country, where you could turn your labour to account where no special skill is required, or, at any rate, where bone and muscle is all that is necessary.

*Shoemaker.*—True, in time some of us might obtain work as labourers in the field among farmers, or on public works or mines; but the failure in our own industry, in such a thinly populated country, causes a depression in nearly all local occupations; for it must be admitted a considerable portion of the products of other trades and industries have been directly affected by our distress and lessened consumption due to our lack of purchasing power. Besides, I have been told by farmers that they have themselves long struggled with adverse circumstances in competing against more favoured agriculturists in America—who are able to sell in European markets—our only customers—at prices which tend to become lower year by year, and if a local market is not soon established, many of them will have to give in. If other trades in turn are crushed by foreign competition as we have been, what hope have the farmers of holding on, let alone the outlook for their own children, where every branch of industry seems to be already overstocked, even in this rich and extensive country, with a sparse population. In addition to what I have stated, I am informed by those who have given much attention to agriculture, that there is only a limited amount of land whereon agriculture might be successfully carried on, but this form of industry will not admit of the employment of more than 35 persons to the square mile of land in cultivation; and if this be so, and if farmers cannot exchange products of the same kind with each other, how can a local market become a possibility in the absence of a local community of trades and manufactures?

*Theorist.*—I admit that the home-trader and home-workman may *temporarily suffer loss* from the competition of foreign traders and workmen in the same branch of industry; but it must be remembered that *everything* will again be adjusted, because capital is constantly exerting a tendency to *smoothe down any temporary inequality* in the profits of different trades. Even if you suffer from foreign importations the Government is not bound to protect you: for there can be *no right* which has a juster claim than that every individual of the community should be freely permitted



to obtain commodities where he can buy them on the cheapest terms, and to sell them where he can realise the highest price.

*Shoemaker.*—It is easy for theorists to write such things. I am unable to understand exactly what you mean by suffering a *temporary loss*, or what the process may be which you euphoniously term a tendency to *smoothe down any temporary inequality*. I and my fellow-workmen are now unemployed. Many of us with our families are in great distress. Without *instant employment or relief from some source many of us will die of starvation*. We have no means, and if we had we do not know where to go to better our miserable condition. Do you mean if many of us succumb and die from want and misery, thereby thinning our own ranks as competitors for the existing small field of employment still remaining—that *this is the smoothing down process* to which we are referred for comfort. Good Heavens, surely not this? Remember that we are human beings, not machines! The machine may stand idle for a time and live; men cannot. Friction in inanimate machinery means dissipation of power in heat. With men friction means distress, misery, and death. Men are not machines, and loose analogies based upon the laws of physical processes cannot be grimly applied to men fighting for life and exposed to suffering. You say that Government is not bound to protect its own workmen, and that there can be no right having a juster claim than that every individual should have the most absolute freedom in buying in the cheapest market and selling in the dearest, irrespective of any local claims of sympathy, or national or racial ties of common interest. Such a commercial law, not bond, cannot be consistent with the conditions which necessitate the maintenance, defence, and independence of disconnected individual nationalities. To be logical, it would necessitate the breaking down of all individual States, all individual race conglomerations, and the fusing of all human elements into one grand State of the world. Until that time arrives there must of necessity be localised interests governed by the same local general conditions which maintain separate nationalities. All the social organisations of the State, such as Railways, Roads, Bridges, Harbours, Post and Telegraph, Schools, Defence and Protection, Poor Laws, etc., can only be logically maintained upon the admitted necessity of some common local national interest, having special concern for the general welfare of the particular nation; and these special local interests are so intertwined by so many bonds more precious than mere questions regarding *absolute cost of products in money*, that it seems absurd to say that the destruction or suffering of any of its



members are locally only of equal concern to a corresponding evil in a foreign state similarly constituted. The necessary gravitation and concentration of interests and sympathies around home and fatherland are as natural as perspective in optics ; the greatest density must be near the centre of—self, home and family—becoming weaker and weaker as the relative rings of friends or relations, club, townsmen, nation, race, are passed through to the thinner sympathies lying beyond, embracing humanity generally, where foreign races and states are bound in ; and they themselves are related obversely to us in a similarly graduated series of interests and sympathies. It is this grand gravitation of human interests and sympathies which make possible ideas and forces, which make home, friend, and fatherland ; and these—not nominal cost of products—are the great factors which determine the energies and welfare of any community. Commercial laws tend to destroy the heart of all ideas which centre in home and fatherland, and if the nation is to live, it must carefully guard against its decrepitating influence. Its shuttle seems just as ready to weave the shroud of a nation as to bind nations in bonds of broader sympathies.

DOMINATING WANTS DETERMINE OCCUPATIONS AND NECESSARILY PRODUCE INEQUALITIES IN THE FORM OF SERVICES.

Hitherto in the writings of Social Reformers the greater part of their attention has been confined to the monopoly by the poor of the lands, houses, railways, and other instruments connected with the production, security and distribution of the necessary wants of human beings. It is generally assumed that there is abundance of primary satisfactions for each one if the aggregate products annually created were more equitably distributed. But if even the necessary primary satisfactions were annually produced in sufficient quantity for the wants of all, it would go to prove the curious and inexplicable circumstance that the present haphazard training and supply and demand of those who are engaged, or who are being trained to engage in the various divisions of labour, are in perfect harmony with conditions which combine to effect a result which might seem too formidable if undertaken by the most absolute regulations of intelligent prevision. The present supply of satisfactions is determined by the estimates or combined action of self-interested producers. It cannot be affirmed on the basis of *producers' self-interest*, that wants are produced with the sole idea of providing the highest quota of satisfactions to each individual ; at best they favour the *minimum* supply, as self-interest is best rewarded by a keen demand involving high prices ; a result which would not be



attained if the *maximum* quota of satisfactions for each individual was created. Of course the absence of a perfect scheme of combined prevision among producing competitors, and the unforeseen variable effects springing from natural causes year by year, often produce abundance, or superfluity, or over-production, as it is termed; but this is a result not premeditated, and although favourable to consumers for the time being, it is a mere accident causing a fall in prices, and is likely to be followed by purposeful under-production during the succeeding period, in order to produce a straitened market with a corresponding rise in prices, and results in a certain reduction of the ideal quantity of satisfactions falling to the lot of each consumer of the poorer classes. But this tendency of *self-interested* producers, striving to produce *under* the necessary requirement, is just the very condition for involving the poor in the continual battle with poverty and want;\* and all that can be said in favour of self-interest, is that hitherto there has been no better method devised which would so effectually serve the *majority* of human beings.

Is it to be wondered, then, that the *less fit*—happily a minority—in the struggle for existence should at times cruelly feel pinching want, when upon them must fall the evil of the barely sufficing aggregate or scarcity, the ideal creation which the self-interested producer strives for?

It has been shown that the supply of wants is at present alone roughly predetermined by the self-interested calculations of producers, and that their aim is to extend the field of production as far as they can in safety to themselves; and that means as near an approach to a full supply as will ensure good prices, involving a tight market, or scarcity. Consumers who desire abundance do not determine the forthcoming supplies. Producers' interests, therefore, are antagonistic to any social ideal which would bring the highest quota of necessary satisfactions easily within the reach of all men. Therefore, so long as producers' self-interest rules supreme in the creation of necessary products, so long must we expect the periodic suffering and pinching of the lower stratum of the working classes.

Food, clothing, houses, railways, steamboats, and the various machines of production, are almost wholly regulated in the interests of producers; competition alone preventing this interest from working in too great antagonism to the interests of *consumers*. Nearly all breadwinners, therefore, in detail defeat to some extent their own ultimate interests as general

\* Bastiat even is forced to admit that "antagonistic desires cannot at one and the same time coincide with the general good." . . . "As a purchaser he desires abundance; as a seller scarcity . . . the wishes and desires of the *consumers* are those which are in harmony with public interest."



consumers, by regulating the production of supplies upon a principle which is inimical to their interests as consumers. Nor is this the only evil. All wages—breadwinners must produce, or serve to produce, before they can earn the right to share or consume the fruits of production. But the *number of those actually employed* depend almost wholly upon the *self-interest* of the *large capitalist producers*.

It is not the interest of large capitalist producers to provide the full quota of wage-earning employment to *all* breadwinners. The larger the number of fully employed labourers the keener is the demand for products, and indirectly this may have some influence upon certain producers. But this indirect consideration is too feeble to interest producers in any scheme for the general good which might be directed to ensure full employment to *all* breadwinners. It is manifest, therefore, that in the present scheme of the division of labour there are two ugly defects. *First*—There is no interest intelligently organised to train and determine the occupations of the future breadwinners according to natural proportions. *Second*—The only existing agencies which determine the extent of employment are guided by a principle which has for its object neither the supply of the highest quota of satisfaction to consumers, nor the more needful provision for securing employment to all breadwinners. In the latter case competition, instead of befriending the wage-earner and dependants as consumers, operates all the more harshly upon the larger number who are handicapped in the race by aimless training, or no training, for the nature of services that might possibly be otherwise open to some of them.

#### UTOPIAN SCHEMES OF SOCIALISTS.

It is not a matter for surprise, therefore, that the mass of wage-earners should readily sympathise with every vague Utopian scheme of the Socialists, which holds out, however faultily, some promise or plan for dealing more effectually with the root difficulties which affect them most nearly, viz., security of employment; protection from over competition; shorter hours labour with more adequate remuneration; redistribution of wealth, etc., etc.

But it is needless to point out that before the redistribution of the aggregate of all forms of existing wealth of exchange (so-called) can be dealt with, it must be clear that this wealth consists of such forms as might effectually satisfy all the primary wants and comfort of human beings. That existing *wealth in exchange*, even if equally distributed, would fulfil this most necessary provision, is a pure assumption.

It has already been shown that a great part of the existing nominal wealth of exchange, largely owned by the rich,



consists of the mere *tools* and *instruments* of production, and that the real wealth, appropriated as consumable wealth or primary satisfaction, is already more widely and evenly distributed than is generally supposed. Even under the most thorough Socialistic scheme this form of wealth would be far less generally distributed than at present; for, according to such a scheme, it would be wholly reserved in the hands of the Executive Government. It is utterly misleading to reckon upon the existing wealth of capitalists as a source for raising the quota of the real consumable and primary satisfactions. The only distribution possible in this respect would be the empty idea of part ownership. It is the increase to necessary current productions *designed for actual consumption* — material satisfactions — which alone can raise the average standard of primary satisfactions, and so dispose of material want, or poverty and distress. The question therefore arises. Suppose that such a scheme were practicable, would the producing energies of men be greater and more effective than under the Scheme of Competition, Liberty, Right of Inheritance, Property Right, or Individualism, as it is called? To be more effective in one essential it must utterly fail in the other. The workers must be trained and allocated to specific occupations in strict conformity to the amount and nature of the labour actually required to produce the primary satisfactions and comforts desired. Training for every specific occupation requires considerable time; but for the occupations of skill a large amount of time must be consumed in acquiring the necessary training, irrespective of question with regard to the unequal distribution of capacity.

Now on the basis of equality it may be easy to divide products; that, according to actual needs is simple enough, involving no insuperable difficulty. But what about the allocation to different employment? How can the easy, the refined, and the skilled occupations be allocated on any scheme of equality? The majority must, as heretofore, sweat at the hard and dirty forms of labour. But what power, or what plan can be devised which will enable any elective executive to doom once and for ever the majority of learners and workers to the hard and irksome occupations, and to fix the minority in the refined, the easy, and skilled services?

Suppose it were for a time instituted, how long would the unfortunate majority be content to submit to their lot before an irresistible cry for *redistribution of occupations* arose; and if it arose, where is the force stronger than the majority of freemen to prevent the breakdown of the social organisation necessary to produce the supply of primary satisfactions according to individual needs? What compensation can be given to the masses toiling in the more wearisome occupations? Extra



allowance of satisfactions cannot be thought of, for that would destroy the coveted ideal of equality in the distribution of satisfactions according to needs. Shorter hours cannot be allowed without trenching upon equality of leisure.

The unequal distribution of natural capacity, and the time necessary to acquire knowledge of more than one technical branch of skilled employment, make it impossible to share in turn for a time all possible forms of labour. In short, the practical difficulties standing in the way of *equality* in the *allocation of employments* appear to be insuperable, and would most certainly, if there were no other objection, destroy any social organisation on a *large scale* which had been courageous enough to attempt it. Reference to simple communities—as in America—following agricultural pursuits mainly, and not of themselves fulfilling for themselves the whole round of human wants, are utterly misleading. Such small communities are composed of a peculiar select class, who voluntarily bind themselves to a more or less ascetic life, and all such partial attempts tend to perish from lack of internal vitality. With a large mixed body of men embracing all occupations and endowed with ordinary passions and desires, the results would be chaotic and disastrous in the extreme.

One effect, terrible to contemplate, would seem to be inevitable, viz., that the indiscriminate distribution of products among all men would destroy the major source of savings at present so largely devoted to the creation and maintenance of the powerful and costly auxiliary aids to human labour; and the slight individual gain per head in material satisfaction would only be of a very temporary character, for it would soon be lost by the new impulse given to the improvident to rapidly increase their numbers.

#### WHAT WOULD BE THE PROBABLE EFFECT UPON SOCIAL WELL-BEING IF THE MAJOR SOURCE OF SAVINGS WERE DESTROYED?

In another place it has been indicated that the mere “two-hands,” or the unaided labour of man, would not only fail to produce the average comforts and luxuries now enjoyed by nearly all classes of men, but more calamitous still—they would fail to produce the *prime necessities* of life in sufficient quantity to maintain the lives of the existing population. Defects in the existing scheme of civilisation—some of which seem to be ineradicable—may be truly charged yearly with the destruction of thousands of valuable lives, but were the present major source of savings dissipated or destroyed by equality in share of earnings—either by lowering the powers of production, or by *slightly raising temporarily* the average



amount of satisfactions *consumed or enjoyed*—the new conditions (equality of earnings) would be a blight and a curse; for while the existing defects in distribution may be the cause of the misery and destruction of thousands of valuable lives, the *equality* scheme would certainly entail the misery and destruction of millions now living in a state of comparative comfort.

Many who fail to ponder upon these root difficulties may exclaim:—How can you explain this paradox? Why should the fairer distribution of wealth (that according to actual, individual needs, without regard to inequalities of natural powers, capacities or inheritance,)—raising the average comfort of the majority, and lowering the superfluous and luxurious satisfactions of the minority—be productive of such disaster? The answer is plain enough. The power to effect large savings or to create the more costly auxiliaries of labour depends mainly upon the existence of specially favourable conditions.

1. The desire to accumulate or save can only become strong enough to be effective when the stronger desires for primary satisfactions are appeased.

2. Savings or accumulations, therefore, can never be produced by labourers or others whose earnings do not exceed the supply necessary to satisfy the three primary wants. The majority of breadwinners are always in this hand to mouth condition, and rarely of themselves are able to contribute to the maintenance and increase of machines and instruments to serve as auxiliaries of production to future labour. They, however, in their social relations more than contribute the average share of the future surplus workers whose efforts must be proportionately supplemented by capital and power-multiplying instruments, if they are to enjoy the same or a further improved condition.

Those workers whose earnings are sufficient to provide comforts beyond the limits of bare prime necessities, may, however, by self-denial in the satisfactions of *comforts*, lay by a small store of savings, which in time may swell into such valuable auxiliaries to earnings, that the self-denial in *comforts* hitherto may be rewarded in the greater satisfaction of comforts in the future, and even add considerably to the store of wealth which may be converted into the more permanent capitalised auxiliary instruments of power which will benefit the generations coming after them.

Those, however, who contribute most largely to the creation of the permanent instruments which add unknown power to the efforts of hand labour, are chiefly those who either have inherited these or similar creations from their ancestors, or who by extraordinary energy, skill or self-denial, or all



together, in the earlier part of their lives, are now enabled, after satisfying the three primary wants and comforts, to indulge the prevailing passion of comfortable people, *i.e.*, the accumulation of wealth or power over wealth. This passion in itself is at this stage undoubtedly a personal luxury; but, unlike the luxuries which are directed to greater *personal consumption*, it is fortunately directed to that form of immaterial enjoyment which springs from the knowledge that the owner possesses the power to direct the mode, or secure the best conditions in which wealth may be further employed. Fortunately for the world at large, self-interest at this stage converts into a virtue what otherwise would be a vice: for the passion to further secure the luxury of power over wealth, and to augment it, restricts personal indulgence in further consuming the *material fruits of labour and the material gratuitous stores of nature*, and runs parallel with that course which favours increased production relative to numbers, involving the improvement of the social and economic condition of all labourers; *i.e.*, the wealthy man or industrial chief does not, or cannot, increase his own personal consumption of the *material* fruits of labour, skill, enterprise and the gratuitous gifts of nature beyond a moderate standard: the unconsumed material surplus—by passion, self-interest and even the better motives—is necessarily devoted to multiplying and sustaining the inanimate, costly, and powerful permanent aids to human productive power, which alone distinguishes civilised populous communities from those of the miserable and bare-handed savage, whose command of a continent of the richest land upon the globe is too feeble to support in comfort a few insignificant wandering tribes.

ANTERIOR SAVINGS THE TRUE SOURCE OF CAPITAL INVESTED  
IN THE CREATION AND DISTRIBUTION OF NECESSARY  
SATISFACTIONS.

Capital invested in land, railways, ships, canals, mines, mills, etc., and all labour-aiding machines and instruments devoted to the production and distribution of man's satisfactions, are the fruits of that portion of the products of *anterior labour* saved from the actual earners' consumption, and devoted or transformed into permanent and powerful skilled auxiliaries of *present labour*; and consequently it is an error to assume, as many do, that such forms of capital are the fruits of the major part of *anterior labour* already absorbed in current personal consumption.

That is—the capital in machines and instruments now devoted to production and distribution is derived from the *saved* products of anterior labour engaged in production,



and not from the efforts of such labour necessarily absorbed in sustaining the said labourers. It is true in one sense that all products, whether saved, transformed, or consumed, are obtained by means of labour; but it is equally true that only a minor portion of the products of labour is yearly devoted to fixed instruments to act as auxiliaries to future labour; and this minor portion is *wholly* derived from products of labour and skill *saved* from immediate destruction or consumption, and skilfully applied or directed to the creation of fresh auxiliaries to labour.

It follows from these considerations that existing capital so applied is *wholly* derived from *providential savings and skill*, and that only labourers who have contributed to these savings—with their natural representatives (inheritance)—have any real claim to a corresponding right to its *present* utilities and fruits.

Savings may be effected in various ways. They may be effected by greater industry: by the devotion of former savings to appliances aiding production: by increase of skill: by curtailing enjoyment in the consumption of satisfactions beyond *primary needs* or by a combination of all these: thus:—

Let I = Industry or energy expended.

K = Skill.

A = Skilled appliances or aids, the fruit of anterior providential savings.

C = Actual current consumption.

S = Current savings.

Then  $I K A - C = S$  or current savings.

So long as C or current consumption absorbs all the powers of I K A there can be no savings. When C exceeds I K A, debt, pauperism, crime, or death, may be the result.

When I K A exceeds C there must be prosperity and augmentation of the powers for producing more wealth.

The maximum savings are effected when I K A are at the maximum (<sup>m</sup>) and C is at the minimum (<sup>u</sup>) necessary to secure the satisfaction of primary wants: thus:—

$I^m K^m A^m - C^u = \text{Maximum of savings.}$

But if the power of C to waste, destroy, or consume the results of I K A be indefinitely increased say to (<sup>x</sup>) power there may be no balance or savings: thus:—

$I^m K^m A^m - C^x = 0 \text{ Savings.}$

That is, the stage of no savings is produced by the absorption or consumption of a very great amount of luxurious satisfactions.



But this state of *no savings*, or the minimum of savings, may be and is more frequently the result of the diminished (<sup>n</sup>) powers of I K A with the minimum of C, or minimum stage.

$I^n K^n A^n - C^n = 0$  Savings.

We have here four or five important conditions affecting the appropriation of the fruits of industry, skill, and skilled auxiliary appliances and aids.

$$\begin{array}{ll}
 (1) \quad I^m K^m A^m - C^n = & \left\{ \begin{array}{l} \text{Minimum of satis-} \\ \text{factions and maxi-} \\ \text{mum of savings.} \end{array} \right. \\
 I^n K^n A^m - C^n \quad (2) \text{ or } I^m K^m A^m - C^x = & \left\{ \begin{array}{l} \text{Maximum of satis-} \\ \text{factions and no} \\ \text{savings.} \end{array} \right. \\
 (3) \quad I^m K^m A^n - C^n = & \left\{ \begin{array}{l} \text{Minimum of satis-} \\ \text{factions and in-} \\ \text{crease of savings.} \end{array} \right. \\
 (4) \quad I^m K^m A^n - C^m = & \left\{ \begin{array}{l} \text{No savings, and} \\ \text{poverty.} \end{array} \right. \\
 (5) \quad I^n K^n A^n - C^n = & \left\{ \begin{array}{l} \text{No savings, and} \\ \text{poverty.} \end{array} \right.
 \end{array}$$

The first group is composed almost entirely of rich capitalists possessing skill, energy, and living moderately or abstemiously.

The second group is composed of rich capitalists possessing skill and energy, but living in extravagance.

The third group is composed of skilled minds and hands, middlemen, professional men, and better class of skilled labourers living moderately within their means.

The fourth group, the same as the last, but living up to their means, or lacking skill or energy.

The fifth group is composed of unskilled workmen lacking industry or lacking employment, or skilled workmen lacking energy or employment, or improvident in their manner of living.

Whatever defects spring from riches there is this to be said in its favour: that by passion for accumulation or savings of its owners it secures the necessary fund to invest in the expensive tools and instruments of production, without which the primary wants of the existing population could not be supplied. The desire to sacrifice present ease to future benefit is confined to the few, and if the products were generally distributed in equal proportion they would be almost entirely lost by slightly raising for the moment the average consumption of satisfactions; and this slight advantage would soon be dissipated by the impulse which it would give to the masses of improvident persons—in heightening the marriage rate, and causing a rapid increase of population or mouths to be fed.



## FALLACIES OF THE SINGLE TAX PANACEA.

Mr. Henry George's name among modern writers stands pre-eminent in the advocacy of the abolition of the existing modes of levying taxes mainly derived from land and property, luxuries, and foreign products, and substituting for the same a direct tax upon the value of the land,\* minus such *tangible* artificial additions to its value that may be truly estimated as *improvements* solely created by the labour or services of man. Waiving the serious objection at the threshold of this proposal, viz., the difficulty—nay the impossibility—of justly determining the proportional values of the *land* and the *improvements* added to it by *man's* services. Let us examine it fairly in the light of the various CANONS OF TAXATION which Mr. George himself quotes with approval: Thus p. 63 (People's Edition) "Progress and Poverty," he affirms:—

"The best tax by which public revenues can be raised is evidently that which will closest conform to the following conditions:—

"1. That it bear as lightly as possible upon production so at least to check the increases of the general fund from which taxes must be paid and the community maintained.

"2. That it be *easily and cheaply collected and falls as directly* upon the ultimate taxpayers, so as to take from the people as little as possible in addition to what it yields the Government.

"3. That it be certain, so as to give the least opportunity for tyranny and corruption on the part of officials and the least *temptation to law-breaking* and evasion on the part of the taxpayers.

"4. That it *bear equally*, so as to give no citizen an advantage or put any at a disadvantage as compared with others."

## THE EFFECT OF THE SINGLE LAND TAX UPON PRODUCTION.

Mr. George asserts without the slightest attempt to show by argument or demonstration that "Taxes on the value of land not only do not check production, as do most other taxes, but they tend to increase production by destroying speculative rent." This, certainly, is one of the most absurd and fallacious assumptions that could be made, and yet, without reason or argument, Mr. George supposes that we can at once build upon this rotten foundation without question or hesitation. He evidently thinks that different *names* for the same thing have some occult power to alter the

\* That means in practice a tax upon local products in lieu of a tax upon foreign products.



inevitable effects due to the thing *per se*, and not to the name applied to it. This is the fault of all visionary theorists. Let us brush away the thimble-rig of words and terms, and come at once to plain practical issues. No person can become a successful primary producer among other primary producer-competitors, unless he possesses the necessary capital and speculative skill. There is no business so uncertain in its results as farming, both as regards total income and total expenditure. More especially do these uncertainties apply to the enterprising farmer, who ventures into the speculation of entering upon virgin bush land with the view of earning a living for himself and his family ultimately from the profits derived from the sales of cultivated *products*. This profit consists entirely of the margin which the aggregate of his yearly *revenue* from sale of products shows above the aggregate of his yearly *expenditure*. It is the *amount* of the several items of *revenue* and *expenditure* which determines his *profit* or his *loss*, and not the specific nature of the various items of *revenue* and *expenditure*.

All items of expense, including profit, must come out of products, or he will speedily become bankrupt and cease to be a producer. Consequently, all products embody *all charges*, whether interest, mortgage, rent, tax, wages, other working expenses, and cost of farmer's own services as director and speculator, viz., *profit*.

#### RENT VERSUS SINGLE TAX.

Rent adjusts itself to the producing capabilities of the land. But a single national tax upon the land would be likely to prove a more formidable check to the cultivation of the soil or local production than the most heavy form of rent.

Rent is admittedly determined by the average margin left from the *sale* of products, after giving the working expenses of the farm *plus* the minimum profit to the working farmer. It cannot seriously affect production without destroying itself, and hence it must accommodate itself to the said margin, even though it should fall to rent zero. The latter stage, if reached, might check production, but so long as any margin remained production would be determined by the capabilities of the land and the enterprise and skill of the farmer. There is, therefore, no predetermined charge *fixed in character*, forming a charge on production in the shape of rent. On the contrary, it fluctuates in time in correspondence with the revenue yielded from the sale of its products. Rent rising, with relative improvement, either in price of products or with relative decrease in the cost of working the farm, due to



improved machines or methods of cultivation; rent falling with the reverse of these conditions. On the whole, therefore, rent, interest, mortgage, and working farmers' share of profit resolve themselves into mere sub-divisions of the total profit due to farm speculations drawn from sale of products, the balance of sale of products being absorbed by wages and miscellaneous expenses of working, all entirely governed by, and not exceeding, the total revenue of products, the amount of which is regulated by the local competition of similar goods that may be conveyed in any market from foreign as well as local sources. It is absurd, therefore, to suppose that a *tax* upon land does not enter into the ultimate cost of the product just as surely as the items of charge known under the names of interest, mortgage, wages of farm servants, profit of farmer; for as soon as the prices governed by local and foreign competition fail to cover *all* the items of expenditure and minimum of profit, so soon will a *check* appear to Production, so far as the land which is so effected is concerned. There is no trick of words about this result. Every practical farmer knows it too well, although he may not understand the word-splitting and theory-chopping of some speculative Economists. Thus, with average energy and skill, if the produce per year of a grain farm at current prices only covers the minimum of wages and ordinary working expenses, and minimum of profit to farmer by £50, then such farm could only yield that sum for all other charges, whether tax, rent, mortgage, or interest. It is immaterial to the farmer whether the charges be distributed over all these items thus:—

						£	s.
Tax	...	...	...	...	...	12	10
Rent	...	...	...	...	...	12	10
Mortgage	...	...	...	...	...	12	10
Interest	...	...	...	...	...	12	10
Total						£50	0

Or simply thus:—

						£
Tax	...	...	...	...	...	50
Rent	...	...	...	...	...	<i>nil</i>
Mortgage	...	...	...	...	...	<i>nil</i>
Interest	...	...	...	...	...	<i>nil</i>
Total						£50

The effect upon production, producer, and consumer would be exactly the same. If this sum of £50 could be disposed



of altogether it would be possible for the farmer to reduce to that extent the price of products to consumer, but the consumer must necessarily pay for it so long as it remains a charge either as tax, rent, interest, or mortgage. It is the *amount* remaining as a *charge* that concerns the producer and the consumer, and not the *nature* or *name* of the item forming the said charge.

So long, therefore, as foreign products are not artificially excluded from local markets the consumer is perfectly secure against the monopolists of local rents raising the price of products by arbitrary increases to rent.

But a very different conclusion must be arrived at if rental and other charges, such as interest or mortgage, are abolished, and merged in the shape of a single tax upon land. In the first place, if we abolish all burdens on land in the shape of rent or mortgage—How are we to do so? In these colonies at least, the right to the rent of land has been acquired by honest purchase. Even now the State in Tasmania derived (in the year 1888) a revenue of £77,504 from rental and fresh sales of land; a sum equivalent to 19·09 or nearly 20 per cent. of the total yearly taxation. In the 10 years ending 1888 the State derived a revenue of £646,497 from the same source: and yet after taking from honest purchasers this original value of the land, Mr. Henry George and his followers would urge upon the State to retain the original purchasers' money, and wrest from them all rights in land thus acquired without compensation. Such a proceeding would be revolting to all who possess any remaining trace of the sense of honour. The hypocrisy of glossing over such wholesale robbery by any fine-sounding phrase only shows how far the modern robber has fallen from his ancient prototype, who, at least, had the courage to consent to an appropriate name for his violence and dishonesty. We have no representatives of feudal lords in these colonies, and if we had, the proprietors of the land for the time being are as much and as little their representatives as any other capitalist; for every year a considerable portion of the land changes hands by fair purchase, and there are now few owners of land who can trace their land to the State by purchase or grant, who have not parted with it on fair terms of purchase to those who amassed wealth from other sources of wealth and enterprise. The condition of society, if it is to be improved, cannot be ameliorated by State robbery or violence. There is, therefore, only one honourable course for the Single Tax theorists to adopt, viz., to compensate the existing owners for the loss of their rightly acquired property. This course would involve capitalising the land. Now, supposing this to be done, and that we made some profit



by borrowing, say, at  $3\frac{1}{2}$  per cent. (allowing that the revolutionary scheme has not the immediate effect of destroying our credit), what would be the sum to provide for?

The last estimate of private property is stated to be £21,386,848, and it will be near enough the mark to state that 40 per cent. of this value refers to land *minus* improvements. This represents a capital sum of £8,554,739. Even if we raised this sum at  $3\frac{1}{2}$  per cent. par, it would increase our existing charge for interest on debt by £299,415.

*Single Tax fixed in character determined by the needs for public expenditure without regard to the capabilities of the land or to its power to sustain the burden so imposed.*

But if we are to meet the demands of public expenditure we must concentrate all the other modes of raising revenue from taxes and land sales in one single tax or burden upon the land. At present the revenue raised in this way in Tasmania amounts to £455,027 *per year*. If to this we add the fresh charge for land transfer to the State, the tax upon land would be necessarily raised to £754,443. The present value of the annual rateable value, *minus* improvements, is estimated to be £440,800. It would therefore follow that the direct burden upon land would be raised £313,643 *per year*, or 71 per cent. above the burden now imposed upon it by way of rent; or if we take the land and improvements, it would mean an increase of 28.45 *per cent.* on land and its improvements above the burden at present imposed due to rental. It is true there would be some set-off to this in the abolition of other forms of taxation, at present mainly derived from the luxurious consumption of spirits and tobacco, etc., averaging £2 16s. 2d. *per head* per year, or £6 5s. 8d. *per breadwinner*, £11 4s. 8d. *per family* of four persons, or £14 13s. 10d. *per household*.

But it must be borne in mind that at present the taxes actually paid by any one individual, by an inevitable law, is adjusted to the means of the individual. For example, the large part of the necessities of a poor man is not taxed—bread, meat, vegetables, and such like—and even on the taxable articles the amount of tax is proportionate to the amount the individual is enabled to expend upon taxable articles, principally drink and tobacco. A non-drinker and non-tobacco smoker, therefore, at his own pleasure, escapes the greater part of the State tax. In this way any person, by the present mode of taxes, need in case of distress, pay only a very small portion of his income in taxes.

But in the case of a single tax upon land (ground rent) the poor man in a four-roomed weatherboard hut might have to pay the same amount of tax as his rich neighbour in a fine



house. Thus take the following possible cases :—

	Capital Value		Annual Rent of House	The same as affected by Land Tax		Annual Rent of House	Increase.	Per Cent.
	Land	House		Land	House			
	£	£	£	£	£	£	£	
A	200	2,000	110	342	2,000	117	7	6·3
B	200	1,500	85	342	1,500	92	7	8·2
C	200	1,200	70	342	1,200	77	7	10·
D	200	1,000	60	342	1,000	67	7	11·6
	200	500	35	342	500	42	7	20·
F	200	300	25	342	300	32	7	28·
G	200	200	20	342	200	27	7	35·

Land 40ft. frontage on street same Block.

Thus, if the total rental be a fair index to the means of each tenant, the table shows that the effect of the single tax in adding £7 alike to rich and poor, would be only a relative tax to the rich (*a*) of 6 per cent., while to the poor (*g*) it would be equal to an increase of 35 per cent. Thus it would appear that the single tax would violate the most valuable canon of taxation, —8, (Adam Smith.) “The subjects of every State ought to contribute towards the support of the Government as nearly as possible in proportion to their respective abilities.” When we consider also that if the farmer is able to add the increased burden of 28·45 per cent. to his products (and if he fails by foreign competition to do this, he can no longer carry on the farming industry in Tasmania), we must also add 28·45 per cent. to all products of Tasmania which the poor man’s family consumes, we perceive at once that *the single tax scheme would mainly fall with cruel severity upon the poor man*, and thus the scheme instead of a boon would be a curse to him, and perhaps check half or most of our great producing industries. If our principal industries were checked it would operate at once in throwing a great part of the population out of employment. Even if it only curtailed a labourer’s employment by 10 per cent. it would have the effect of reducing his wages (at 6s. per day) by 0·92 pence, nearly a 1d. per hour: while if the whole land rental were directly distributed among workmen yearly it would only have the effect of raising their wages by 0·679d. or only 2·3rds of a penny per hour.

As regards the supposed effect of decreasing the cost of collecting revenue, and preventing fraud, it would have the opposite effect. Collection by Customs in Tasmania only represents 2·8 *per cent.* of the total revenue collected, as against a charge of 5 *per cent.* for collection of Real Estate Duties and Police Rate.

Thus the whole of the canons of taxation cited by Mr. George would be violated by any single tax proposal.