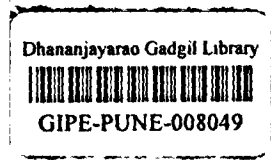


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**A TEXT BOOK**

ON

**ELEMENTRY ECONOMICS**

FOR

**NATIVE STUDENTS**

BY THE

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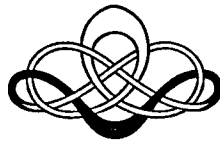


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## Introduction



**I**F we visit an agricultural show or an exhibition of goods produced in South Africa, we feel convinced that our country is a rich country. We also see that Europeans and Indians have succeeded in securing a large share of the country's wealth, whilst the Natives, with very few exceptions, are still far behind in the general race for material prosperity. They are still poor because either they do not want to improve, or they do not know how to do it, or both may be the case.

For those who are firmly resolved to improve their position and to secure a larger share of the goods of this world the following lessons on Economics are written. But in compiling these notes the writer feels like one crying in a desert, that is one who finds hardly any one willing to listen or to believe what he says.

But "the obedient man shall speak of victory" says the Bible or the man who is obedient to the laws of the creator of all things, he shall speak of success. The natural laws established by God are infallible and inexorable. They are sure to work in their proper way and no man can alter or escape them. No amount of ignorance or indifference or disobedience is of any avail. If we try to escape one law, we are sure to get between the wheels of another law. The man who purposely

evades the law of temperance in eating is sure to come under the law of an overloaded and maltreated stomach. The laws do not care whether we know them or not. If a child takes poison in complete ignorance of its fatal effects he will die. His ignorance cannot save him by stopping the natural law from taking its course. Therefore any one who wishes to speak of victory and success should carefully learn and study the laws and obey them.

It is a great pity to see the many failures of Natives which could be avoided with some amount of sound knowledge. Suppose you were a stranger in a large town and wanted to find the railway station. In searching for it alone you might happen to find it soon, but you might also spend a long time till you find it. This loss of time, money and energy can be avoided by taking a reliable guide who will bring you to your destination in the shortest time and with the least expense. The science of Economics as well as other sciences are such faithful guides giving the people useful knowledge and helping them to avoid failure, disappointment, loss and waste.

In the following lessons you may find many bits of knowledge which seem unnecessary or even useless to you. If you enter a shop where a trade unknown to you is carried on, you will see many tools apparently

useless, but the master of the trade knows their use well.

In studying the subject of Native Economics I received great encouragement and valuable advice from Dr. C. T. Loram, Native Affairs Commissioner. He put me in connection with various people in America, India and the Philippine Islands with the result that I got a considerable amount of literature dealing with the Economics of the Negroes, Indians and Filipinos.

But the greatest help I got from Mrs. Mabel Palmer, M. A., Lecturer on Economics at the Technical College in Durban, who spent many hours with me in discussing the following lessons. Mrs. Palmer came only recently from England to South Africa and shows lively interest in Native matters and Native welfare. So you are sure to get, through her kindness, expert advice and instruction in Economics.



## Chapter I

# Need of Education for Economic Efficiency

### § 1. MEANING

1. The word Economics is derived from the two Greek words *oikos* (house) and *nomos* (law). It means therefore the laws of the management of a household and its expenses, management of the resources of a community or society and management of the resources of a nation in order to increase its prosperity (Political Economy).

2. It also means the careful management of resources so as to get the best out of them. Our resources are money, ability, energy and time. In the use of money we practise (a) frugality or use it sparingly, not more than necessary, (b) thrift or use it wisely, (c) saving or spend it wisely. Ability, labour, energy and time are also factors which can be used in such a profitable way as to get a maximum profit from them. Time is money says the white man and he is right, because by making a good use of your time you can increase the money which you earn. The American engineer F. W. Taylor proved that by using scientific working methods much more and often twice the amount of work can be done at the same time and with the same energy than is done under the common methods (Taylor System).

3. By Economics we also understand the science of the production of wealth, its acquisition, circulation, exchange, distribution and consumption or active use and ultimate destruction. Wealth is the product of nature and labour. Nature is the father, labour the mother and wealth or capital is the child. By nature we mean all raw materials, treasures and forces existing on our globe, chiefly in the soil. Labour is the energy which man applies in order

to make use of or change the gifts of nature so as to suit his plans. The combination of these two great factors produces all those goods which we call Capital or Wealth.

### § 2. NEED OF EDUCATION FOR ECONOMIC EFFICIENCY

1. Economic efficiency means the ability or power to procure all things or goods necessary for sustaining our life in this world. As soon as the little chicken comes out of the egg shell, it is economically efficient, because it is at once able to do what is necessary for keeping alive. It takes a few weeks or months for the little birds and young mammals to become independent from their parents and self-supporting. But there is nothing so helpless and such a long time dependent from others as the human baby. Yet this child so completely dependent at birth must slowly be made independent, self-supporting or economically efficient. We can distinguish three degrees of economic efficiency:

(a) The lowest degree or the minimum which must be required from every ordinary, healthy and able-bodied human being is to become economically independent of others or self-supporting, that means every one must learn to get his living, his daily bread.

(b) Over and above that man must also become able or efficient to return to society an equivalent or the same amount of what he got whilst undergoing the process of becoming self-supporting. During all that time he got a great deal from other people or society, and he is expected to return at least the same amount again to other people or society.

(c) The third and highest degree for every man is that he also contributes his share of further development and progress, or everybody should try to make the world a better place than he found it.

2. A child who does not become self-supporting will be a social parasite, a dependent, and is in danger of becoming a criminal. Parasitism is a state caused by avoidance of effort. The child cannot make efforts at once, he must be supported for a long time, but the aim of this long support is not to let him escape future effort, but to let him develop, grow and become strong.

3. All what the child does whilst under education, all playing, learning, doing and working must aim at development or growth. If a child works only for present needs, disregarding the effect of such work on his later life, then his development is arrested and his ultimate efficiency will suffer. Such is the case when young children are sent to factories to do monotonous work for a wage, or when children of school age are sent to work as kitchen boys or nurses.

4. The child must not too soon become self-supporting. A good foundation of a healthy body and an efficient mind is necessary. It is therefore a grave mistake if children are overworked to the detriment of their health and if they do not get the necessary minimum of an elementary or primary education.

5. Economic independence is gained step by step through effort, exertion and overcoming of obstacles. Every child must go through a long series of efforts. There is a great danger that rich parents are tempted to spare their children this trouble and make life too easy for them. Such children will be ill equipped for the battle of life.

6. The child must also learn to consider himself as a social unit, as a member of a group, and not as standing quite alone for himself. He cannot become independent except in combination with his fellow-men. His individual motives must be socialised. An American writer says: "Never before have people felt so strongly that social need rather than personal profit should be the stimulus behind production."

### § 3. SCOPE OF EDUCATION

The following subjects will be treated in these lessons on Economics:

1. Economic development from simple primitive life to complex modern life.
2. Exchange, buying, selling, markets, relation of price to demand and supply.
3. Wealth and the factors in production of wealth.
4. Money and Banking.
5. Methods of Organisation and Co-operation.
6. Relation between Capital and Labour, Wages.
7. Trade Unions, Unemployment.
8. Strike, Lock-out, Boycott.
9. Saving and Thrift.
10. Taxation.
11. Foreign Trade, Imports, Exports.
12. Socialism, Communism, Bolshevism.

### § 4. USE OF STUDY OF ECONOMICS

1. We learn to understand our economic relation to society, or what we get from society and what we have to give or to return to society.
2. We are enabled to understand better the history and the meaning of the various institutions and practices affecting our income and expenditure (money, wages, prices etc.).
3. The common facts of our daily life become more interesting because we understand them far better. We learn to live well and our efficiency as members of society is increased, we

are enabled to do more for other people.

4. Common people are prevented from being exploited and plundered through their ignorance. Natives know only too well that this happens often. There is also a great tendency of getting rich easily and quickly. This tendency is found amongst ignorant people of all races, colours, places and times, as will be seen in the following paragraph. Sound knowledge of economics will effectively counteract this tendency.

5. It also helps us to get the best out of our resources, we learn to do much with little, whereas many people do only little although they have large resources.

6. We learn our limitations and are prevented from dangerous steps and uncertain speculations.

7. We learn habits of thrift and carefulness in little things. It is really astounding what big amount of money Natives are losing continually through their habit of carelessness in little things. The whole Native race needs a sound education and thorough effective training in the good and highly useful habit of being careful in little things.

8. Knowledge reduces poverty and its consequences: disease and crime.

9. Education in economics can also help to promote good will and peace between individuals (master and servant), classes (Capital and Labour), races (white and black).

10. Study and knowledge will decide the results of economic pressure. A change must be effected carefully and judiciously using existing conditions. Such a process is one of evolution, and is the natural process. Revolution is a quick process and consists in the blind upsetting of existing conditions. It is an unnatural process, causing misery, ruin and destruction.

## § 5. EXAMPLES OF TENDENCY OF GETTING RICH QUICKLY AND EASILY

About 200 years ago, when France was on the verge of bankruptcy, John Law, a Scotchman, established a company, which was to have a monopoly or sole right of trading in the valley of Mississipi in the North of America on condition that it paid off the French state debts. In 1719 two other companies joined it and the price of shares rose suddenly to such a degree that they were soon twelve times as valuable as at the beginning. The success of this scheme brought about a similar movement in England. In 1711 the South Sea Company was formed to carry on trade in Spanish America and the countries of the Pacific. Success raised the shares to a high price, and emboldened by John Law's success in France, the directors formed the mad and wild scheme of making their company the greatest trading company concern in the world. The value of South Sea shares went up by leaps and bounds and false reports about the profits of the company aroused a terrible gambling fever in the ignorant people. They tried to get money by any means, selling everything, in order to buy South Sea stock and they did not hesitate to pay fabulous prices for a share which in a few weeks rose from £100 to £1000.

The people became mad and thought only of stock-jobbing and getting rich easily and quickly. All sorts of companies were floated, most of them being mere swindles, and people eagerly bought any shares or worthless scraps of paper. But very soon these bubble companies burst and large numbers of people were ruined. Then the investors in the South Sea Company began to take fright and tried to sell their shares at any price. The shares

fell from £1000 to £135 and in 1720 the Company was bankrupt. Widespread ruin and misery followed, a loud cry of rage and despair went up from the ruined people and vengeance was called down upon the Government which had sanctioned the mad scheme. Upon inquiry it was discovered that many people of the higher classes, members of Court, the Prince of Wales, and even the ministers, had made fortunes by selling their shares at a vast profit before the bubble burst. One minister committed suicide and the Prime Minister, when attacked in the House of Lords for his share in the matter, fell down dead in an apoplectic fit. This is the story of the "South Sea Bubble."

This money fever occurs still to-day. Not long ago an American made an experiment in order to see how far the ignorance and gullibility of the general public could be exploited. One early morning the following notice appeared at his office window: "At present there is an enormous demand for cat skins. We have therefore started a cat farm in California and want you to buy shares of our Company. We keep a million cats. You ask how we feed them? Very simple. Next to our cat farm we have a rat farm where we keep a million rats which we feed to the cats. You ask how we feed the rats? Still simpler. We feed the cats back to the rats and keep the skins which we sell." He did not believe that there would be one single individual so foolish as to believe into

this scheme, but to his astonishment a big crowd assembled at his window and when he opened his office, all rushed in, eager to buy shares. He told them that the whole thing was a joke, but the people did not believe that and insisted on buying shares. It took a long time till the people could be persuaded to leave the office, but that man could easily have made £1000 on the very first day if he had agreed to sell shares.

There are hundreds of swindle cases where the ignorance and credulity as well as the money hunger of people, white as well as black, have been exploited.

#### § 6. THE NATION'S PROSPERITY

The aim of education is the prosperity of the nation. But no nation can become prosperous or rich if it does not want, if it has no strong desire. As a whole any nation becomes quite naturally and in the long run as rich as it resolutely makes up its mind to be. But the nation is an aggregate of units. The prosperity of the whole depends on the economic efficiency of the individual. Every one who aims at such efficiency is working for the welfare of the whole native race.

The training of Hampton and Tuskegee Institutes and other agricultural and industrial schools for the American Negroes has produced agents and teachers who go out into life persuaded that the fate of the race depends primarily on improved economic efficiency.



## Chapter II

# Stages of Economic Development

### § 1. NEED OF KNOWLEDGE OF DEVELOPMENT

If we want to understand a thing thoroughly, we must trace all the processes and stages through which it has passed and has come to be what it is. In Nature Study we observe plants starting from the seed and following them through germination and growth. In the same way we study the insect through its various stages beginning with the egg. In order to understand fully such institutions as schools we study their earliest beginnings and all the transformations they underwent till the present day. Machinery is also studied in the same way. The economic system of modern civilisation is very complex and so are our economic relations to society (i. e. what we receive and what we give). In order to understand all these complexities we have to follow the various stages of economic development from the very simple savage life up to the very complex state of modern economics.

### § 2. DEVELOPMENT IN EUROPEAN LIFE

In European civilisation we distinguish 3 stages of economic development: subsistence, domestic, and factory economy.

#### 1. SUBSISTENCE ECONOMY

It means the production of goods for direct use at home without exchange or buying and selling. It was in this way that the South African Natives were living when the white men came. They had no recognised form of money, though for some purposes they used cattle, and each kraal supplied itself with the food, clothing etc. which it required. Until about 600 or 700 years ago many of the white men in Europe lived in the same way. In England at

that time most people spent their lives in small communities, each with a lord or a chief at its head, each family had land which it cultivated for its own use and in addition (as in Basutoland and other native countries) the men had to give so many days a year working on the lord's land to raise crops for his use. The great men even at that time bought some things such as silk, jewellery and spices, but the common people or serfs lived from year to year eating the food which their land produced, clothed in sheep skins dried at home or in coarse wool spun and woven at home, using rough home-made furniture and dwelling in rude huts erected by their own hands. This mode of existence was not very different from that of the South African Natives though probably the Europeans had better tools or a larger knowledge of handicrafts. It was calculated that the only things needed by the common people of any English estate in the Middle Ages were salt, iron and tar (to prevent scab among sheep). Therefore hardly any money circulated at that time and there were hardly any shops, merchants or people working for wages, any more than in South Africa before the white men came.

#### 2. DOMESTIC ECONOMY

With the development of the various crafts people began to specialise and produce goods in excess to their needs, and they offered their surplus goods to their people first by barter or exchange, then by sale. Thus money began to circulate, more especially when craftsmen went abroad to offer their services. In the end the workmen took work home (mostly woollen cloth weaving)

for which they were paid by merchants who then took their cloth to distant markets or sometimes the weaver jogged himself to market in his little cart carrying his cloth to be sold. The whole family worked under the eye of the father, the children carded wool, the women spun, the men worked the heavy wooden looms. Other industries were also developed and as an immediate consequence of this development exchange became much more widespread and the markets and towns grew constantly more important.

### 3. FACTORY ECONOMY

In the course of time simple labour-saving machinery was invented and used, especially in the textile industry. This machinery was first worked by human effort, then by animal and water power. Towards the end of the 18th century steam power was introduced and more iron machinery was used. Thus factories increased especially near the coal and iron deposits. Other industries developed also and as immediate consequence two new classes of people came into existence, the manufacturer, employer or capitalist, and the class of labourers or workers who were needed, employed and paid by the manufacturer or capitalist.

This is the state which we reached in modern society.

### § 3. DEVELOPMENT OF NATIVE LIFE

Whereas the process of European development took 10 centuries to reach the present state, the Natives were compelled to adjust themselves to the European system in less than 100 years. In the course of 50 years Natives were rushed through all stages of economic development that has taken Europeans 1000 years to accomplish. Until the end of last century (and probably at some places still now) many Natives lived their primitive life and did not

need anything from the Europeans. They made fire in their old style, did not know the use of salt and could supply all their needs. Contact arose and increased from both sides, first through barter, then through regular buying and selling. The Natives began to buy matches, paraffine, blankets, clothing, tools and utensils. Through their visits to the stores their wants increased and they had to procure money. The Europeans saw in the Natives an inexhaustible source of muscle power which they tried to harness for their purposes of developing the country through agriculture, industries, building of railways and opening of coal and gold mines. The wages paid to the Natives were low, their wants were few and and not knowing the value of money they did not use it wisely. The transition from their original primitive life to their present state was rather rapid with the result that the Natives did not properly assimilate the economic state of our present-day civilisation.

### § 4. DIFFERENCE BETWEEN EUROPEAN AND NATIVE LIFE

On the economic point of view we can distinguish 3 classes of society among the white inhabitants of South Africa:

1. The farmers who own a great part of the land and are to a great extent wealthy people.

2. The capitalists or employers. They are the merchants, manufacturers and mine owners and have at their disposal the necessary money for trading, carrying on industries or working the mines.

3. The workers who have only their muscle power and partly also their brain power to give for a certain kind and amount of work in exchange for a wage. The poor part of this latter class is called the proletariat. This word is derived from the latin word



*proles* which means children or offspring. Proletarians are therefore people whose only wealth consists in their children, owning neither house nor ground nor stock. When these people are out of work, they can only live on their savings which often amount to nil.

The Natives can be distinguished into 2 classes:

1. Those on the land, having their own freehold ground or farm or allotments, or living in a location under tribal conditions or as tenants on farms or on Reserves. They can grow their food and keep some stock and are thus far better off than the European labourer who has no land to fall back upon in case of unemployment.

2. Those who left the land and live in or near towns as regular labourers. A black proletariat will develop among these people and present serious problems. Some years back already there arose among the Natives the well justified cry: Back to the land. But on the other hand the black labourers are also making frantic struggles to organise themselves in various trade unions.

#### § 5. ADVANTAGES AND DISADVANTAGES OF PRESENT SYSTEM FOR NATIVES

The new system established by the Europeans in this country has the following advantages:

1. There is peace and security of life and property. No Chaka can anymore bring ruin and devastation over large tracts of the country, intertribal wars and raids and faction fights have been suppressed, and cruel chiefs and cunning witchdoctors can no more order wholesale massacres on the score of witchcraft and enrich themselves with the property of the unfortunate victims.

2. Whereas there was formerly no inducement to advance and any Native, whose activities and efforts were out

and beyond of the ordinary, ran the risk of being suspected of witchcraft and of being killed and "eaten up," there are now many opportunities for the initiative of progressive individuals. After the removal of the blighting influence of witchcraft a few Natives made use of the new chances and acquired considerable wealth.

3. Under the reign of peace and owing to the spread of information in hygiene and sanitation the Native population increase at a rapid rate, that of Natal doubling itself in about 35 years, whilst in the Cape it takes only 28 years and in Basutoland even less than 20 years to double itself.

4. There is now scope for open competition in which advancement depends on merit, not on race, colour or creed.

5. The present economic system tends to teach the Natives the value of time and induces them to acquire the habits of punctuality and of steady, patient, regular work.

The disadvantages of the new system may be summed up in the following points:

1. People increase too fast for the extent of land available for the Natives and for the food supply which is procured under the old unscientific system of cultivation. As a consequence Locations are overcrowded. Young men cannot get fields and the state of food scarcity tends in many places to become chronic. For several years the writer observed in the Transkei the Natives moving in the following vicious circle: Mr. Tembu gets mealies from the local trader Mr. Tandabantu on credit. For some time feasts and beerdrinks are held galore. When the trader's patience is on the breaking point, Mr. Tembu gets a last supply of mealies for his hungry family and immediately Mr. Tandabantu dispatches him by the "mbombela" to the mines where the debt is worked off. Then Mr. Tembu returns to his kraal and

his dear ones happily but penniless and the cycle starts anew.

2. Drawn by the Europeans into the whirlpool of modern economics the Natives could not adjust themselves fast enough to the change with the result that the ignorant Native is often exploited by his educated and cleverer, but unscrupulous, white or black brother.

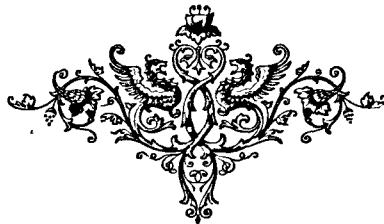
3. In their former raw state the Natives had very few wants, they had no desire to amass wealth, and their needs were easily satisfied. If there had been no troubles arising from hostile neighbours, tyrannical chiefs and callous witchdoctors, their life would have been one of ease and gaiety. They make some clumsy attempts to adapt themselves to the new environments, but in many cases they fail because they lack the necessary exertion, ambition, reliability, method, order and perseverance in work, and thus dissatisfaction arises and assumes always larger dimensions.

4. European customs are imitated without real advance in standards of comfort and knowledge of hygiene. Overcrowding and slum life arises in or near towns, the death rate rises

and Nature sternly restores the equilibrium. In the location of a certain South African town the infant mortality rose up to 50%.

5. In former times there was practically no poverty, nor was there a problem of destitute widows and orphans. A wise tribal organisation had made special provision for such cases. But now there are already many destitute children and orphans, economic pressure weighs heavily upon widows or single women and soon we will have an army of a black proletariat.

6. "The Natives are remarkably brave, loyal to their chiefs, warlike and hospitable, but certainly deceitful and treacherous duplicity, cunning and falsehood being, in fact, regarded as accomplishments and instilled into their minds from early youth as a part of their military education" (Professor Keane in "Africa"). These latter qualities were useful to the Natives in their savage life, but they have served their purpose and have become obsolete. They are not compatible with the principles of modern economic organisation where honesty is the best policy, and "no man putteth new wine into old bottles".



### Chapter III

## Factors of Modern Economics: Capital, Industry, Machinery, Trade.

### § 1. CAPITAL

Capital is wealth devoted to promote future production. Now-a-days capital is indispensable for the production of goods and there is practically no industry which can be carried on without it. The following things may be considered capital: money, goods, buildings, machinery, tools, vehicles, raw material, produce, animals, in short anything which can be used for the production of goods of economic value. Two instances may serve as illustration.

A Native living near a market intends to plant fruit trees in order to sell fruit on the market. He buys or rents land. The money spent for this purpose is called capital. He has other expenses for labour and for buying trees from a nursery. This money is also capital, so are his trees. Thus he has many outlays and no immediate production or returns. But in the future, after 4 or 5 years, his trees will produce fruit which is sold on the market and then he will get returns for all the capital invested in his orchard, provided the management was good or he showed capacity of conducting business properly. Under bad management only small returns can be expected or no returns at all.

From 1915 till 1920 the Government built a new railway line from Durban to Maritzburg. A great amount of money was spent in surveying the new line. Contractors paid their hundreds of Native labourers, whilst they were paid by the Government. Brigdes, culverts, tunnels, cuttings and embankments were made, for which cement, tools, wheelbarrows, trucks,

rails and dynamite were purchased. At last the sleepers and rails were laid, water tanks erected, the line fenced and stations and residences for the railway officials built. All the money spent in this way and all the engines and rolling stock now used on the line since 1920 is the capital which was spent for future returns which is the money paid for carrying passengers and goods.

### § 2. INDUSTRY

By this we mean all activities in creating or producing some definite class of object. In our present economic life no one can produce alone all that he needs. He requires the help of many other people. In the course of time the old simple industries became more and more complex and specialised and the division of labour involved in this specialisation accelerated the output enormously and things became accordingly cheaper. For instance formerly one man began and finished a shoe by handwork only. Now more than a dozen persons are required in a modern shoe factory for finishing a shoe and about 12 different machines are used until one shoe is finished. In a large shoe factory in Maritzburg, in which the writer was shown about, a shoe passes through 40 different machines and through the hands of a hundred workmen until it is completely finished. Another example: For finishing a pair of simple workmen's trousers 12 persons are employed in a factory. One makes the paper patterns, then 24 pieces of the material are placed one upon another and the pattern is

copied on the top piece, with one knife all those 24 pieces are cut at the same time; the pieces are sewn together by machine, another machine sews the button holes, then the holes are cut through with a chisel on a block of lead, then the buckles are sewn on the buttons are fixed and rivetted by machine, pieces of cotton left are cut away, the trousers are ironed, folded and packed. Other examples will be given in the following point about machinery.

Thus we have to-day the agricultural industry with its various departments, the iron, leather and textile industries with their various special branches and a great many other machinery industries.

### § 3. MACHINERY

First all objects were produced by hand labour. In the course of time simple machinery was invented with the result that time and human energy were saved. There are various stages of driving power employed to work the machines: human, animal, wind, water, steam, oil, gas power and electricity. Machinery became more and more perfected, specialised and complicated so that to-day machines can produce hundreds and thousands of times more objects than handwork can produce at one and the same time.

The following comparisons show the advantage of machinery over handwork. In 3 days a woman can sew 2 men's shirts by hand, in the same time 15 shirts are sewn by a sewing machine driven by hand and at least 30 shirts by a sewing machine driven by motor power. A spinning machine works 242 times the amount of what can be done by hand at the same time, a weaving machine does 20 times the amount. For making 100 pairs of men's shoes 1831 hours were required in 1861 at a cost of £91. 12.—, whereas

in 1895 only 234 hours were required with machinery at a cost of £11. 16.—. In 1852 it took 3600 hours to print 480000 copies of a newspaper at a cost of £89. 8.—, in 1896 it took 18½ hours at a cost of £1. 4.—. Formerly one skilled man could make about 200 bottles in one day by blowing the liquid glass into shape. A machine invented by Owen produces automatically 15000 bottles a day and needs only 3 unskilled men to serve it.

Another instance of development of machinery is found in the railways. Half a century ago the big and strongly built buck waggon was far more in evidence in this country than now. It is pulled by 16 or 18 oxen and carries a load of 3 tons about 20 miles a day. This old method of transport has to a great extent been superseded by the railways which carry hundreds of tons of goods 200-300 miles a day at a much lower rate.

People were at first opposed to the introduction of machinery and even smashed it. They argued: If a machine can do the work of 10 men, then only one man will be needed to work the machine and the other 9 men will be without work. As a matter of fact in many cases even this tenth man was later on thrown out of employment and replaced by women or children who could serve the machines as well as a man, but for a much lower wage.

### § 4. TRADE

This includes all forms of exchange or distribution of the goods produced by industry. Goods manufactured in this way are not meant to be used by the people who make them, they are from the beginning intended for sale. Even the workmen helping in their production have to buy them.

By traders many people commonly understand individuals who enrich

themselves at the cost of others. Since the earliest times people used to think in that way. But it is not right to do so. We should consider trade as social service. Without trade the raw material and the finished products would be useless, the former would not be imported from remote places, the latter would not be distributed to the people who are in need of them.

Commerce has a wider meaning than trade. It means:

1. home trade or trade between the people of this country;

2. foreign trade or trade between this country and other countries oversea;

3. colonial trade or trade between a country and its colonies as between England and South Africa;

4. shipping trade by which one country carries goods from another country to a third country.

Commerce merely represents the international division of labour and from it the same advantages accrue as are found in the working of division of labour in production.



## Chapter IV

# Development of Private Property

### § 1. DEFINITION OF PROPERTY

Property is anything that the individual may acquire in order to

- a.* preserve life (necessities);
  - b.* make it comfortable (commodities);
  - c.* gratify unnecessary wants (luxuries).
- The right of acquiring and possessing property is the great social mainspring and adult life is largely made up of acquiring property. The desire to appropriate has its root in the instinct of self-preservation. It must be ennobled, idealised, sublimated.

There are 2 kinds of property:

- a.* Communal, tribal, collective or common;
- b.* individual, personal or private. Communism-Individualism.

### § 2. PROPERTY IN THE ANIMAL WORLD

In the animal world we find communal and private property or manifestations of the instinct of ownership:

- a.* Ants, bees, rats, moles etc. store food for winter;
- b.* the owl and dog bury surplus provisions;
- c.* the butcher bird (shrike) impales its victims on thorns and barbed wire;
- d.* the Amazon Ants rear slaves which feed them;
- e.* the Yellow Ants domesticate plant lice (Aphides) for the milk they furnish (cattle rearing). Some ants guard such herds of lice;
- f.* the Large Black Ants gather round pieces of leaves cut from grape vine. On the damp leaves grow fungi which they eat (produce growing).
- g.* Story of Eskimo dogs: The smallest of a team was given a bone which he buried and then retreated to watch. The biggest dog had seen this but did

not see the little dog watching. He slowly neared the place where the bone was hidden, when the little dog rushed to the scene and stood over his bone. The big dog could have easily overpowered the little one, but he slowly and sullenly went away.

Yet there is a vast difference between animal and human property. In the animal world property is collected instinctively; there is no social sanction supporting property and therefore there is only so much property as the individual animal can use and guard from day to day, and this is only food. Its weapons and tools are its own limbs. But the distinguishing feature of human society is its respect for property and to enforce laws for safeguarding it.

### § 3. COMMUNISM AMONG SAVAGES

Some wandering savage people possess almost nothing. Others have rude weapons and only care for the supply of immediate wants. Property was probably to a great deal communal, for on all continents we find traces of tribal land tenure, and this system is still in force to a great extent among the S. A. Natives, although it is slowly breaking down in the progress of civilisation. Communism or collectivism existed therefore before individualism.

Reasons for Communism:

- a.* Man's weakness made co-operation necessary;
- b.* peace was necessary among the tribe to give it more power;
- c.* the limited experience of the savage who had the body of a man with the mind of a child;
- d.* the common ownership of the land was a guarantee that all have access

to it. This access to land is an absolute necessity to life. None can dispossess his neighbour nor can the land be concentrated in the hands of a few men able to make their fellows slaves. In this way communism is a safeguard against monopoly and oppression.

Effects of Communism:

a. Mental dullness, lethargy, physical laziness, lack of individualism, initiative, self-assertion.

b. Traditional methods of cultivation of land are hard to alter, even when better ways are known (English agriculture in the 18th century).

c. There was a great danger of carelessness and wastefulness in making use of public property.

d. Respect for, and toleration of, others. Society is based on toleration.

#### § 4. TRANSITION FROM COMMUNISM TO INDIVIDUALISM

The first private property were objects forming part of a person: weapons and ornaments made by the possessor. These things were generally buried with him. The idea of individual ownership rose out of the idea of work put on them. Things made by the savage existed first in his mind. The idea was his, then the product was also considered his.

Under the system of communism the savage was in a state of lethargy. Satisfaction of bodily desires was the only incentive to activity. But when he began to acquire property, life assumed a different aspect for him. His mind was stirred to activity, his wants and desires increased, the desire for individual property became an incentive to labour. The mind was developed, self-consciousness, pride, ambition, emulation, rivalry, competition arose. A hard struggle was needed to arouse the savage to the monotony of toil.

Domestication of cattle and agriculture were a further step from commu-

nism to individualism. Cattle increased, accumulated and became commodities of great economic value. Cattle always played an important part in Native economics. They form the bank of the Native, the cows are the capital and the calves are the interest. Farmers paid Native servants with cattle. Cattle were also largely used for paying fines, debts and services and for buying food and land.

#### § 5. WEALTH AND CIVILISATION

When cattle and other private property increased, people began to get the conception of wealth. A rich or leisure class came into existence in society. Wealth made the development of learning, arts, culture and civilisation possible. In the production of wealth man was always actuated by the desire to obtain the maximum satisfaction of his wants with a minimum individual exertion. The various means of satisfying the wants of our civilised life are called commodities.

#### § 6. PRIVATE PROPERTY IN EARLY HISTORY

##### 1. Earliest times.

Cain was a grain farmer, Abel a stock farmer, Tubalcain a black-smith, Noah a grain and wine farmer, Abraham considered a certain well as his property, He bought a field for 400 sicles of silver.

##### 2. Egypt.

Joseph managed the house and fields of Putiphar. He sold grain for money, cattle and land.

##### 3. Babylon.

In the British Museum there are 100 contracts written on tiles of about 1500 B. C. dealing with the sale of houses, gardens and burial places. The contracts are signed by the contracting parties, an official and witnesses and sealed. Very likely earlier records than these exist.

4. Assyria.

The Assyrians had a system of hiring land, the contract containing certain regulations about a crop rotation to be adhered to in order to prevent exhaustion.

§ 7. LEGITIMATE METHODS OF ACQUIRING PROPERTY

After the idea of individual ownership had taken root in the human mind, man tried to acquire property. But people had to learn to respect the possession of others. To-day we have

the following legitimate methods of acquiring private property:

- a. Occupancy, seizure or occupation of masterless, unpossessed goods.
- b. Gift.
- c. Inheritance or hereditary transmission.
- d. Barter or Exchange.
- e. Buying.
- f. Labour.

Primary methods are occupancy, accretion and labour. Secondary or derived methods are gift, inheritance, buying, exchange, labour and contracts.





## Chapter V

# Markets, Buying and Selling

### § 1. EXCHANGE

From the earliest times people felt the need of exchanging goods. They tried to purchase certain things which they needed by giving away other things which they did not need. This method of exchange is called Barter. As soon as the Europeans came into this country, exchange by way of Barter took place. But on account of the many difficulties of this system money was slowly evolved as a means of exchange.

### § 2. MARKETS

In order to exchange goods buyers and sellers must somehow be put into communication with one another. In the course of time certain convenient places were found where people met and got a chance to exchange, to sell goods and produce and to buy necessary things. In this way towns arose and in the towns a certain place was set aside for the purpose of marketing. Thus nearly every town has its market place or market square.

Fairs came into existence in Europe after the 13th century. On feast days (feriae) people used to assemble at certain places for religious festivals. This opportunity was used to hold a market near the church. Such fairs are still in vogue to-day. At some fairs in England farm labourers and domestic servants attend to be hired.

At first the people met at one place and all exchange took place there. But in the course of time some certain days or certain places were fixed for the sale of certain goods and thus specialisation took place, and the following kinds of markets were evolved: slave, labour, servants, horse, cattle, sheep, pig, poultry, fish, meat, wool,

fruit, vegetable, grain, produce etc. markets.

### § 3. SHOPS AND MERCHANTS

With the development of industries the various craftsmen offered the products of their crafts at their work shops. The goods were displayed on the side facing the street. In some shops we can still to-day see the craftsman working in the middle of his goods (Native Market, Durban).

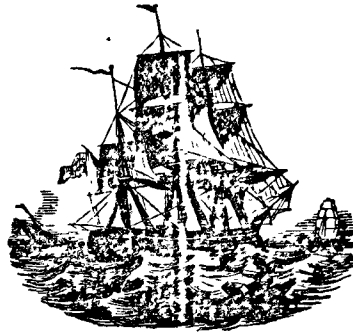
Since the craftsmen could not always dispose of their products locally, the merchants arose as a class of men between producers and buyers. They undertook the transport and distribution of the manufactured goods to other places, they also organised the transport and importation of foreign luxuries and commodities by means of ships or caravans. In buying goods they bought manufactured goods either of the same kind and thus ran a special store, or of various kinds and kept a general store. There are now many kinds of special stores: drapery, furniture, hardware, boot stores etc. General stores are very common in the country, but also in the towns we find some very large stores with different departments.

The market was not long confined to one locality. Transport was more and more facilitated and goods and produce could be sent rapidly to long distances. The merchants of one town came into touch with those of another town, and those of one country with those of another country and even continent came into touch with continent. Thus we have to-day an international market in all goods that can be easily transported.

#### § 4. INDUSTRIAL SPECIALISATION

Formerly mostly raw material was bought, raw meal, fruit and material by the yard, now we can buy preserved or tinned meat, sausage, ham and bacon, cakes, biscuits, preserved fruit, ready-made clothes. Formerly when European girls were going to get married, they used to make their own trousseau at home and for this purpose got several months' notice, now even the Native girls can get the whole trousseau in an hour's or two shopping. The most important feature in economics to-day is the great specialisation (*division of labour*). The result of this is economy of time, work, machinery,

fuel, a very large output of goods, greater cheapness and a consequent elaborate exchange of goods. Exchange has become the key-note of modern industry. People buy now every thing they need: material for building a house, furniture, carpets, blankets, bedsteads, clothes, crockery, dishes, groceries etc. In order to get money to do this *each man must learn to do one thing in a first rate way*, he must be a thoroughly good farmer, carpenter, blacksmith, tailor or anything else. But whatever work he may learn and do, it is absolutely necessary for his economic success that in the work which he does he be *efficient*.



## Chapter VI

# Relation of Prices to Demand and Supply

### § 1. PRICE

Exchange of goods and services is the great fact in the modern world of industry and commerce. The ordinary civilised Native does not and cannot make for himself all that he needs, he buys practically everything in town or in country stores. But he does certain work the product of which he tries to sell or he earns wages for his labour. By selling his goods or his labour or service he gets money which enables him to buy what he needs. So there is a continual exchange going on by means of money. There is a certain definite amount of money which is given for goods or service and which is paid for goods which are bought. That definite amount of money is called the Price. The whole science of economics centres round this factor. Therefore a study of the mechanism determining price should be interesting.

### § 2. DEMAND AND SUPPLY PRICE

When a native A brings an ox to the market, he is certainly not willing to give it away for anything, but he has made up his mind not to sell the ox under £6. This is the seller's reserve price or the Supply Price. Another Native B who goes to the market with the intention of buying an ox, has also fixed his price or he may only have £6. 6 cash with which to buy an ox. This is the buyer's reserve price or the highest price which may be given by him, also called the Demand Price. In offering his ox for sale, A will probably demand £9, but seeing that he cannot get more than £6. 6 a sale will be effected at that price. A sale is only possible, when for a particular amount or object the demand

price and the supply price are the same or in equilibrium.

### § 3. DETERMINING FACTOR

The demand price is fixed by the need of the buyer. Where there is no need there is no demand, no price, no sale. If a man travelling on horse back with £10 cash in his pocket came to a lonely kraal in a starving condition unable to continue his journey without getting a meal, and the inhuman kraal owner offered him a meal for either his horse or his cash, then the traveller would be compelled by his need to accept that supply price. But he would certainly not give what is left at once for another meal because his need would be satisfied, therefore the value of the second meal would have diminished for him.

### § 4. TOTAL AND MARGINAL VALUE

Under ordinary circumstances, e. g. in town at an eating house that Native traveller would pay 1/- for a meal, so the final or marginal value for him would be 1/-, but if food is plentiful, he might get a meal for 9d. So we say that the marginal value of a commodity falls as the supply increases. The total value of one meal taken by itself is really very great, and in time of need anything will be paid for it, but under ordinary circumstances only the marginal value will be paid.

Therefore the value of an object is not something inherent or intrinsic but it depends on its relation to man, and the marginal value determines also the price of the whole amount of the commodity put on the market. The marginal value or demand price of a commodity is different in different classes

of society. Rich people will buy butter or oranges for 3/- and more, poor people for 6d or 1/-.

**DEMAND AND SUPPLY SCHEDULE FOR RICE**

Price per 100 lbs.	Amount supplied	Amount demanded
20/-	300	1000
22/-	350	900
25/-	400	700
27/-	600	600
30/-	700	500
35/-	1000	300
40/-	1200	200

From this schedule it appears that, when the price of rice is low, a merchant, having a stock of 1200 bags of rice, would only be willing to sell about 300 bags, keeping the rest with the hope that the price will rise. But the people would be willing to buy more rice than is offered, say 1000 bags, because it is cheap. When the price rises more and more, the merchant is willing to sell more and more, but on the other hand the people will buy less and less the higher the price rises. When the merchant thinks, that the rice has reached its highest price, then he is willing to supply his whole stock of rice, but the people would only demand a small part of it, hoping that the price would fall again.

**§ 5. ELASTICITY OF PRICE**

Some demands are elastic, or the cheaper the objects are, the greater is the demand, e. g. articles of dress, luxuries. Other demands are inelastic, and the amount consumed will be about the same, whether the prices rise or fall. E. g. mealies and bread will always be bought and consumed, the difference of price will not cause much difference in the quantity consumed.

**§ 6. SUPPLY PRICE**

The lowest price which the seller will accept is called the Supply Price. In modern conditions the decisive fac-

tor in fixing prices is more the supply price than the demand price.

The supply price of a perishable commodity is fixed by the unwillingness of the seller to take his product home again e. g. fish and fruit. The price may sink below the outlay. An increase of demand will cause prices to rise very high in such things. This is then a short-period price. In perishable commodities prices tend to fluctuate violently.

The normal supply price of a commodity is the average price for the year. If this be in excess of the cost of production, then a larger output will result, the supply will increase, and prices will fall. Therefore the normal supply price tends to equal the cost of production.

In durable or non-perishable articles such as groceries with a wide market the supply price fluctuates less. The prices of commodities having an international market maintain a steadier level than the prices of commodities serving local and temporary markets and come nearer the cost of production.

**§ 7. COST OF PRODUCTION**

The cost of production includes rent of land or house, raw material, machinery or plant, labour, wages, cost of packing and carriage, depreciation or wear and tear of machinery or fund for replacing worn-out machines, and lastly a gain for the manufacturer equal to his energy and talents. All these factors play their part in determining the supply price. If owing to a decreased demand prices fall, some manufacturers will give up the trade, the supply will decline and prices will be raised to the cost of production. Thus the balance would be soon restored. Therefore the supply price normally varies slightly from the cost of production.

### § 8. PRIME AND SUPPLEMENTARY COST

Prime cost is the cost of raw material and of the work employed in making a commodity. Supplementary costs are all other fixed charges to be met in the long run in addition to prime cost. In slack seasons manufacturers may for a time sell goods at prime cost plus a slight profit hoping to make up the supplementary cost when business is brisk.

### § 9. DUMPING, SUBSTITUTION, BY-PRODUCTS

A manufacturer may sell his goods on two different markets, on one at prime cost, on another one at supplementary cost or full cost of production. This is called Dumping.

Human needs can be satisfied by various goods or services. If one thing becomes dear, another thing may take its place or be substituted for it. There are various kinds of clothing material, meat, fruit, light, transport etc. During the war, when rice became very dear, we bought other goods instead of rice until the price fell again.

By-products are commodities produced together with the original object of manufacture. They were for a long time neglected.

### § 10. LAW OF DIMINISHING RETURNS

The more capital and labour are increased, the more the proportionate returns will be diminished. This law operates in extractive industries (agriculture and mining) and in brain work.

a. In agriculture: doubling the amount of outlay and labour does not always double the crop. The returns will not be increased proportionately, but diminished. But technical improvements, deeper ploughing, rotation and manuring may bring an increased return.

b. In mining: the deeper the coal, the more the costs, but technical improvements (pumping machine) made deep mines more profitable.

c. In brain work: I can work for 3 hours easily, with perseverance another 3 hours, a third period of 3 hours would require a great amount of nervous energy, but the work of the third period would be inferior to that of the first period.

An example of the law of diminishing returns is found in the Strike of the Miners in Johannesburg JANUARY-APRIL 1922. Low Grade Mines were in danger of working at a loss and wanted to reduce a number of highly paid European workers.

### § 11. LAW OF INCREASING RETURNS

If a manufacturer increases his output, then his supplementary charges become lower and thus the cost of production diminishes, it becomes cheaper and more profitable to turn out a large supply than a small one and, thus we have the law of increasing returns: an increased application of capital and labour brings a proportionate increase in the returns. But it would not pay to increase capital and labour indefinitely, it would become too large for effective management. Thus businesses and industries may at one time be subject to the law of increasing returns, at another time to the law of diminishing returns.

### § 12. PRICES UNDER DIMINISHING AND INCREASING RETURNS

If a commodity is subject to the law of diminishing returns and an increased supply of it is wanted, then the price must be raised at once. But if that commodity be subject to the law of increasing returns, the increased output will make it cheaper but prices need not fall immediately and for a time profits will be increased. But if

more people enter the business and the supply is further increased, then prices will fall to the cost of production.

§ 13. ARTIFICIAL PRICES

Artificial prices have no real connection with the value. Examples:

- a. Short-period price;
- b. Monopoly price;
- c. Getting rid of excess of goods by selling below price;
- d. Public auction sales: articles go to the highest bidder;

e. Buying tickets for an entertainment in advance, selling at a high price just at the beginning of the performance;

f. Profiling: goods are sold at inflated (beyond normal) prices simply through the whim of an individual or group of individuals. It can arise from the ignorance of the cost price, sudden demand or continual demands after normal demands are exhausted.



## Chapter VII

# Factors in Production of Wealth

### § 1. DEFINITION OF WEALTH

Wealth is of value according to our need for it. It includes food, clothing, shelter, money and goods. Health and special capacity are not exactly wealth themselves, but they enable us to procure wealth. All things which have the power to satisfy certain human wants can be called wealth, but only in so far and as long as they do satisfy wants. Therefore money is only in so far called wealth as it enables us to get things which satisfy our needs.

But if without exertion we can get as much as we need of anything, then it is not wealth, no matter how useful it is. Air for an example is not wealth and water only occasionally, for instance in the midst of a long drought. Scarcity then as well as usefulness is needed to make an object wealth.

There is material and immaterial wealth. To the latter class belong our talents, natural acquired capacities which cannot be alienated, sold or exchanged. In studying the factors of production we consider here only the material wealth, i. e. all necessities, commodities and luxuries of our daily life which we wrest from nature by labour: food, clothing, shelter, furniture, domestic animals, books, tools, instruments and all sorts of machinery from a wheelbarrow to a railway engine.

Man cannot create wealth, he can only receive things from Nature as they are, change and improve their form to suit his purposes. Therefore the agents of production of wealth are Land, Labour, Capital and Capacity (Capability) or Power of Organisation.

### § 2. LAND

All wealth comes from the land. By land we mean any part of the globe and all gifts of Nature used by man in production and limited in supply: arable land, mines forests, lakes and rivers containing fish, and the supply of the land on which towns stand. (The sea is quite different, unlimited in extent, a rent is never charged for use. So air and light). Land is a natural factory of all goods necessary to man's existence. All foods come directly from the soil through the work of the plants. Land or soil also provides the bulk of the raw materials needed by man. It manufactures and stores energy necessary for present-day production in the form of wood, coal and oil.

The method of land tenure is of the greatest importance and influence in economics. At present the common method of holding land in civilized countries is that of ownership, proprietorship or individual tenure. First there existed communal, tribal or collective ownership of land amongst the people in Europe just as it is still the case in this country. During the middle ages there existed in Europe the manorial and feudal system, which corresponds somewhat to the relation between a farmer and his tenants in this country. Rent was not paid in money but in services and goods, and a tenant fulfilling his obligations was very rarely turned off the land.

The land question is the most important point in the Native question. In the good old times there was an abundance of land, but now it has become very limited and precious. Some portions of South Africa are reserved for the

Natives under the name of locations and are usually cultivated under a form of communal tenure. Part of such land has already been surveyed and allotted to the Natives individually as freehold under the Glen Grey Act under certain conditions. Sooner or later all locations will have to be dealt with in the same way. Some Natives live on Mission Reserves as tenants, but individual tenure has already begun to be introduced there, and in course of time that or a similar system will be applied to all Mission Reserves. Many Natives have succeeded in buying their own large or small farms which they manage more or less successfully or unsuccessfully. Other Natives live on farms owned by Europeans as tenants or servants, their situation is mostly very insecure and unsatisfactory. Thousands of Natives have cut off all connection with the land and live in town locations where they cannot own any land at present. The whole of Basutoland and parts of Zululand are still kept under tribal or communal tenure.

“Back to the land” is the cry raised some years ago amongst the Natives. This cry is well justified. Natives should try their utmost to keep the land they have and to acquire more and acquire the capacity of managing and keeping it properly. Natives who can fall back on the land when unemployed are far better off than the European workers: if the latter are unemployed, they have to depend on charity.

Since now the land has become so precious and is no more sufficient for all the Natives if tilled in the old style, a threefold duty has now arisen for the Natives:

a. to prevent any further ruin of the land by exhausting it through their old farming methods or allowing it to get spoilt by erosion;

b. to recover as much as possible

of the worn-out fields by thorough cultivation and manuring and to make soil hitherto unsuitable for cultivation-suitable (drainage);

c. to use scientific farming methods with the view to handing the soil down to posterity in a better condition than it was found by the present generation.

### § 3. RENT

If a man who owns land cannot or does not want to cultivate it he may be willing to hire it to another man who is looking for land suitable for cultivation or pasturage. But he will ask for some money from the man who hires his land. That price which he asks for is called Rent. The value of the crop raised on such land after cultivation may either be below the cost of production or equal to it or above it. Only in the latter case the tenant is able to pay a rent, and the highest price he can afford to pay is the surplus he gets in excess to the cost of production. Thus we can say that rent of a land is the excess of the profits of any piece of land over all the necessary expenses of cultivating it. The greater the fertility and the more advantageous the situation of the land, the higher will be the rent.

The word Rent has also another meaning. Rent for a house means the interest of the capital invested in the building and some payment for depreciation. There is also a wear and tear rent which is to be paid for any repairs to be made. Some land for building is hired for higher rent than usual because it is scarce (scarcity rent). A differential rent is sometimes paid for land or a house situated in the best part of a town on account of superior trading facilities connected with that ground. This is the same as the rent arising from superior fertility.



## § 4. LABOUR

### 1. MEANING IN ECONOMICS

By labour we understand work undertaken with a view to immediate or ultimate production of wealth, all kinds of work, hand and brain work, physical and mental, leading to wealth production. Work is mostly painful, yet sometimes also pleasurable, but the pleasure derived from it is secondary.

Labour means effort or exertion. Physical effort alone is useless, the directive work of the brain is indispensable. Little is gained by separating muscular labour from brain work. Labour is necessary; in modern industrialism man can only live by adapting himself to his environment. Most of the people must sell part of their freedom in order to earn a living.

### 2. EFFICIENCY

The result of work does not only depend on the quantity of labour, but also on the quality: the work must be efficient. In order to get the best and most out of our domestic animals, we must make them comfortable. The same is the case with the labourer: industrial efficiency depends on his health and strength. For efficient work the following conditions are required:

- a. fresh air;
- b. fresh and clean water;
- c. good nourishing food;
- d. clean suitable clothing;
- e. proper shelter, a comfortable, warm, well ventilated and cheering house is an invaluable aid to efficiency;
- f. good home environment;
- g. pleasant surroundings at work; they have a marked influence on production;
- h. good use of leisure to repair the damage done by exhausting or unpleasant work: recreation promotes efficiency.

Just a hundred years ago Robert Owen, a rich manufacturer in England

made an experiment in raising the efficiency of his workmen: he raised their wages, reduced the hours of labour from 17 to 10 a day, and prohibited the employment of children under 10 years of age. He provided free education, free amusements, cheap provisions, good cottages for his workpeople and their families. His fellow-manufacturers predicted his ruin, but in the course of 4 years he made a profit of £160,000. By improving efficiency in an American pulp mill the yearly production was raised from 42,000 tons to 111,000 tons and the poor quality was raised to the very best grade without any increase in the machinery.

### 3. MEANING IN SOCIOLOGY

Economics deals only with work done for payment. Very much of the necessary work in the world is carried out free of cost. Sociology studies such work. It is essential for the well-being of society. House-keeping and rearing of children is the work of mothers which entails a great amount of mental and muscular energy, but is not paid for. The same is the case with a great deal of scientific and philanthropic work. Such work does not find purchasers economically, but is socially of the utmost value.

### 4. KINDS OF LABOUR

We can now distinguish the following kinds of work;

- a. head work and hand work, or mental and manual, or intellectual and physical labour;
- b. productive and unproductive work; the former produces a material object and is done mostly for payment, the latter does not produce any economic object, is not paid for but is often useful and necessary;
- c. unskilled labour or rough work requiring only bodily strength and in this country mostly native labour; se-

mi-skilled labour or border line work by whites and Natives; skilled labour requiring special technical skill (engineers, carpenters) mostly done by whites.

### 5. INDUSTRY

Industry means systematic labour or human exertion employed for the creation of value or for the manufacture of all necessities, commodities and luxuries required in our present standard of living. It also means a special department of art or distinct branch of trade as agricultural industry, wood, leather, iron, wool, cotton, tobacco, sugar, dairy, meat industry etc. These industries were slowly evolved in the course of time and with the progress of civilization and have become very important and practically indispensable under our present economic system.

### 6. TRAINING

For successful and efficient industrial work an elementary education resulting in a general training of the mind and a special technical training produces quick results, but there is the danger for the specialised worker of being helpless, when out of employment in that particular branch for which he was trained, for it will be hard for him to adapt himself to another job or to another industry.

### 7. SPECIALISATION

A principle of modern industry is "one man, one job," that is one man should learn and do always the same work and do it well. As stated before (Chapter III) work has been specialised more and more so that for finishing one object several persons and machines are used. This is called Division of Labour. E. g. an ordinary sewing needle has to go through 27 machines, each served by one person, until it is finished: the wire is made, cut to the length of 2 needles, it is polished and hardened by being dipped into oil,

sharpened, holes are made, the pieces cut through in the middle, the head is rounded off. In Eddels' shoe factory at Maritzburg each shoe goes through about 40 machines and altogether through a hundred hands (or different persons) until it is completely finished.

The advantages of this division of labour are economic:

- a. increase of skill,
- b. saving of time,
- c. labour saving machinery,
- d. each man can be kept for the work for which he was specially trained.

The disadvantages are social or personal:

- a. monotony of work may develop into hatred,
- b. specialised worker helpless when out work,
- c. lack of interest, work not being creative,
- d. low standard of design.

## § 5. CAPITAL

(TREATED IN AN ELEMENTARY WAY IN CHAPTER III)

### 1. DEVELOPMENT

Savages satisfied their immediate needs as quickly as possible by making use of surrounding objects. They thought little of the future. Sometimes they made things which did not give direct, immediate or present satisfaction, but which helped to make or procure some future pleasure or satisfaction at a later time, they had to wait for some time till their wants were better satisfied. Such objects helping the savages to produce some later satisfaction were found in their *hunting stage* and formed the beginnings of capital.

Another kind of capital were flocks and herds of various cattle. They are repeatedly mentioned in the Bible. They were owned by barbarians in the

*pastoral stage* and were the beginnings of the expensive fixed capital of our times.

The next step was the development of *agricultural capital*: fields, implements of tillage, buildings for storing grain, means of transport, draught animals, modern machinery.

The fourth stage is the *commercial capital* which developed in the middle ages in shipping and various means of transport on land up to our railways.

The last stage is the *industrial capital* which is the foundation of the various complex industries of our days, consisting of buildings, plant, machinery, raw material and money to pay the workers.

## 2. TYPES OF CAPITAL

We can distinguish the following kinds of Capital:

*a. Trade Capital* or lucrative: wealth belonging to an individual or company yielding a money income to the owner or owners.

*b. Social Capital*: property owned by the community for the purpose of promoting the life of all, e. g. schools, parks, roads, state owned railways. Some social capital is used free and and must therefore be paid for out of the taxes, e. g. roads. This is non-productive capital. In other cases a charge is made for the use of social capital enough to cover its cost e. g. railways, municipal electric works. Social capital of this type is said to be productive.

*c. Free or Floating Capital* is mobile and can be moved easily and quickly from owner to owner and from trade to trade (money for wages, an engine).

*d. Sunk Capital* is meant for a particular case and cannot be transferred (a mill).

*e. Circulating Capital* is used on one occasion only (raw material) and grows only at the expense of present con-

sumption; food, raw material, finished articles, money.

*f. Fixed Capital* serves continually throughout a process (machinery).

*g. Auxiliary Capital* aids labour and production.

*h. Consumption Capital* are goods to be consumed or used.

## 3. IMPORTANCE

Under the present economic system capital is an essential, indispensable factor in the production of wealth, or objects of economic value. The more of the present wealth is transformed to capital, the more the production and wealth will increase. It is then apparent how great the weakness of the Native race is on account of the lack of capital. There is only a small amount of capital in the possession of the Natives. Economic progress depends on the accumulation of capital.

## 4. SAVING

*Nations are progressive in proportion as they possess the power to save.*

The growth of capital depends to a great deal on the amount of saving. Saving means the difference between production and consumption. It involves some abstinence of consuming. It does not mean to store up any produced goods, it means the formation of capital which is capable of production. Stored agricultural produce is not productive capital. Hoarding of money, cattle or produce does not aid production. But money put in banks' even in small sums, helps production because banks invest savings in industries or enterprises.

Factors which govern saving:

*a.* ability to save; poor people live from hand to mouth;

*b.* desire of enjoying present or future satisfaction or pleasure;

*c.* certainty or uncertainty that saved goods or their equivalent will be enjoyed.

## § 6. INTEREST.

### 1. DEVELOPMENT

The calf was probably first considered as a kind of interest, the cow being considered as the capital. But the payment of interest for a loan of money has always seemed a mysterious and even fraudulent transaction to many people. Interest probably existed since the earliest times, but was often forbidden by law as in the middle ages when it was called usury and was regarded as a heinous sin. There was no chance of using a large amount of borrowed capital to promote trade or production, no class of labourers existed yet, since nearly all the labour was performed by slaves or serfs, and only poor people were compelled to borrow money. Risk of loss was the only reason for charging interest, otherwise money was considered barren. In the 18th century the usury laws were neglected as the lending of money became a real necessity for developing industries.

In borrowing money people are willing to pay a sum of money for the temporary use of money. This payment is gross interest. It includes all the trouble, inconvenience and risk caused to the lender and is also a payment for the mere use of the money, the latter is called the pure interest.

Reasons for charging interest are:

a. risk: danger of money getting lost and uncertainty of success;

b. trouble: book keeping and claiming the money;

c. inconvenience: money is out of control for some time, no profit can be got by it, a chance of favourable use is lost;

d. everybody is so constituted as to prefer a present good to a future one; therefore the value now of £100 promised a year hence is something less than £100.

The following are the various rates of interest at different times in England: 1200-1400 20%, about 1500 10%, about 1800 5%, before the war 4%,-3%, now 6%-4%.

### 2. MARGINAL THEORY OF INTEREST

Capital is usually lent with reluctance, which has to be overcome by interest being paid. Where there is a competition of money lenders, there is one rule of interest. If one lender gets 6%, the other will demand the same. If the rate is lower, competition among the borrowers will force it up. If the rate is below the equilibrium, demand will be greater than the supply and the rate will rise. If the rate is above, the reverse is the case. Therefore there are always forces tending to restore the equilibrium.

This applies to cases where there is no risk and where the lender does not participate in any degree in management e. g. municipal bonds; where however there is risk or where the lender does participate even to a small extent in management, the rate of return or capital may vary very markedly. Some companies pay no dividends, others may pay up to 30%.

### §7. CAPACITY OR ORGANISING ABILITY

By organisation we mean such a combination of the three factors land, labour and capital that the greatest possible production is made at minimum cost. Therefore the 3 factors have always a tendency to go where they can work most efficiently. The law of survival of the fittest often applies here: those human groups which can most efficiently use their environment are most likely to persist.

At the beginning of industries one man made a whole article alone, he

supplied the material and carried out the work with his tools: the capitalist, organiser and labourer were one and the same person. But with the growth of modern industry labour was first separated from capital and industry was carried on in businesses under single employers who provided both capital and organising ability. But to-day with the enormous development of modern industry one man can rarely supply or raise himself the capital needed to start a business and therefore capital is generally furnished by a group of people (company share-holders) who then hire a manager with the necessary organising ability. He is employed to make the best possible use of the 3 factors land, labour and capital. Such a manager does not reap the profits of the whole work, but he must be paid such a salary that the work becomes attractive for him and that the salary forms a stimulus for him to use his brain powers to their utmost capacity in order to produce the best results for his employer or the capitalist.

The deciding factors for success is the personality of the organiser. All depends on his brains, talents, initiative, imagination, power of calculation and quick decision. Such brainwork can neither be commanded nor forced, it can only be spurred by a good salary or hope of profits.

Therefore if Natives ever want to start some work on a large scale, assuming that they have got the necessary capital, it is of the utmost importance to get the right manager, or a man with organising ability who can produce a maximum profit at a minimum cost. As a rule they would have to employ a white manager on a good salary.

Only by conducting a small concern with success a man acquires the capacity to run a big business. 16% of the Joint-stock companies registered in India have failed through lack of managers possessing business capacity, methodical and orderly habits, commercial morality and experience.



## Chapter VIII

### Money and Banking

#### § 1. DEVELOPMENT

Natives born into our present economic system find the existence of money as a matter of course and may be inclined to believe that money has always existed. This is not the case. Before the advent of the white man the original inhabitants of this country had no money or any substitute for it. So there were also times in Europe when there existed no money at all. At such times all things were exchanged by means of barter and all kinds of debts and taxes were paid by goods or services. In the early Norman times in England, 800 years ago, there was hardly any money circulating among the common people. The contribution made by the people at that time to the Church and clergy was called the Tithe, i. e. the tenth part of the produce of land and stock.

Money is therefore a commodity which has come into existence by a long process of development through different stages until it reached its present high stage of perfection.

#### § 2. BARTER AND ITS INCONVENIENCE

In order to understand the functions of money we must first thoroughly understand the process of barter because money was developed out of the need for a simplification of the process of barter.

Barter means the exchange of one object for another e. g. to give a horse for a cow or a sheep for an axe, or a fowl for a knife. The aim of barter is satisfaction of both parties. But as a rule barter is a very inconvenient method of exchange for it always presupposes a double coincidence which rarely happens. A savage may have

skins to spare but lack hunting weapons. Only when he finds another man who can spare weapons and needs skins, an exchange will be possible. Another disadvantage of barter is the inequality of the objects to be exchanged although the double coincidence may exist e. g. exchange of an ox for an axe.

Cameron, a traveller and explorer in Africa, gives a striking instance of the inconvenience of barter. He says: I needed a boat to cross Lake Tanganyika. Since the owners of the two boats promised to me were absent, I tried to hire a boat from the agent of Syde ibn Habib. He wanted ivory for payment. I had no ivory, but heard that Mahomed ben Salib had ivory, and was in need of cotton goods. I had no cotton goods, but heard that Mahomed ibn Tharib had cotton and needed wire. Fortunately I had wire and gave some of it to Mahomed ibn Tharib, he gave cotton to Mahomed ben Salib, whereupon the latter gave Syde's agent the ivory he wanted. Now the latter allowed me to use his boat.

#### § 3. CATTLE AS MEDIUM OF EXCHANGE

Since cattle are in many regards very useful objects to men, it is safe to assume that they were extensively used as a medium of exchange and as a standard of value. The latin word for money is *pecunia* which is derived from the word *pecus*=cattle. In the poems of Homer, a very ancient Greek poet, cattle were used as a standard of value. A shield was said to be worth so many oxen. Still today in S. Africa cattle pay an impor-

tant part in the economic life of the Natives. There was and is still a disadvantage in making use of cattle as a medium of exchange, for cattle are large, valuable and indivisible objects and thus cannot serve as an intermediary in exchange of smaller and less valuable objects. Besides cattle vary in value among themselves and at different times.

#### § 4. NEED OF SIMPLER MEDIUM OF EXCHANGE

Instead of cattle another commodity of smaller value was desirable and the objects should all have the same value. These could then serve as a standard of value and would obtain a value due to their use as medium of exchange. If shells were chosen as such a medium, they would have to be rare and also useful as ornaments to have some value and to be desirable commodities like other ornaments. But if they were very abundant, their purchasing power would be very small and the more would be required for an exchange. Shells have only just ceased to be used as money by the Natives of Nigeria.

Besides cattle there are various other commodities which people were willing to accept in exchange for the produce of their industries. Such commodities are salt (in Abyssinia), a species of shells (in India), dried cod (in Newfoundland), tobacco (in Virginia), sugar (in West Indian colonies), hides or dressed leather in other countries, nails (in Scotland). On the Philippine Islands rice was, and sometimes still is, used as money. They use bundles capable of being grasped in the hand. The value of articles is estimated in terms of bundles of rice. To a less extent corn (mealies), coconuts, tobacco, salt, pearl, shell and pottery are used in exchange.

At last all countries gave preference

to metal above every other commodity: iron, copper, silver, gold. The latter metal passed through various stages from rude bars to our present fine stamped coins. Civilised people always preferred gold and silver as ornament, therefore pieces of these two metals slowly became ordinary means of exchange.

#### § 5. QUALITIES NECESSARY IN MONEY

A commodity which should be a very useful means of exchange, must have the following qualities:

1. *acceptability*: all people must be willing to accept it;
2. *cognoscibility*: it must be easy for all to recognise quality and quantity of the material used as money;
3. *divisibility*: cattle or precious stones cannot be divided without losing a great deal of their value; on the other hand a very valuable material such as radium could not be used for small payments;
4. *durability*: it must be able to be kept without loss of any kind or deterioration, it must be unchanging and imperishable;
5. *homegeneity*: the material must be the same and of the same quality in all its parts or portions of the bulk;
6. *transportability*: it must be capable of being brought from place to place and of passing from hand to hand without depreciation, harm or great difficulty: e. g. coal would be too bulky, a perishable article unfit for transportation;
7. *stability of value*: its value should not rise nor fall at any time on account of its being more or less scarce.

All these qualities except the last one are found in the two precious metals silver and gold. There may be some other materials, which surpass gold and silver in one or more of the above mentioned attributes, but

there is no material which contains them all in such a way as gold and silver do.

### § 6. STABILITY OF VALUE

There is hardly any commodity which possesses the desirable attribute of a fixed value. For instance maize would furnish a poor standard of value as the value of a bag varies according to the season, for in autumn after the harvest meales are plentiful and therefore cheap; in the spring they are scarce and dear. The value of gold and silver is also subject to changes at various times.

Sometimes new mines are discovered (e. g. in S. America in the 16th century, in S. Africa at the end of the 19th century) and silver or gold is produced faster than goods (food, clothes, furniture etc.) Therefore more gold is given for the same amount of goods i. e. prices rise and the stability of value of money is disturbed, at other times through new inventions and the opening up of new countries for agriculture goods increase faster than gold, less gold is given for the same amount of goods i. e. prices fall and the stability of value is disturbed in the opposite direction. Such a time occurred in England during the twenty years before 1896, when each year a sovereign went further and purchased more goods. To put it in another way, during these twenty years the *cost of living* was steadily falling.

If a supply of a certain commodity becomes limited, then only that particular commodity would rise in price, whilst the other prices would remain as before. But a change in the gold standard will cause a change in the prices of all articles.

### § 7. BANKING

In course of time rich people found it inconvenient to carry about much

money in gold, and if a man wanted to hoard his money it might become very bulky. Therefore a new kind of money was evolved which surpassed gold money in transportability. Gold is no longer carried about, it has more and more become rather the basis of calculation than a medium of exchange. This change was effected through the banking system and it is only possible in a highly civilised society. Savages can only exchange one real object for another real object, whereas civilised people exchange goods for cheques and in various other ways without any coin changing hands or passing from buyer to seller.

When a man had much money in former times and had no special wants which could be satisfied with the help of money, he had no further use for his cash. The only thing he could do was to keep or hoard it for future needs. But such hoarded money was always in great danger and it was hard to guard it. At those times the goldsmiths in England had always precious objects to keep and guard and were therefore specially equipped for such a purpose with safes and strong rooms. For that reason they were sometimes asked by other people to keep for them their valuables or coins. They probably charged a small fee for this help which people willingly paid knowing that their money was safe. The goldsmith then gave the people a receipt for the amount of money deposited in his house. In course of time when this custom of depositing money became common, it was no more the goldsmith who accepted deposits. According to the principle of division of labour or specialisation a special class of men arose who made it their business to accept and to keep money of people. These men were then called bankers.



Now people who were in need of money probably asked the bankers for the loan of a certain sum, they were willing to pay something for that loan. Having often large sums of money lying idle, the bankers agreed to this. They also learned by experience how much ready cash they had to keep so as to meet demands of depositors desirous of drawing some money. In course of time banking became so profitable that instead of charging a fee for keeping money the bankers were able to offer a small amount to people who deposited their money charging a greater amount to those people who borrowed money and so making a profit by the difference in the rates.

#### § 8. BANK NOTES

When people began to deposit money in a bank, the banker would give them a receipt written on paper specifying the amount deposited. On the paper was written that on presentation of that paper a certain amount of coin will be paid over the counter. The bankers had credit, which means that they were trusted, and the people saved themselves the trouble of going to the bank and drawing their money. Instead of that, when buying, they passed on such papers or bank notes, or paper money began to circulate from hand to hand instead of metal money or cash.

Later on it was found dangerous to allow anyone to issue notes and now the privilege is carefully restricted by Governments. Thus in S. Africa the private or Company Banks have just lost the right to produce their own banknotes. Since July 1st 1922 a special bank, set up by the Government and closely controlled, has the sole right of issuing bank notes in S. Africa. This is the S. African Reserve Bank.

#### § 9. CHEQUES

But this process was still more simplified in course of time. The bankers kept an account of their customers and if any one presented an order of a customer to pay a certain amount of money to the bearer, then the banker paid out that amount making the necessary alterations in the account of that customer who sent the order. Such orders were called *cheques* and slowly the *cheques* system was evolved which is so much in vogue to-day and which facilitates exchange enormously. It has its advantages and disadvantages. The following are the advantages of the system:

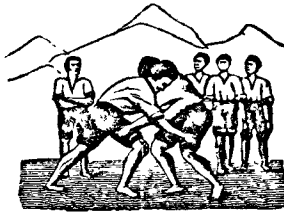
1. It helps to economise gold and silver by avoiding cash payments.
2. Cheques can be made out for all amounts and thus no change must be given. This is not the case with banknotes.
3. It is very easy to send cheques by post.
4. They simplify the business of keeping accounts since the counterfoil gives an accurate record of all money transactions.
5. They prevent fraud under certain precautions.

Bearer cheques are payable to anyone presenting them and thus liable to abuse. Instead of this order cheques are used which must be endorsed by the person who draws the cheque. Still safer are crossed cheques on which two parallel lines are drawn across the face which means that the amount stated on the cheque is not to be paid out in cash across the counter, but will be entered into the books to another banking account.

#### § 10. INVESTING OR BANKING vs. HOARDING

In former times people who possessed much money used to hoard it, partly

because there was no use for the money as at present in the form of industry or because they did not know how to make a better use of the money or because they were afraid to lose it. These three reasons do no more exist nowadays. There are a great many ways in which to invest money usefully so that it need not to lie about barren, it may be deposited in a bank or in the P. O. Savings bank or it may be invested in business or company shares. If it is put into a bank, it will be directed by the bankers into productive channels, for they do not let money lie barren or idle in the bank. Knowledge of economics will remove the former ignorance and induce people to use their money profitably. There is still some danger of money getting lost but this has been greatly reduced in many cases to a minimum, in most cases there is practically a perfect security for the safety of money deposited in the P. O. Savings Bank or some other well known and perfectly reliable bank such as the Standard or National Banks of South Africa.



## Chapter IX

### Methods of Organisation

#### § 1. MEANING OF ORGANISATION

An organ is defined as a component part performing an essential office in the working of any complex machine, or we may call it anything forming the part of a whole or of a structure and having a special function or performance in being such a part. To organise means to bring together several such isolated factors or parts and combine and arrange them in such a way that they form a whole and work together in an efficient manner. The parts which were at first isolated and independent become interdependent through organisation and each gets its own special function, but it works only efficiently in that function on account of its combination with the other parts of the systematic whole. E.g. a man has 4 wheels, 2 axles, a pole, planks, chains, harnesses and donkeys. He organises all these things into a whole and the result is transport.

#### § 2. THE SINGLE-HANDED EMPLOYER

A single handed employer is a man who carries out certain work with the help of a smaller or greater number of labourers quite independently from other employers. This system has its weak points for the employer and for society.

##### 1. Weak points for the employer:

- a. He is not sure of an adequate supply of labour, another independent employer of the same industry who is financially stronger, may offer slightly higher wages and thus outbid him. For the sake of a small rise in wages labourers will change places at a moment's notice.

- b. Or another employer may for a time sell his products cheaper so as to attract customers and thus the first employer may lose customers and suffer heavily. For a small change in price people go from one place to another where the goods are cheaper.

- c. Or there might not be enough labour for two employers and one may outbid the other one and thus ruin him.

In this way in the system of single-handed employers the fittest will survive and the weaker will perish.

2. But the system has also some strong points for the employer which are weak points for society.

- a. If the employer is alone on the field, he can lower the wages of his labourers to a mere subsistence wage and thus exploit them.
- b. In the absence of competition there is no spur to efficiency and improvement, the standard of work will be lowered and no useful inventions will be made.
- c. The individual employer may go beyond his capability in extending his business, making loans, contracting debts, without anybody to control him or getting knowledge of his engagements, and may finally fail and cause loss to his creditors. All the while his business may have appeared prosperous and to rest on a secure foundation.

#### § 3. RISE OF THE COMPANY

With the progress of civilisation people learned to organise and one important, perhaps at present the most important, form of economic organis-

ation is the Company. A greater or smaller number of people, called shareholders, put their savings together which forms the capital. Thus a company often consists of a large number of small investors.

The company is managed by a board of directors, selected by the shareholders. The directors appoint a salaried manager who controls all the details of the work.

### 1. ADVANTAGES

- a. Such a combination forms a powerful and efficient machinery for production.
- b. Much idle or barren capital is attracted and led into productive channels.
- c. Men with limited financial means but capable brains can get an opportunity for utilising their talents in the production of wealth, without being handicapped through lack of capital.
- d. The board of directors can make changes in the policy of the company and increase the business far beyond the capability of a single-handed employer.

### 2. DISADVANTAGES

- a. The shareholders have little or no influence on the policy of the business and so they are more or less powerless.
- b. An inefficient or dishonest manager cannot be as easily controlled in a company as in a small firm and he may ruin the business.

### 3. LIMITED LIABILITY

All companies have at present limited liability. The persons who associate for carrying on any operation or commerce or industry agree among themselves and announce to those with whom they deal that they do not undertake to be responsible for debts beyond the amount of the subscribed

capital and each shareholder becomes liable for the company's debts only to the extent of his share. This limitation of responsibility benefits and protects the partners or shareholders. The subscribed capital must not necessarily be paid up, but account must be kept so that the state of the company's affairs can always be ascertained. In many cases these accounts are published. This to some extent prevents the manager from exposing the funds of the association to improper hazard. Any surplus goes to the shareholders as dividends.

### 4. DRAWBACKS OF COMPANY

Considering the weakness of the single employer, we found the organisation of companies to be of great benefit to the employer, the labourer and society in general. But like many other things companies are two-edged weapons and may also be employed to do great harm.

- a. The company may use the strength of unity, show a united front against the workmen and reduce their wages to the lowest possible minimum. The capital has always the tendency of creating a maximum of profit at a minimum of cost.
- b. However successful a company's business may be, the labourer only gets a certain wage, but he has no share in the profits. He is sure of his wage, but for that he is also free from all risk and responsibilities.

### § 4. DEMAND FOR CO-OPERATION

In order to counterbalance these drawbacks of companies and to bring the capitalist and the worker closer together various forms of co-operation were evolved. The following are the chief forms:—

### 1. CONSUMERS' CO-OPERATION

This is an association of consumers or buyers for establishing shops at which the members deal and secure for themselves the trading profits. Such co-operative stores have been remarkably successful. There is no employer and the profits which would go to middlemen or small shopkeepers go to the members of the society.

Such associations have the power of cheapening the necessities and commodities used by the working classes and are able to check profiteering often practised by small shopkeepers who charge exorbitant prices in the absence of competition.

The classical example of consumers' co-operation are the Rochdale Pioneers. In the year 1843 in the town Rochdale some 28 poor cotton weavers formed an association with the aim of starting and keeping their own shop for the supply of a few common articles for consumption of their own families. The original capital of the "Rochdale Society of Equitable Pioneers" consisted of £28. This had been brought together by the unassisted economy of those poor labourers through the slow process of subscription of 2d, afterwards raised to 3d, per week. As their *carefulness and honesty* brought them an increase of customers and subscribers, they extended their operations to a greater number of articles, and in a few years were able to make a large investment in shares of a Co-operative Corn Mill. The grocery business was commenced in December 1844 with only four articles to sell. In 1857 the business had seven departments: grocery, drapery, butchery, shoemaking, clogging, tailoring and wholesale. Since a number of members resided at a distance and the number of customers increased, branch stores were opened in 1856 and 1857.

The business developed into a co-operative association for cotton and wollen manufacturing. In 1860 their capital amounted to £26618—14—6 and the profit in that single year was £10164—12—5. In 1914 the number of members was 20,747 and the total sales amounted to £408,039. That society owes its success chiefly to the principle of *Distribution of Profits in Dividends on Purchases*, not on capital. The capital receives a fixed percentage. Shares are limited to £200. Every member has one vote. *All sales are by cash*, not on credit, and *goods are sold at current prices*.

Consumers' co-operation in the form of co-operative stores teaches the workers:

- a. to save;
- b. to exercise some directive and business ability;
- c. to co-operate with one another;
- d. to realise that they are dependent upon one another;
- e. self-respect and sense of responsibility;
- f. to effect a considerable saving in the cost of goods which they have to buy.

### 2. PRODUCERS' CO-OPERATION

This means an association of workers formed with a view to producing. Producing means obtaining raw material from nature, from land or sea, and to manufacture articles used by man for various purposes; it also means performing necessary or useful service. The members of the association try to find capital and elect their committee of management.

This kind of co operation seems to be less successful for the following reasons:

- a. The workmen often do not command sufficient capital or credit necessary for purchasing and erecting the best machinery.

- b. If the trade becomes slack, there will not be sufficient reserve of capital to tide them over such a period.
- c. A very capable manager is required for the best economic organisation of the work, but the salaries paid may not be enticing enough to attract the best brains.
- d. Even if a capable manager has been found, it will be very hard for him to manage the business energetically since he is paid by those whom he has to manage.
- e. If sometimes such a co-operative business meets with success, then the original shareholders may retire and fill their vacant places with wage-earning labourers, and in this way the business tends to become an ordinary Limited Liability Company and the interests of capital and labour are divorced again.

### 3. FARMERS' OR MARKETING CO-OPERATION

Just as the industrial workers found it necessary to form associations, so did the farmers and peasants of Europe learn to combine in order to improve their situation. The aim of such farmers' co-operation in Europe was to cultivate the virtues of industry, thrift, frugality, love of the land and fields of their fathers, to organise credit and insurance associations, to buy collectively their materials, to improve farming methods by increasing their knowledge and to secure a good market for their produce by co-operative action.

Denmark offers a most striking example of a country which has benefited under the co-operative system. In 1864 she was in an extremely poor and pitiable condition, but began to look round to see what kind of work her soil was best suited for. The peasants turned the moorland into grazing land, and instead of each man muddling alone by himself, the farmers combined, set up dairies, they get their butter made by the best machinery and placed

on the railway in large consignments, and thus they are able to send it to England and sell it there profitably at a lower price than the butter produced in that country. Danish dairy produce is famous. England alone pays Denmark £9,000,000 a year for butter. Danish bacon has found its way even to Durban.

Towards the end of last century there was great misery and poverty in Ireland. Much of the land then belonged to English landlords who resided in England and rack-rented their tenants by charging the largest amount of rent it was possible to squeeze. These evils were mitigated by various Land Purchase Acts. The Government bought the land and sold it to poor Irish peasants. They organised themselves and succeeded in paying off in instalments all the money for which they bought the land, so that to-day Ireland contains many peasant proprietors who are proud of clean, well kept farms which they bought with the help of the state and their own co-operative efforts.

The white farmers of this country have also learned the lesson of organisation to their own advantage. Some years ago the Western Province wine farmers held demonstrations in Capetown in order to ask the help of the Government. Now that they are well organised, they ask no assistance from the Government, but by organisation and co-operation they have solved the problem of supply and demand in an effective manner and have kept the price of their produce at a reasonable figure. Such farmers' organisation tend to stiffen up local prices, for by the publishing of market reports among their members the organisation reduces the chances of the sharp middleman.

There are also already several Native Farmers' Associations in the Cape Province which have the following

objects: to arouse greater interest in farming, to help and teach one another better methods of farming so as to increase the yield of their fields, to obtain at the lowest possible prices seed and necessary materials, to secure the highest market prices for their produce, for co-operative purchase of farm machinery and for making united representations to the Government on matters affecting the interests of Native farmers.

#### 4. BANKING CO-OPERATION

People may organise for the purpose of banking and form a joint stock company. About 1850 F. W. Raiffeisen, mayor of German village, began to establish co-operative banks among the peasants in Germany and since that time these banks have been highly successful and have performed a great amount of relief and uplift for the poor peasants. Such co-operative banks are established for a small district only, mostly for villages of 500—1000 families. These banks know all the local conditions and can thus do their business with the utmost carefulness and grant loans safely at a favourable rate.

#### § 5. GROWTH OF MONOPOLY

When there are several companies or associations engaged in the same trade or industry, competition arises. In order to avoid the evils of competition the various companies may form a combination which is called a Monopoly and which has then the sole control of a particular branch of a trade or industry and is thus enabled to regulate production, distribution and prices and to secure a maximum revenue. If this is the case, then the monopoly becomes an enemy of society.

Unrestricted competition is not always advantageous to the consumer. Cut-throat competition may for a time lower prices and supply very cheap goods,

but this can not go on for a long time. The producers would suffer too much under such competition and would therefore try to come to an agreement and form a combination. Under the monopoly system the producers are enabled to economise in various ways and to use the efforts needed in wasteful competition in a better way and thus also to produce goods cheaply.

The monopoly system has different names according to the various modifications of the principle of co-operation. We distinguish Rings, Trusts, Corners and Pools.

If several companies make an agreement to make the same charge whilst each company maintains her own management, then such a combination is called a Ring. E. g. When several shipping companies agree to make the same charges for passengers and goods we have a Shipping Ring. Or several factories may agree to manufacture sugar at the same price.

But if several competing business are merged into one company under one management, then such a combination is called a Trust. A Trust is therefore a number of powerful firms brought under single control so that each firm loses its whole independence. Such combinations are chiefly found in America. At one time the Oil Trust there controlled 90% of the whole American production of paraffine. The Steel Trust in America produces the greater part of steel. Such Trusts are either formed by willing co-operation when firms join in order to secure greater economy or the stronger firms compel the weaker ones to come in if they do not want to close down on account of cut-throat competition.

A Corner is a temporary monopoly and consists in buying up all available supplies of a certain article which can not be increased before a certain time or till the harvest, as it may be the case

with wheat or mealies. If one company succeeds in securing all the available supply, then it has complete control over the market for some time and can raise the price to a height which gives large profits.

## § 6. NEGRO CO-OPERATIVE STORES

The Director of Negro Economics of the United State Department of Labour published an outline of the method of starting and carrying on a co-operative store for the benefit of Negro workers in Illinois. Since this outline should be highly interesting, instructive and helpful to the Natives of South Africa in their struggle for economic betterment, it is here given in full as follows:

### HOW TO ESTABLISH AND CONDUCT A CO OPERATIVE STORE

**How to start.**— A store should not be started unless at least 100 members can be secured.

If sufficient interest is displayed, call a meeting to select a committee of five or seven to solicit subscribers, but accept no money until you have amount pledged sufficient to insure success.

**Amount and value of stock.**— According to the laws of Illinois no person can own and control more than five shares of the capital stock of such association. The shares of stock shall be not less than five dollars nor more than one hundred dollars a share. On account of the prevailing high prices, it has been found advisable to make the shares of stock not less than 10 dollars a share. Not less than 50 per cent of the amount subscribed should be paid in at the time the organization of the store is completed.

**Details.**— As soon as a sufficient amount has been subscribed (not less than 2,500 dollars) call a meeting of subscribers and have them elect a board of directors for different periods of time, so that at least some will hold over. Do not elect anyone simply because he is a good fellow. Require who ever handles the funds to furnish a good bond.

No member should be allowed more than one vote, no matter what his shares or purchases.

**Share and loan capital.**— If a sufficient amount of share capital is not purchased, a store may secure loan capital from members interested in the success of the institution, whose share capital is paid in full, or the

accumulated profits or earnings, usually called dividends to help finance the store after the share capital subscribed is fully paid.

**Meeting of Stockholders.**— A meeting of stockholders should be held every three months. Special meetings may be called by the board of directors or by petition of the members.

**Duties of board of directors.**— The board of directors should meet once a week, pass upon and pay all bills, if correct, receive the report of the manager, and transact such other business that comes within their scope.

**Location.**— A good location is essential to success. A good building, not necessarily large, but in a good location, is much to be preferred, even at a higher rental.

**Business management.**— Stores should be conducted on a cash basis. Extending credit will ruin a store and the necessity of cash business should be impressed on the minds of all members.

**Managers.**— Next to the loyalty of the members a good competent manager, an honest man, is the most important asset to the store. A technical education is not necessary, but a knowledge of business co-operation is. The manager should be given a great deal of discretion in the general supervision of the store. He should turn over to the treasurer or other authorized officer, at the close of each day's business, the day's receipts and a statement showing the amount of business for that day.

**Employers.**— So far as possible no immediate relative of the manager or a member of the board of directors should be employed in any capacity, as it creates jealousy and bad feeling.

Managers and clerks should be paid good wages as an incentive to do good work.

**Buying a stock of goods.**— Do not allow anyone to load your store up with an immense stock of goods that can not be turned over readily, as they will become shopworn and have to be sold later on at a loss. Goods should be turned over as often as possible as the turnover is an essentially important feature in making money. All bills should be discounted and paid promptly. By no means should prices be cut and no manager should be allowed to undersell the surrounding stores. To do so invites trouble not only with your competitors, but wholesale houses as well.

**Bookkeeper.**— Lack of a good bookkeeping system has been the rock upon which many a co-operative store has been wrecked.

**Banking.**— All money taken in should be banked every day except the small amount that is kept on hand to take care of the cash business. All goods should be paid for by



check. Care should be exercised not to have an overdraft at the bank.

**Incorporation** — All stores should incorporate as a matter of protection.

**Auditing accounts.**— One of the most important features of a successful co-operative enterprise is a correct auditing system. The books and accounts of every store should be audited very carefully every three months, and wherever possible by an expert accountant.

**Dividends.**— Dividends in a co-operative store are paid, not on the investment as in a privately owned concern, but on the amount of purchases made by the shareholder. At quarterly or semiannual periods, as may be determined on, a complete invoice should be taken, the profits ascertained, and after setting aside a substantial amount for a reserve fund anywhere from 25 to 50 per cent of the pro-

fit) the balance should be paid in dividends on the basis of purchases during the period, credited to them on their account.

**Surplus earnings.**— The term "dividends" as herein used is merely the accumulated savings or the surplus earnings of each member, which the society is under obligations to repay to the individual at a future date and should be distinguished from dividends as applied in the usual commercial transaction and in the future the co-operative movement should use the term "surplus earnings" instead of "dividends."

(The Negro at work during the World War and during reconstruction

U. S. Department of Labour

Government Printing Office,

WASHINGTON, 1921.)



## Chapter X

### Wages

#### § 1. RELATION OF CAPITAL AND LABOUR

By Capitalism we understand the present economic system which has become indispensable since we can no more go back to the old primitive system or to the latter methods of barter and of the single-handed manufacturer. To-day Capital and Labour are complementary, neither can do without the other.

In another sense Capitalism is understood as a principal of exploitation of the working classes and this danger does exist. The labourers say that the capitalist or employer does not pay them just wages and therefore exploit them. If sometimes efforts are made to improve their situations, they say they do not want charity, but justice, they want more and more to share the profits which, as they maintain, justly belong to them, as they are created by them. The following dialogue may serve to illustrate the relation between capital and labour.

*Labourer:* The wages I earn are a compensation for energy used up daily in your service. The wages must include cost of housing, food and clothing, care for, and education of, children, and savings for a rainy day and old age. But you capitalists pay the lowest possible wages, whereas the profits you make through our labour should be distributed amongst us.

*Capitalist:* It is certainly not my intention to give you the lowest possible wages, for an underfed, overworked, and dissatisfied labourer is not efficient. An ill-paid and inefficient labourer would cost more and produce less than a few efficient and satisfied labourers. But if I pay you wages

above a certain limit the price of the goods must rise, cheaper products may be found elsewhere, our own products will not sell any more and unemployment will follow.

*Labourer:* Then lower the prices of your products to our advantage.

*Capitalist:* International competition does lower the prices as far as possible.

*Labourer:* Then let us share your profits.

*Capitalist:* From the profits we have to deduct many expenses necessary for the welfare of industry, for raw material, plant and machinery, for management, organisation, pay of labour before the sale of products, for risk and insecurity of market, for advertising, for the employer's family, and last but not least, a corresponding higher premium enticing the capitalist to undertake the work with all its tremendous dangers and risks. (Example: The bridge over the Vaal Ver-eeninging was three times destroyed by the flood. The Contractor gave it up). Any money left is used for increasing the enterprise or for new enterprises and thus we create employment for more labourers.

*Labourer:* Let us share at least a part of profits.

*Capitalist:* This question can be discussed between an ideal employer and labourers who can think reasonably and justly. Both parties need still a great deal of education in this regard and a good spirit. The ideal employer of the future will discuss the matter of wages frankly with the best brains of his labourers and try to educate them up to viewing the position of

both the capitalist and labourers from all sides. The ideal labourer of the future has to learn still very much: that he must work efficiently, that there is a limit in the rise of wages, that he must be frugal and learn to economise his wages in the best possible way and to save for the future.

## § 2. WAGES

### 1. EARNINGS OF EMPLOYERS

If a shoemaker works alone, then his earnings are the total market value of his shoes less his expense for raw material, housing (rent or interest), tools and interest or capital which he might have borrowed. This is the simple case of earnings of the independent producer. This case becomes somewhat complicated when that shoemaker employs some other men to work together with him. He has to arrange his work in such a way that he earns something for himself and is able to pay a certain remuneration to his workers. The amount he pays to them is called Wage.

### 2. NOMINAL AND REAL WAGES

We distinguish between nominal and real wages. Nominal wages are the actual amount in cash paid to the worker, whereas real wages mean that which we can get for the cash or the actual amount of commodities which can be purchased for the nominal wages. Since 1914 the nominal wage of the workmen rose steadily i.e. they received a greater amount of money than before, but the cost of living rose also, i.e. the amount of commodities which could be bought for the same amount of money fell. The Commission of Enquiry into the Port Elizabeth disturbances on October 23, 1920, reports that in 1914 the minimum wage for unskilled Native labourers was 2/6 per diem and it remained at this figure until 1918. It then rose to

3/- in February 1920, at the instigation of a Native Trades Union to 3/6 and in September 1920, as a result of further agitation, it was raised, to 4/-. The percentage increase of the 1920 wages on that of 1914 was 60%, but meantime the cost of living had increased by 105% so that the Natives were worse off by 45%. In that case the nominal wage shows an increase of 60% whereas the real wage shows a fall of 45%.

### 3. WAGE VARIATIONS

Just as there is a market for all kinds of agricultural and industrial products, so there is a labour market, and just as the price of the products is determined by the factors of demand and supply, so price of labour or wages are settled by the abundance or scarcity of labour within the various grades. The interaction between demand and supply varies in different grades. In lower grades the supply price is more important than the demand price and it usually rules the labour market.

Adam Smith gives the following 5 causes of difference in wages:

1. agreeableness or disagreeableness of work;
2. easiness and cheapness or difficulty and expensiveness of learning the work or training for it;
3. constancy or inconstancy of employment or work;
4. small or great responsibility entailed in the work;
5. probability of success in work.

Amongst these causes there is also implied the existence of various grades of labour; for there is unskilled, semi-skilled and skilled labour and these variations of work cause also variation in wages; there is also a difference of wages in each grade on account of labour being more or less pleasant or agreeable. People always prefer the

more comfortable situations; therefore higher wages have to be offered for disagreeable work. The difference in efficiency within a grade is also a cause of difference in wages. Occasionally married men get higher pay than single men, and male workers nearly always get more wages than females within the same grade of labour.

When there is abundant or sufficient labour, the supply price tends to approximate the cost of subsistence i. e. the bare cost of physical living of the labourer and his family. Often members of the family are compelled to help to reach this height of wages. This is the case when the wage of the labourer is below the subsistence level. There are some "sweated" industries requiring only rough or unskilled work, therefore they are recruited from all sections, especially people who failed in other work and are driven into these industries by fear of starvation.

In the higher grades of work the wages must be and, as a rule, are equal to efficiency subsistence which includes appropriate food, shelter, clothing, a margin for saving, insurance, recreation or rest to recover from the strain or wear and tear of intellectual effort. Such people need a better environment, more holidays and better education for their children.

Wages above the efficiency level are the result of unusual personal gifts, talents, initiative, organising ability. Such higher wages are also sometimes caused, if labour is especially needed or very scarce and can only be supplied or retained by bargaining. Higher wages are also paid when there is need for long and expensive training.

#### 4. MINIMUM WAGE

In some countries and some industries the Government intervenes and prevents sweating wages being paid by passing

a law making it illegal to pay wages below a certain amount. This is called the Minimum Wage. In England for example the Government regulates the wages of workers in the tailoring, chair making and confectionery industries. In Australia there is general minimum wage for all adults male workers which in 1920 was fixed at £4-10-0 a week. In South Africa minimum wages are only fixed for apprentices and young workers in a few trades.

If wages sink below the subsistence level, deplorable poverty, disease and crime are the consequences and new burdens arise for society. It is therefore only reasonable to pay at least the minimum which enables labourers to keep themselves and their families healthy. Trade boards might be established in South Africa as in England empowered to fix a legal minimum wage in low-paid or underpaid occupations.

#### 5. SETTLING OF DISPUTES

The actual level of wages is reached through struggle and settling of disputes between employer and employed. There are various methods of settling such disputes. There are Employers' Associations and Workers' Associations or Trade Unions. If wages are settled through the medium of such organisations we call this system Collective Bargaining. There are also Joint Wages' Boards, consisting of representatives of employers and employees and an impartial chairman for discussing the question of wages. We may hope that these Boards may serve a great deal to educate both the capitalist and the labourer so that failures to agree may become rare. Other means which have been tried successfully are General Conciliation Boards and Mediation by influential persons. The Mediator lets the disputing parties debate their points in a spirit of patience and keeps them

negotiating until a working agreement is arrived at. Arbitration takes place if the disputing parties either voluntarily or compulsorily bring their case as before a law court before one or more persons with wide experience, sound common-sense and an impartial mind who decides it as a legal suit.

Unfortunately, whether or not there is a prior agreement to accept the decision of the arbitrator, it is found in practice very difficult to enforce it if one side feels that it is unjust. In Australia, where compulsory arbitration was long tried, there is now a tendency to substitute wages' boards. If the economic friction is not removed by one of those means, then it will develop into a strike on the part of the labourers or into a lock-out on the part of the employers.

#### 6. METHODS OF PAYING

The method of paying wages is often a source of difficulties. Wages are either time wages or piece-work wages. The workman is paid according to a time rate if he is paid a definite amount per hour or per day independently of the output or work performed. In this system the workman is not induced to do his best. He is paid according to a piece-rate, he gets a definite amount of money for a definite amount of work. In this case the workman may be induced to rush to the deterioration of his work or to the detriment of his health. The employer can prevent bad work being done by fixing a standard amount and a standard quality of work as it can be performed by the average workman so that the more industrious and more efficient labourers can receive better wages. In the premium bonus system a standard output is agreed upon and for any excess of output beyond this amount piece rates are paid, so as to afford a strong incentive to the efficient worker to do his very

best. This is the Taylor's system (Dangers of speeding-up).

### § 3. HORRORS OF THE INDUSTRIAL REVOLUTION

By the Industrial Revolution we mean the changes brought about in industry or the manufacture of goods by various inventions, chiefly of machinery and by application of steam power to production and distribution of goods. These changes did not come quite suddenly; they are already found in the 16th and the 17th century, but at the end of the 18th and during the 19th century they increased more and more at a rapid rate so that this process formed a real revolution or a complete change.

The effect of all these developments was to lower the position of the worker who was reduced to a factory hand. In order to make production cheaper women and children were employed as far as possible instead of men. Appalling distress was often the consequence of this state of affairs in England and on the continent. Just one example about the work of women in factories. The wife, a factory labourer and mother of 7 children, had to go to the factory every morning very early. The eldest child, a girl of 13, had to awaken the other children. She and 3 other children had to go to school after having partaken of a poor breakfast. Two younger children, a boy of 4 and a girl of 2½ years, were tied to the legs of a large table, whilst the smallest child a baby of 1 year was tied fast in its cradle. The father did not care for the children, and after the mother's death charity took charge of them.

In order to meet competition successfully Capitalism even employed children and brutally exploited them. Children from 5 years of age onward were deprived of all playtime and robbed

of strength, health and youth. Little more than a century ago employers used to obtain workhouse children (orphans) and sometimes literally worked them to death, sure of obtaining another supply to fill the gaps. A real and flourishing slave trade was carried on between the workhouse officials and the employers. Those poor little slaves had to work 16 hours a day, did not get any wages, only poor housing, bad food and treatment often too cruel for animals. A report of 1842 states that children from 4 years upwards had to work in the mines underground pushing or pulling coal trucks by a chain fastened to their waists. In doing so they had to crawl on their hands and knees in the coal pits from which they often did not come out for weeks.

#### § 4. FACTORY LEGISLATION

In order to end such misery and to alleviate the position of the factory worker, the various governments introduced factory legislation. A minimum of ventilation was required in the mines, children below a certain age were no more to be employed in factories, the hours for women were regulated and after a long struggle following the Australian example in sweated industries a minimum wage was prescribed.

In South Africa a Factory Act (N. 28 of 1918) is operative since

May 1st 1919. The following are the chief provisions of this Act:—

1. A Chief Inspector of Factories was appointed with the right of entry into and inspection of any factory.
2. A record of employees must be kept.
3. No worker over 16 years may work for more than 50 hours a week, or 9 $\frac{1}{2}$  hours a day, or 5 hours continuously.
4. No person under 16 years may work for more than 45 hours a week or 8 hours a day or 4 $\frac{1}{2}$  hours continuously.
5. Exempted from this regulation are persons employed in starting motive power in the factory, making preparations for work, cleaning up or doing unskilled work in the open air.
6. Women may not work between 6 p. m. and 7 a. m. or boys under 16 between 6 p. m. and 6 a. m.
7. Overtime is allowed, but for women and for boys under 16 no overtime may be worked for more than 3 hours a day on 3 consecutive days of the week.
8. Children under 12 may not be employed in any factory.
9. Children over 12 and under 14 can only be employed with the permission of the Inspector.
10. Provision must be made for proper sanitation, ventilation, lighting, pure drinking water etc.



## Chapter XI

### Saving and Thrift

#### § 1. DEFINITION

By Saving we understand wise use and by Thrift wise spending. Spending is beneficial only when it causes a transfer of wealth from relatively unproductive channels to more productive ones. The word Thrift comes from thrive: to flourish, prosper, develop well. Thrift means (a) the fact or condition of thriving: prosperity, success; (b) the means of thriving: industry, labour, profitable occupations; (c) savings, earnings, gains, profits, acquired wealth; (d) economical or wise management, sparing use, careful expenditure of means so as to make them go as far as possible or to get the most out of them. Foresight or providence is a quality connected with thrift as a necessary condition.

In Europe wasps nearly all die in winter, while bees live securely in their hives during the cold winter and come out again in spring. It is because they have the wonderful quality of thrift, storing honey at a time when there is plenty of it in order to use it at the time of need when there is no honey available outside. A similar difference exists between races of men. Uncivilized savages make little or no provision for winter while others carefully store grain, fruit etc. Some races combine providence and improvidence. They store food in autumn, but have not enough selfrestraint to use it wisely or sparingly so that for some time they live in plenty and then starve.

#### § 2. IMPORTANCE

The habit of thrift is necessary to provide against winter and all times and all kinds of misfortunes, sickness, famine, drought, deluge, accident, hail, fire etc. The thrift makes man provident

(looking ahead) and prudent (thinking ahead). It trains him to think, to calculate, to consider well the real value of things. The thrifty man will make his capital productive, but he will not expose it to hazardous speculation, he will be satisfied with a moderate but sure profit. The virtue of thrift is one of the chief differences between savage and civilized people and the progress of any nation can be gauged by its power of saving.

Various authors emphasised the value and importance of thrift: "Economy is itself a great revenue" (Cicero).

"It is no small recommendation to manage a little well" (Bishop Hall).

"A man who gives his children habits of industry and economy, provides for them better than by giving them a fortune" (Whately).

"Thrift is the most indispensable condition of progress. Without thrift there would be no railways, no ships, no telegraph, no churches, no school, no newspapers, in short nothing whatever is great and expensive. Nothing could be achieved as long a man lived as an improvident savage" (Carnegie).

"He that is taught to live upon little, owes more to his father's wisdom than he that has a great deal left him, does to his fathers care" (Penn).

"Beware of little expenses, a small leak will sink a great ship. The way to wealth is as plain as the way to market, it depends chiefly on two words industry and frugality, that is waste neither time nor money, but make the best use of both" (Franklin).

"We should teach the Natives the value of thrift. At present an immense amount of grain is absolutely wasted

in a few weeks. After the harvest enormous beerdrinks are held with prodigal waste. No wonder people find famine beginning to grow before the next season's crop is ripe" (Dudley Kidd, Kafir Socialism).

"Wealth is not always acquired, as many persons suppose, by fortunate speculations and splendid enterprises, but by the daily practice of industry, frugality and economy. He who relies upon these means will rarely be found destitute, and he who relies upon any other will generally become bankrupt" (Wayland).

"All to whom want is terrible ought to think themselves obliged to learn the sage maxims of our parsimonious ancestors and attain the salutary art of contracting expense, for without economy none can be rich and with it few can be poor. The mere power of saving what is in our hands must be of easy acquisition to every mind, the highest intellect cannot safely neglect it and a thousand instances everyday prove that the humblest may practise it with success. Economy is the parent of integrity, of liberty and of ease, the sister of temperance, cheerfulness and health, profuseness is a cruel and crafty demon that gradually involves her followers in dependence and debts, that is fetters them with irons that enter into their souls" (Johnson).

A Bank report says: "There are no magical avenues leading to prosperity and it can not be too often strongly urged that this can only be achieved by thrift, industry and determination."

Since thrift is such an important virtue, it should become a general habit of a race or nation, not only of individuals. In order to achieve this the children must be trained in the habit of being careful in little things.

### § 3. EXAMPLES OF THRIFT

Joseph in Egypt ordered the people to store the surplus grain of the years of plenty in granaries in order to be used later on during the years of famine.

After the feeding of the 5000 Our Lord said: "Gather up the fragments that remain lest they be lost" (John 6. 12).

The Rochdale Pioneers began by saving twopence a week.

There are many cases of economic success on the part of some individual Natives, who by saving and thrift succeeded in buying farms, building nice houses and even owning motor cars. The Christian Express (April 1921) mentions various such cases saying at the end: "Another correspondent tells of a Native man who commencing as a shop boy at 25/- a week has invested £241 in Union Government Loan Certificates and lodged £80 in the Post Office Savings Bank, all as a result of Thrift."

Splendid examples of thrift are found among the American Negroes. Thrift campaigns are held there, leaflets distributed, large posters used, speeches on thrift and saving are held, and Banking Clubs are organised in Negro Public Schools, the Banking being carried on with a State Savings Bank. Through industry, integrity and thrift the Negroes succeeded in acquiring 22,000,000 acres of land, 600,000 homes and 45,000 churches. When in 1888 the Legislature of Virginia was asked to grant a charter for a Negro Bank, the request was first treated as a joke. Now after less than 60 years freedom the Negroes have 78 Banks, 100 Insurance Companies and 50,000 businesses with a combined capital of more than £30,000,000.

An inquiry into these examples of thrift will disclose the fact that the time for saving is the time of plenty



or when people get some money e. g. when wages are paid. A shilling is worth to us much less when we have 20/- than it is when we have only 2/- or 1/-. We must take shillings and pennies off our rich times and put them on to our poor times.

#### § 4. CAUSE OF THRIFT

When we compare the civilized European and his many needs with the simple uncivilized Native and his very few wants, then we are faced with the question of the cause of this difference. It is probably the winter of the temperate regions that trains men in thrift and consequently makes the dwellers in temperate climates so much more intelligent, resourceful and self-controlled than the races of men who dwell in regions where is almost equal abundance all the year round.

But since this is no more the case in this country on account of the ever growing economic pressure, the S. A. Natives are now compelled to work hard and learn the lesson of thrift.

Thrift was discouraged to a great extent among the Natives through belief in witchcraft. Any successful Native was believed to be in possession of some powerful medicine or charm and was continually in danger of being smelled out, killed and 'eaten up'.

#### § 5. METHODS OF THRIFT

There are various ways of practising thrift with good results.

1. *Careful handling of things.* It is a fact that many things have to be purchased again and again (e. g. lamp chimneys) on account of careless handling when the same thing could last for years.

The writer met a farmer who had a cultivator for 16 years and it was still as good as new, whereas others

had to buy new implements after a few years.

2. *Care of little things.* In practising thrift little things have great value. If we only wanted to save big amounts, we would rarely or hardly ever get a chance of saving, but there are many chances every day to save in little things. We must extend thrift to all things and practise it perseveringly so that our whole life is under this influence. There can be no success in being thrifty in some things and extravagant in others.

In the household there is no limit of chances to care for little things. By being careful we can economise food, clothing, light, fuel, soap etc. Civilised people have put much wisdom into such short proverbs as "A stitch in time saves nine, Waste not want not, Take care of the pence and the pounds will take care of themselves".

The great Negro leader and educator Booker Washington says: "All fetime of hard work has shown me the value of little things of every day. We preach them at Tuskegee and try to enforce them in the daily round of 1600 students' lives". The General Manager of the S. A. Railways emphasises in a report (Aug. 1922.) the need for close attention to detail and shows how savings, comparatively small in themselves, mount up when applied to a large railway concern.

3. *Saving of food.* A large field for the exercise of thrift is the conservation, selection, preparation, distribution and consumption of food. Much food is wasted by unwise selection and preparation and an uneconomical consumption so that an immense saving is possible in times of shortage. German economists found out that on account of unjudicious selection and preparation of food millions of pounds are lost.

annually. Other millions go into the cesspool and through the chimney. War experience, especially in Germany, has shown, that through careful husbandry a disciplined population can economise food stuffs to an enormous extent.

4. *Account keeping.* This is only practised by well advanced civilised people. Savages and semi-civilised people live more or less from hand to mouth. But the more we advance, the more we see the need of carefully booking all our business transactions, income and expenditure. An arrangement by which we classify all our household expenditure is called "Budget".

Such a budget has a great educative value because:

- a. it helps us to analyse our expenditure, to find out how much we spend for each item;
- b. it shows whether we are saving or wasting;
- c. it shows us where and how we can economise;
- d. it teaches us to spend our money wisely, showing us the difference in price and value between home-made and bought articles.

Dr. Sadie T. Mossel, a coloured American lady, worked out a suggestive budget for Negro families living in towns. This budget contains the following items and proportions:

Food	37	%
Clothing	19	"
Rent	16. 4	"
Fuel & light	5. 2	"
Amusement	1. 4	"
Church	1. 7	"
Insurance	5. 1	"
Furniture	5. 6	"
Medical aid	2. 7	"
Carfare	2. 5	"
Tobacco	2.	"
Miscellaneous	1. 4	"
	<hr/>	
	100	%

On the basis of this budget Dr. Mossel found that 64 out of 100 Negro families studied had incomes sufficient to provide a fair standard of living.

5. *Acquisition of property.* The best investment Natives can make with their money is the purchase of land. Wherever possible Natives should try to do this. Many have already been successful in buying their own large or small farms by hard work and thrift.

The American Negro Bishop Vernon claims for the S. A. Native the opportunity to accumulate something to himself and to become a possessor of property. Pope Leo XIII, the great friend of the workmen, said: "Let the law favour ownership and let its policy be to induce as many as possible of the labouring classes to become owners."

6. *Buying Stock.* Some Natives like to invest their money in stock by buying large or small cattle. This is also a method of thrift but subject to some risk and dangers.

7. *Savings Bank.* The Union Post Office Savings Bank is a Government institution enabling people to deposit their savings at a secure place and at a moderate interest. All Savings Bank Offices in the Union are authorised to receive deposits and pay the withdrawals. The lowest amount accepted is 1/-, but not more than £100 may be deposited within one year. The total balance allowed is £300. An interest of 3% is allowed on every complete pound standing to the credit of a depositor in his ordinary account. Interest is reckoned from the first day of the calendar month next following the day on which the deposit is received up to the last day of the calendar month next preceding the day on which the warrant authorising repayment is issued. All accounts invested in the

Savings Bank have the direct security of the public revenue of the Union for their repayment.

The Savings Bank is a means of teaching people thrift and is of great educative value. Anyone who has made a first deposit will always think of it and feel encouraged to increase it especially when he sees the interest which is added to his accounts.

8. *Insurance.* An insurance is a contract whereby for a stipulated consideration called a premium a certain society undertakes to indemnify or guarantee a person or company against loss by a certain specified contingency or peril called a risk. This contract is set forth in a document called the Policy. The following are the principal forms of insurance: life insurance by which a man pays a premium each year and at his death, whenever it may occur, secures to his wife or other dependents a sum of money down; sickness insurance by which out of each weeks' wages a few pence are paid over and during sickness a small regular income is available for the insured person; fire insurance insuring for a given period against loss from injury to specified property by fire; marine insurance against loss by injury to ship, cargo or freight by perils of the sea; accident insurance insuring a person against loss by accidental injury to property; hail insurance, riot insurance etc.

It is easy for most people to pay a little each year while they are prosperous, but the money will be worth a hundred times as much to them when they are suddenly in great need of it. Insurance is a kind of thrift by which men all over the world help to save one another from the fear of disaster beforehand. The burden of disaster is evenly distributed in very small amounts to a

great many people; and if a disaster really happens, it will fall with very little weight upon anyone,

9. *Borrowing money* to buy cattle, a plough, to hire land, to buy property, to do some work and then pay it back in rates or instalments is also a method of saving.

## § 6. EXTRAVAGANCE AND WASTE

Extravagance means unwise spending, waste means unwise using. Since many Natives do not know the purpose and real value of money and since they often do not know the value of things they buy, they are very prone to extravagance and waste in various forms. E.g. the South African Outlook (April 1922) says: "A shocking waste of money is incurred in purchasing the patent medicines so extensively advertised in the Native press. The quack medicine business is notoriously profitable. Some chemists regard this as their chief source of income." Upon inquiry the writer found that in towns the Native workers spend thousands of pounds in beer drinking and fines for subsequent fighting, cigarettes, sweets, gambling, betting, in lawcourts etc. It is also not always economic but often real waste to buy the cheapest things. What Natives lose in money, railway tickets etc. goes beyond all calculations. The remedy is systematic training in carefulness in little things according to the teaching and example of Booker Washington. About improvidence Dudley Kidd may be quoted again: "Improvidence is one of the minor vices of even highly educated Natives. As a result they are for ever running into debts, they have to borrow money as best as they can when in acute difficulty, and not unnaturally find that exorbitant rates of interest are demanded because the security is uncertain." (Kaffir Socialism).

### § 7. DEBTS

We must distinguish between real debts and credit. The latter is given in order to finance a legitimate transaction in business while the product of energy and enterprise is still maturing. Credit is in our modern economic system practically indispensable, and on that account there exist various Credits Banks and Credit Societies.

Debts are caused partly by misfortune, illness, accident, unemployment etc., partly by carelessness, improvidence and extravagance.

They have the following evil effects:

1. the worry accompanying them badly effects health and temper;
2. the innocent members of the family have to suffer;
3. the honest people are taxed to make up for the losses in business through bad debts;
4. one man's debts may lead to the ruin of other men's business;
5. in case of workmen the bargaining power of those offering their labour is reduced by their penniless fellows;
6. debts lead to borrowing, and as it is always easier to borrow than to pay back, borrowing often drifts into dishonesty;
7. a man working off his debts lacks the necessary stimulus for efficient work, therefore many are opposed to advances being made to Natives.

Booker Washington describes the evils of the advance system as follows: "The result of this system has been to discourage raising anything except cotton, for the man who holds the mortgage upon the crop discourages, and in some cases prevents, the farmer from giving much of his time and strength to the growing of anything except cotton, since the money-lender is not sure that he can get his money

back from any other crop. The result of this has been that, beginning in January, the farmer had to go to the store or to the money-lender for practically all of his food during the year. The rate of interest which the farmer has to pay on his "advances" was in many cases enormous. The farmer usually got his "advances" or provisions from a storekeeper. The storekeeper in turn borrowed money from the local bank. The bank, as a general thing, borrowed from New York. By the time the money reached the farmer he had to pay in not a few cases a rate of interest which ranged from 15 to 30 per cent. If he failed to make his payment at the end of the year he was likely to be "cleaned up"- that is, everything in sight in the way of crops or live stock was taken from him. After being "cleaned up" he would either try to make another crop on the same rented farm, trusting to Providence or the weather for better luck, or else move to another farm and go in search of some one else to "run him" as the local expression describes the process. Not a few of the farmers whom I met had been "cleaned up" half a dozen times or more."

This paragraph about debts would be incomplete without mentioning what Professor D. D. T. Jabavu (B.A.) writes in his book "The Black Problem" about indebtedness. He says:

"Have you ever devoted a thought to the great depths into which our people are sinking through debt? If I could spend half an hour telling you the result of my observation on this within a fifty mile radius, you would not believe. Suffice it to say the owing of debts to traders and lawyers by our people has grown so common that it is reckoned fashionable, and people talk quite boldly and brazenly about their debts to other people. They

think it no shame. This evil has been brought about by successive years of drought together with high prices following the World War. We must all put our shoulder to the wheel and fight the evil if we mean to liberate our countrymen from the grinding pincers of the prevailing economic distress. Our people must be taught that it is wrong and shameful to go into or remain in debt when they have the opportunity to keep out of it. No native enslaved by debt can hope to rise to independence of thought and morality."

#### § 8. DRINK

Last but not least drink may be mentioned as one of the causes leading to poverty and in many cases to financial ruin and untold misery. Statistical inquiries would reveal shocking facts and figures.

About the end of last century England spent annually 160 millions of pounds on drink. It is estimated that only 20% of this drink was necessary, that therefore 80% or 128 millions were spent for mere luxury and sheer waste and over and above that it has been estimated that at least 20% of this or 32 millions was worse than luxury, causing drunkenness, ruin, poverty and misery. In 1921 a certain brewery in England made £15,000 of profits of which £5,000 was paid in wages, in another brewery £46,000 was realised in profits with an expenditure of £14,000 for salaries and wages. The profits of a South African brewery amounted to £42,000.

How much better could these big profits be employed!



## Chapter XII

# Co-operative Credit Societies (Raiffeisen Banks)

### § 1. NECESSITY OF CREDIT

Modern business depends on credit; if credit facilities were suddenly withdrawn, manufacture could hardly be carried on at all. There are two kinds of credit, for consumption and for production.

1. *Credit for Consumption* is found in poor communities where people, as most Natives do, live practically from hand to mouth. Cash seems to them an unnecessary luxury, they spend what they have and often they even spend what they have not yet earned and thus run into debts at the stores. Such people are not in a state of economic efficiency.

2. *Credit for Production* is given when money is advanced at a certain rate of interest, sometimes 25-100%, and often mortgage has to be given on immovable and movable property. But where a good banking and credit system exists, loans on real property bear about 8%. Productive credit may be needed for three purposes:

- a. The storekeeper may make a loan in order to buy goods which he will sell again at a profit.
- b. The manufacturer may borrow money in order to buy machinery or tools by means of which he intends to manufacture goods for sale.
- c. The farmer may need a loan to purchase or hire land, to buy stock, animals and fertilisers, or to pay labour required for his crops.

In these three instances wealth is borrowed for the purpose of producing more wealth, but there are many difficulties for the Natives in obtaining such capital:

1. the Natives themselves have very little capital;
2. they often use capital more for consumption than for production;
3. Europeans usually only advance money at high rates on good security, chiefly movable or immovable property;
4. money-lenders take advantage of the ignorance of the borrowers;
5. Natives are as a rule very unreliable, not trustworthy and extremely careless in money matters.

A system of rural credit societies would result in progress and expansion of agriculture among the Natives. The question of agricultural credit is a very important one. In India the village usurer is a constant source of trouble, and all over central and south-eastern Europe he was and is still a curse to every district to which he comes. But since the Governments do not always and everywhere care for the poor peasants and help them in their needs, the people must rely on self-help, if they want to make progress. In the following you will get a description of a Co-operative Credit system which has been proved the best solution of the problem of agricultural indebtedness. It is the establishment of Village Land Banks and Co-operative Credit Societies like the Raiffeisen Banks of Germany.

### § 2. F. W. RAIFFEISEN

Since the early part of the 19th century European farmers have been struggling against adverse economic conditions. One of their greatest difficulties was the competition of new

countries of immense territory and virgin soil which, on account of the improved means of transport, were able to flood the European markets with farm produce. This competition compelled the European farmers to organise and to adopt new and better methods of cultivation and of business.

Frederick William Raiffeisen was a humble, simple-minded, altruistic and deeply religious burgomaster or village mayor at Weyerbush in the Rhine province. He began his social work there in 1847 and died in 1888. He was working in one of the poorest parts of the country and saw the people, to whom he was devoted, suffering unendurable hardship during the period of distress which had overtaken agricultural Germany. Beginning in 1849 by establishing his first society he made several rather ill-judged efforts at practical philanthropy, but finally hit upon the principles which have made the Raiffeisen banks a well known institution and a blessing in almost every country of Europe, the United States, Japan and India. The reforms introduced by him changed a miserable poverty-stricken district into one of prosperity. He founded village banks or societies on the co-operative system to supply the farmers with capital at easy rates. The chief object of these societies was educative, they taught the people the value of self-help, combination and thrift. Raiffeisen's work aroused at once a great storm of opposition by word and print, but nothing could stop its progress. The farmers themselves took the first steps, combined and formed societies which purchase implements, seeds etc. for their members at wholesale rates, sell their produce in the best market and provide loans.

Raiffeisen laid great stress above all things on the spiritual and religious value of co-operation and he shrank

from share capital, large entrance fees and paid management as savouring unduly of commercialism. He considered the moral forces springing from religious motives as indispensable for helping the people. It was his conviction that a mere loan of money was not sufficient and a large sum of money distributed among the needy peasants would not improve conditions, it would make evil still worse and might lead to ruin. The money would very soon be in the hands of usurers and money-lenders and enrich them still more. The need of credit and usury are, as he wrote, only the outward symptoms of the evil; the deepest cause of the evil is the lack of christian spirit, self-indulgence and thirst for pleasure which causes extravagance and waste of money. The people themselves and nobody else can and must apply a remedy. Spiritual and material welfare cannot be separated and they are interdependent. Poverty is the cause of crime and vice, whereas the strong desire to rise, to improve, to become better results in self-denial, industry, thrift, perseverance and many other virtues.

### § 3. AIMS

As the chief aims of Raiffeisen's Co-operative Credit Societies we may enumerate the following:—

1. to substitute for the poor and helpless individual peasants a strong associated body;
2. to provide both moral and material help for the members;
3. to help struggling agriculturists without charity, but through self-help;
4. to decrease the proletariat, to help people to acquire property, to increase its value, to increase agricultural production;
5. to promote thrift, therefore he called his institutions Savings and Loan Banks;

6. to guard against the peasants' tendency to borrow imprudently and to spend the loan unproductively;
7. that credit, which the individual could not command, would be accorded to an association framed in such a manner as to inspire confidence;
8. to provide the peasants with facilities for borrowing at a low rate of interest so that agricultural improvement on borrowed capital may be profitable;
9. to grant loans to deserving peasants for reproductive purposes such as to buy livestock, implements, draught animals, seed and fertilisers or for holding over stock until it could be sold at an advantage; or to pay labour and help to prepare and sell agricultural produce;
10. the association was based upon unlimited liability so as to make the members exact a vigorous test of good character from candidates for membership.

#### § 4. PRINCIPLES

1. *Unlimited Liability.* The Raiffeisen Savings and Loan Banks or Co-operative Credit Societies are societies based on the system of unlimited joint liability and separate liability of the members. Whilst for other forms of co-operation the system of limited liability is increasingly adopted, the system of unlimited liability is still regarded in Germany as best adapted to rural co-operative credit. Of the banks existing in Germany in 1912 92% were based upon unlimited liability and about 8% upon limited liability.
2. *Restricted area of operations.* The area of operations as well as the membership should be strictly local and therefore limited to a small district, a village or a group of small villages. It is because the system

of rural banks is founded on mutual confidence and collective liability; the members must not only know each other personally, but they must also be able to see from day to day the manner in which their money is employed.

3. *Gratuitous management.* The members of the committee of management should be local men and give their services gratuitously or free of charge so as to secure economy in management. Cash outlay is refunded and the remuneration of the Treasurer and Secretary is permitted.

4. *Security.* The combined members of the society furnish a collective guarantee and on the security of that guarantee they obtain money at lower rates of interest than they could obtain it individually. The collective guarantee may be that of real property. A number of landowners may obtain capital on the security of a collective mortgage of their lands. Or the collective guarantee may be a personal one. A number of persons may obtain capital by making themselves jointly responsible or liable for its repayment. Another security on which the business of the society is built up is the character of the members, therefore success depends on personal knowledge and on the capacity of the committee men, to form accurate and unprejudiced judgments of their fellow-members. Since the members are mutually responsible, it is in the interest of all members to keep an eye on a borrower and to see that he makes proper use of the money lent to him.

5. *Funds.* All funds are the result of local thrift, thus these banks create local capital and cause such capital to be locally employed in a reproductive manner. Share capital



is small. If the required capital is not sufficient, funds are borrowed on the co-operate security of the members and of the reserve. All profits, after paying the interest, go to swell the reserve fund, which must never be divided among the members, so that there be no temptation to practise usury.

6. *Loans.* Having obtained the capital the members of the bank must be able to lend it to one another at a rate of interest only slightly in excess of the rate which they pay collectively. For that purpose the expenses of the management and the risk of loss must be reduced to a minimum. Loans are only given to members who must be well-known persons of good character and trustworthy. The borrower must bind himself to apply his loan for a productive purpose, i.e. to a special purpose which will bring in a monetary return sufficient to enable him to repay the borrowed sum, to pay the interest charged and to have profit for himself. The borrower must find two securities or give other collected security for the repayment of the loan. Loans on mortgage are an inconvenient form of credit, when capital is required for a short period.
7. *Social Service.* It should be the aim of all members to help any member who is in difficulties. The aim of the bank is social service and never profit making.

#### § 5. METHODS

1. *Start.* A bank is started by some select persons of a strictly limited locality who are all well known to each other. They subscribe the capital among themselves either entirely from their savings or they raise a portion of it on their own credit.

2. *Membership.* All people of the locality are admissible, even the poorest, but the strictest care must be taken that all applicants for membership are well known men of good and worthy character. Any unworthy applicant should be rejected.

3. *Entrance Fees.* The pure Raiffeisen system does not admit of any entrance fees as being contrary to their ideal of mutual help. The banks should be open to anyone desirous of having recourse to them. Yet some banks do make a small charge for an entrance fee.

4. *Shares.* At first Raiffeisen excluded shares altogether in order to avoid any danger of capitalistic speculation and up to 1879 none of his banks had shares. Being obliged in that year to comply with the imperial law that compelled co-operative societies to have foundation capital he tried to evade the law as far as possible and fixed shares at a maximum value of 10/-. In the societies with unlimited liability a member cannot take more than one share, in societies with limited liability he may take shares up to a certain fixed number. The shares are repayable when members withdraw from the society.

5. *Capital.* The working capital, which the rural banks have at their disposal for making loans to their members, consists of the following items:

- a. shares paid up by the members;
- b. reserve fund accumulated in previous years;
- c. saving deposits of the members;
- d. deposits on current accounts;
- e. sums which the bank procures by means of loans from Central Co-operative Banks, other banks or private individuals.

6. *Interest.* The usual rates of interest are 4% on deposits and 6% on

loans so that there is a small margin of about 2%. The interest paid on share capital does not exceed the interest which borrowers pay upon loans from the society.

7. *Profits.* The object of rural banks is to give credit to their member on favourable terms and not to make a commercial profit. The Raiffeisen system, accordingly, does not admit of any distribution of dividends or only of a small part, all or nearly all the profits realised being carried to the reserve fund or to the creation of institutions of public utility. The prosperity of the German rural banks is shown by the fact that the great majority closed their financial business in 1910 with a respectable profit. But in spite of realising high profits only a small part is distributed in dividends. In the majority of cases in which a dividend was declared, it amounted only to 5% or even less and in many banks no dividend was paid.

8. *Management.* Since the organisation of the rural banks is familiar and friendly, their management is very simple. The administrative functions are divided between the Committee of Management, the Council of Supervision and the General Meeting. The executive work is carried out by the Treasurer who is often the only employee of the bank and in any case the person responsible, and who supervises the work of the other employees. The conduct of the business is entrusted by the General Meeting to the Committee of Management upon which often sit the best educated persons of the district such as clergymen and schoolmasters, but more and more actual farmers take part in the management. The chief requirement for the manager and committee

members is a reliable character, an altruistic spirit to serve the people. Elementary education is sufficient, business is learnt by practice.

During his life time Raiffeisen did not see a single failure of any bank. He ascribed this mainly to the gratuitous management. Some managers declared: For payment we would not work with such great interest and pleasure as we do now. Raiffeisen said, that this is quite natural, for the desire for money will never satisfy man and profit hunger is the cause of ruin of many money institutions.

9. *General Meeting.* The General Meeting takes place about twice a year and appoints the Committee of Management, the Council of Supervision and the Treasurer for four years. After two years some of the members leave their office and are replaced by new men. All members must attend the meeting unless they can prove that they are unavoidably prevented. The members should not be indifferent. Therefore Raiffeisen recommended that a fine be fixed for absence from meetings. At first people often come unwillingly, but in course of time they learn much, their interest is aroused and grows.

10. *Loans.* The capital obtained from the various sources is employed for the most part in making advances to members, since that is the real object of the rural banks. Surplus money is devoted to safe profit yielding investment and is in practice chiefly deposited with the central banks. The General Meeting fixes the maximum limit beyond which loans must not be made to members, whatever may be their financial position or the security offered.

The rural banks make loans of two kinds, loans on current accou-

nts and loans for fixed periods. Loans on current accounts are the most convenient form of loan for the members, but this form requires a higher economic education in the members and more advanced social conditions. Loans for fixed periods are given for 6 months up to 3 years and even more in exceptional cases.

Each applicant for a loan must first become a member by paying the prescribed entrance fee where there is any and by accepting the rules, by which he makes himself liable to an unlimited extent for the obligations of the society, and also by taking a share, where such are issued. His name must also be submitted to the committee for approval. If he is admitted, he then may be called in person before the Committee. He must state the amount of the loan, time for which it is required and the purpose for which it is intended.

The Committee has then to decide whether the loan is to be granted entirely or only a part of it or whether it is to be refused. Here the skilled judgment of the committee members is called upon to play a very important part, therefore the committee must be so constituted that there is at least one responsible representative from each part of the locality served by the bank who has a good knowledge of the character and circumstances of his neighbours. He must decide whether the applicant is a man of good character and industrious habits, sufficiently well situated to have a reasonable prospect of repaying the loan in due season and likely to use it profitably.

Once a loan has been granted for a given purpose, the committee must see that it is in fact used for

that purpose. If a debtor proves false to his contract and spends the loan unproductively, he must be immediately checked or at the worst be prevented from contracting fresh debts. The public opinion of his neighbours as represented by the managers of the bank effectually holds him to his promise in most cases and prevents fraud. Neglect of strict supervision on the part of the committee almost invariably results in creating a class of chronic borrowers with disastrous results to society.

Punctual repayment must be insisted upon. Whilst in proved cases of genuine hardship due to no fault of the borrower an extension may be granted at the discretion of the committee, care must be taken to avoid the habit of allowing "renewals". A borrower may nominally repay the loan when it falls due and immediately ask to have it renewed for a further period. In such a case the committee should insist upon a fresh formal application being made. The practice of renewals is an evil which may be brought about by the carelessness of the committee; it denotes the beginning of decay.

*11. Security.* The personal confidence which is intimately associated with the restrictions to a limited area of the operations of any one society and with the solidarity of organisation given by provincial federations which are entrusted with the extremely delicate task of inspection, these factors constitute a moral guarantee successfully replacing material securities of subscribed capital and accumulated reserves. To this is added, in the case of unlimited liability societies, the material guarantee of the liability of the members and of their landed

property. The borrower of the loan can give one or more of the following kinds of guarantee or security:

- a. the personal bail of two solvent persons of good character; these persons must be tested by the standard of first-hand knowledge as to whether they are able to make good the sum involved in case of the borrower defaulting;
- b. he can deposit valuables (share-certificate);
- c. he may give a mortgage, or
- d. his mere promise.

12. *The Principal Safe-guard* or the success of rural banks lies in their very constitution. The limited area of operations and the nature of rural life make it possible for each member to keep an eye upon the affairs of his fellow members so that he can easily judge at any moment of their solvency and of the manner in which they spend the money obtained from the bank. The constitution gives every member a vital interest in the affairs of the society so that he becomes a sort of a benignant spy or a sincere, well-wishing monitor for his fellows and thus ensures that the aims of the bank are properly carried out. It also creates a security even in the poorest districts which would otherwise never exist.

## § 6. FEDERATION AND CENTRAL BANKS

From the beginning the rural banks felt the need of combination amongst themselves for common purposes. The need was twofold. First a common organisation was required to direct the movement and give it uniformity, secondly there was need of central institutions which might equalise the need of credit of the individual bank, supplying them with money when required and employing their surplus

funds. For the first purpose the Federations were formed; for the second the Central Banks.

### 1. FEDERATIONS.

The Federations of co-operative societies are unions formed for propaganda, education and mutual defence. They embrace rural credit societies of every kind. On June 1st 1912 the National Federation in Germany contained 20,435 co-operative societies, 13,606 co-operative credit societies, 2,241 co-operative distributive societies, 2,193 co-operative dairies and 2,318 co-operative societies of other kinds.

The National Federation is composed of Provincial Federations which embrace the co-operative societies in a defined portion of the territory and which, although affiliated to the National Federation, enjoy a large degree of autonomy. Besides the work of instruction, organisation and propaganda they fulfil in almost every case the very important functions in perfection assigned to them by the law of 1889. For this purpose they employ inspectors who by frequent visits supervise the management and the conduct of the affiliated societies.

### 2. CENTRAL BANKS

The second method of concentrating rural banks and co-operative societies is the formation of Central Banks. There is no confusion between them and the Federations, they mutually support one another. The central banks provide capital for the rural banks and utilise their surplus funds, always keeping in touch with the corresponding federation, to which they are usually linked by the fact that the same persons manage the business of both institutions. The central banks fulfil the same functions for the rural banks which the rural banks fulfil for

their members. The central banks use also their working capital in making loans to the co-operative societies in the form of advances on current account or loans for fixed periods.

## § 7. DEVELOPMENT AND RESULTS

### 1. GERMANY

The following statistics will show the great development in Germany of the rural banks which were so modestly initiated in 1862.

Year	Number of Rural Banks
1890	1. 729
1894	3. 850
1898	8. 595
1902	11. 121
1906	13. 663
1910	15. 517
1912	16. 774

The educative influence of these banks on the character of the peasantry is even more important than their economic results. Wherever they have been successfully worked, the peasants have been raised to a higher level of thrift, prudence, self-restraint, business capacity and mutual help. Civil cases and litigations decreased to a great extent soon after the establishment of these societies; usury and cases of money-lenders also decreased. It can therefore be safely stated that such banks become centres of progress and reform.

### 2. AUSTRIA

In Austria rural banks were established about 1850. At first their development was slow so that in 1860 only 15 banks had been formed, but in 1910 they numbered over 10,000.

### 3. ITALY

In this country the rural banks were introduced by Leone Wollemborg in 1880. The mere possibility of joining a Co-operative Credit Society

reclaimed many men from drunkenness and extravagance and gave them an impetus to sobriety, industry and education.

### 4. JAPAN

In his "Note on agriculture in Japan" Sir F. A. Nicholson explains how the country has been made so richly productive by the toil and thrift of a people who waste nothing and who avail themselves very readily of all that science and example can teach them. They have an elaborate system of co-operative banks for agriculturists, practically on the German Raiffeisen lines, managed in such a way that a village association is linked up with that of the district, the district with the division and the division with the province. These associations compete most successfully with bankers and money-lenders in supplying the farmer with capital.

### 5. INDIA

A Co-operative Credit Societies Act was passed in 1904 and in 1905 there were 288 societies. In 1914 their number had risen up to 16,295. In his "Economics of British India" Professor Jodunath Sarkar of Calcutta says: "In spite of the war these societies have continued to progress. In Bengal, for instance, their number rose from 939 in 1912 to 2,243 in 1916, the number of members from 40,600 to 121,000. In January 1917 the number of central banks was 40. In Punjab the number of rural banks has increased 60% and their working capital nearly doubled. Two-thirds of their capital is supplied by the members and only 1 $\frac{1}{2}$ % comes from Government loans. The members not only supply the share capital, but place considerable deposits at the disposal of the rural societies which thus act as Saving Banks.

The movement is tending to create a revolution or complete change in rural India. The people have developed an extraordinary capacity for united action, and the Co-operative Credit Society is stimulating interest in education and sanitation. A demand for night and vernacular schools has sprung up to which the local societies contribute out of their profits. The villagers in certain districts are beginning to submit their disputes to the Co-operative Committees.

Another most hopeful development is the discouragement by the local committees of extravagant expenditure upon marriage and funeral ceremonies. As the members of the society stand to lose if one of their number borrows more than he is able to repay, many cases have arisen where the local societies have cut down the amounts of loans for such ceremonies.

In some cases village feuds of long duration have been settled as a result of the movement and rival factions have joined in harmonious work in one society".

A Government Report of India says:—"There is a promise of economic regeneration and of village life invigorated and made healthier in all its relations. The general atmosphere of progress engendered by the societies makes the members keen on the extension of education. In Unao and Benares several of the Pasi and Chamer societies have forsworn the use of intoxicating liquor. Money-lenders are lowering their rates of interest in order to compete with the societies. The small money-lender has disappeared from some hundreds of villages. Agricultural economy in the Central Punjab is already in process of revolution and the Punjab peasant is rapidly becoming the financier of his own industry. The Sessions Judge of Jullundur attributes a decrease of

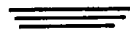
1,100 civil cases in that district in 1911 to the existence of village banks.

The village societies are much utilised by the Agricultural Department for assisting demonstrations, distributing seed etc. The other benefits are still more important. Business habits have been inculcated with the result that the Indian agriculturist has learnt to conduct his own work more efficiently. Thrift has become encouraged, the value of savings better appreciated and a sense of communal life instilled."

## 6. AMERICAN NEGROES

C. R. Titlow, secretary of the Federal Farm Loan Bank of the Baltimore district, says:—"Whereas the old sentiment was, "Never buy until you have the money," the new sentiment is "How much can I borrow?" It is unfortunate if a man can easily get money, when he does not need it." The Federal Farm Loan Act makes it possible for thrifty farmers to secure long-time credits at 5½% interest. "We have loaned (says Secretary Titlow) vast amounts of money to Negro farmers in Virginia and there has not been a single default in payment from Negro farmers in the Baltimore district. Very few farmers, in fact, have to be prodded for payments".

T. B. Patterson of Hampton Institution, a Virginia coloured district agent, declared that the credit unions have taught the Negroes, even boys and girls, to save, and the chief end of the credit union is to help the farmer to finance himself with anything that he has to buy for cash in order to increase his production. Not one of the fifteen Negro credit unions of North Carolina has failed in spite of the recent economic depression (Hampton Institute Press Service).



Soon after their origin in Germany these societies were also introduced in France, Belgium and Ireland. It is difficult to introduce such societies among people of lower intellect and character, but where the attempt succeeds, the people learn confidence, thrift, self-help, and mutual help through association. The societies exercise a steady educative influence in matters of thrift, association and self-help, and they awaken in their members the tendency to develop high forms of individual capacity and public life.



## Chapter XIII

### Trade Unions

#### § 1. DEFINITION

The capitalists and employers organise industry with the object of getting a maximum return for a minimum outlay, whereas the workers desire is a maximum remuneration for a minimum exertion. In this way the interests of both parties are diametrically opposed in relation to the distribution of the gross profits, and therefore always involve a struggle. In order to secure a victory in this unceasing contest both adversaries try to find strength in unity and organise or combine their forces by forming associations and thus we have Trade Unions or Labour Unions on one and Employers' Associations on the other side.

Trade Unions are therefore essentially militant or fighting organisations. They are associations of workers of a particular kind, trade, industry or branch thereof for a certain purpose common to all associations, and this purpose involves the relation between employer and worker or between Capital and Labour. The primary aim of these associations is mutual protection, the secondary aim is improvement. As long as their purpose is to obtain the common good by legitimate means, these unions have an ethical foundation that is absolutely unassailable. If several Trade Unions combine, then we have an Amalgamation or Federation, as we have in this country the S. A. I. F. (South African Industrial Federation). Later on an International Association of Trade Unions may follow.

#### § 2. DEVELOPMENT

Trade Unions began to come into existence during the first half of last

century. Some existed already before the invention and introduction of machinery caused the Industrial Revolution, but their growth kept pace with the growth of machinery. In 1824 the laws which forbade the combination of workmen were repealed. Besides various Trade Unions of the white workers there are also a few organisations of coloured and Native labourers in the chief industrial centres of this country.

#### § 3. CAUSES OF ORIGIN

The growing power of capitalism forced the Trade Unions into existence through economic pressure exercised upon the labouring classes. Pressure from above evoked pressure from below and the labourers organised in order to present a united front against the common enemy Capital.

The individual workman is not a match for the individual employer in the process of making bargains concerning wages, hours of work, amount of work to be done and other conditions of employment. He is not equal to the employer in bargaining power because he has no reserve force or reserve support to fall back upon. He has no alternative to choose, if he cannot come to terms with the employer and make a satisfactory contract. If he does not come to an agreement with the employer and obtain employment, then unemployment will be the consequence and starvation, for he has no financial resources enabling him to remain idle rather than to make an unfavourable agreement with the employer.

In order to escape the necessity of accepting a hard set of conditions,



the only safe course open for the labourers to seek strength in unity, to unite with the others. If the employer is not a single individual, but a corporation or a group of individuals, then the need for combination becomes still more imperative for the workers. There can be no doubt that the existence of Trade Unions is fully justified and that the labourers have the right to organise.

#### § 4. GOVERNMENT OF UNIONS

The government of the Trade Unions is essentially democratic. Their officials have no autocratic power. If a strike is to take place, it must nearly always be authorised by ballot or vote of the rank and file of the men. The officials can only execute the will of the members.

#### § 5. AIMS

In considering the aims of the Trade Unions we have to distinguish between the primary aim and secondary aims. The primary aim is to secure the strength of a collective bargain with the employer in order to settle the questions of wages, hours of work, amount of output, standard of quality and other conditions. Subsidiary aims to this are to influence public opinion in favour of the labourers and to bring pressure on the Government to enact legislation for the betterment of the workers. (Factory Acts, Minimum Wages etc.)

The secondary aims of the Trade Unions may be to serve as agencies in bringing together the demand for labour and the supply of labour in a trade, for improving the quality of work and thus raising the standard of efficiency.

#### § 6. METHODS

In order to obtain their primary aim, Trade Unions have two alternative

methods: first they try the methods of collective bargaining, if that fails, they adopt the alternative measure of strike. The use of these two methods arouses most of the opposition which we find to Trade Unions. By collective bargaining we mean the process by which the workers try to make favourable agreements with the employers, not individually, but as a group or as a collection of individuals represented by a Trade Union secretary. The employers may concede to the labourers the right to organise and accept the principle of collective bargaining, but they may reserve the right to decide whether they shall deal with the representatives of the workers, if those representatives are outsiders, and not their employees. But the labourers may claim the right of choosing whatever representatives they deem most efficient, and such men are as a rule not employees. They must be men who have experience in making bargains and who are not afraid to stand up for the workers because they have nothing to fear from the employer.

#### § 7. RESULTS

A study of Trade Unions history shows that they have achieved an immense amount of advantages for their members.

1. The situation of the workers was improved all round, decent wages were secured, a shorter working day, safety and sanitation in the work shops etc.

2. Trade Unions have provided a great training in democracy and self-government for the workers themselves as seen above in the government of Trade Unions.

3. They have trained their members to practise self-denial for the sake of their brother-workers, they trained them in the practice of altruism and

idealism and to make sacrifices for the common good. We often complain a great deal of the inconveniences caused to the public by a great strike, but the men who are on strike generally suffer more than the others, yet they prefer to strike and to suffer because they feel that the common cause of their group requires these sacrifices.

4. They have been responsible for what beneficial labour legislation has been enacted. It is they who took the initiative in most of such legislation.

5. They also worked hard in order to influence and change public opinion in their favour. The public often is inclined to disregard, to be indifferent to the interests of labour. But when the workers persist and persist and refuse to be bullied or overcome by the show of force made on the other side, then the indifferent public gradually takes notice and begins to sympathise with the workers, thinking that after all the matter ought to receive reasonable and impartial consideration.

#### § 8. COMPULSORY MEMBERSHIP

As a rule workers should not be compelled to join a Trade Union through contracts by which the employer agrees to employ only Union members. It is better that the men should be brought into the organisation by methods of education and persuasion. The employer should be free to accept unionists and non-unionists alike. But such a system is not without its dangers either. For the individual workman who does not want to belong to the Union may exercise his independence in such a way as to work injustice upon his fellows. On the other side, the man who refuses to join a Union and yet gets the benefit of the increase in wages it wins for all the trade (not only for its members) is reaping

where he did not sow, and it cannot be a matter for surprise that such meanness should awake resentment and occasionally give rise to attempts of coercion.

#### § 9. TRADE UNIONS' OFFENCES

Trade Unions' have also dangers and often offences have occurred on account of which the unions were condemned or lost much public sympathy. The following are some of the offences committed by the unions at various times and places:—

1. Contracts duly entered into with the employers were broken through going on strike.

2. The demands of the workers were often excessive, working days being reduced to five and working hours to six.

3. They often called out unnecessary strikes, which caused great loss, inconvenience and bitter feeling.

4. They were sometimes unreasonable in refusing arbitration.

5. The welfare of the public was in many cases disregarded.

5. The output was restricted to a low quantity so as to find employment for others.

7. In the enforcement of union rules sometimes, such petty exactions were made that a worker was not permitted to paint his own house (one man-one job).

8. Brute force and violence were used in strikes.

9. They did or can object to the introduction of better tools, machinery and methods.

10. They can limit the number of workers and apprentices to be employed.

11. In many cases their influence was abused for political purposes.

12. They are only interested in the division of the profits, not in production.

13. They do not want to work hard, but rather in a leisurely fashion.

14. They often produced inefficient and incapable men.

#### § 10. EMPLOYERS' OFFENCES

The employers have also their offences and as a rule more than the labour unions.

1. They have repeatedly broken contracts.

2. They made excessive demands, requiring men to work up to 14 hours a day and often under most unsatisfactory conditions.

3. They paid low wages when they could have done much better.

4. They have refused arbitration perhaps twice as often as the workers.

5. They have shown quite as much disregard for the public as have the employees by provoking strikes.

6. Employers in possession of a monopoly restricted the output for years trying to make goods scarcer in order to raise their price.

7. They have had their own private detectives and agitators to beat up workers and strikers and incited them to violence and then they used the arm of the law in order to practise violence on the workers.

In trying to apportion the blame for unlawful and unreasonable actions, we find the record of the union workers to be no worse than that of the employers. Human nature is pretty much the same in both classes. The offences of the Trade Union members may have been more apparent, and they used more physical force, whereas the other side used other kinds of injustice which were quite as harmful.

#### § 11. SUMMARY

In his book "Labour Problem" Professor T. S. Adams of Yale University (U.S.A.) says:—"In the last six centuries the labouring population has

risen from a condition of serfdom to a state of political freedom. In this struggle for economic equality the victories have been won by the wage earners themselves. Where they forgot to demand their full reward, they failed to receive their full reward. They had occasional encouragement and even occasional leaders from the employing class, but in the main they fought their way against the opposition and not with the assistance of their employers. Their weapons were the trade union and the strike. When the ponderous machinery of supply and demand was ready to give them a lift, its inertia and initial friction had to be overcome with the strike. When it had begun to thrust wages down, it was prevented from entirely degrading the earner by the Trade Union. Always and anywhere the salvation of the working class had been collective action; and while the wage system remains, their progress will continue to be dependent upon collective action."

#### § 12. LABOUR-SHARING IN MANAGEMENT AND PROFITS

Man does not like to be a wage-earner only, he has a deep desire to be more than a dependent instrument. He is endowed with a creative instinct and wishes therefore to have at least a small share in the organisation and direction of a business. But since the machine dominates modern industry and since in the typical industry a large number of persons work under one employer, the only way of exercising directive ability is co-operation with the employer and fellow-workers. It is not good for the individual nor for society to have large masses of men acting merely as obedient instruments of others without any opportunity for an

outlet and expression of the creative and directive faculties. If the workers are enabled to have some share in the management, they will necessarily feel some sense of responsibility which is bound to increase their self-respect and their interest in their work.

Labour participation in management does not imply a voice in the commercial and financial aspects of business, but in the industrial and technical side of business operations. Such subjects are wages, hours, shop conditions, shop discipline, engagement, transfer and discharge of employees, working agreements, welfare activity, new machinery, improvement of industrial processes and organisation.

Another method by which it is attempted to bridge the gulf between employers and employed is profit

sharing. This system can only be a success under the following conditions:—

1. It must not be used to antagonise Trade Unions.
2. It must not be offered as a substitute or as a partial substitute for standard wages.
3. It must provide for complete frankness and complete publicity between employer and employees concerning the amount of profits actually available for distribution.
4. The method and basis must be more favourable to labour.

Not through anarchy can the labourer achieve his end, but by the sane progressive system of trade unionism and by gradual education in co-operative enterprises that will enable him to take an intelligent part in the ownership and management of the means of production.



## Chapter XIV

### Strike

#### § 1. MEANING

A strike is the last resort of the Trade Unions and is decided upon when collective bargaining fails. "The workers down tools" is cease to work or refuse to work. A strike may be called a bloodless war between Capital and Labour, a most effective sort of protest against tyranny, injustice and oppression. A strike, like a war, always entails great loss, the infrequent strikes of the more fully developed organisations are national disasters, costing directly and indirectly more than a small war. The only bargain which labour can make is in the sale of "Labour power" and the labourer is as much entitled as is the merchant to ask for the utmost possible for the contribution which he makes to the working of the economic machine. The strike problem is therefore a menace to the world. Between the minimum wage justly fought for at the cost of the strike and the highly variable maximum of a just wage there lie the possibilities of strikes justified on the part of labour, yet to which capital is not in justice obliged to yield.

In his "Psychoanalysis" Dr. Brill states that the cause of strikes is not always a question of money. He says: "I feel that the restlessness and dissatisfaction among our working classes, which often results in strikes, is not altogether due to the causes generally attributed to them. It is not so much a question of money as of emotion. Owing to the many inventions which have gradually transformed manual labour into machine work, the labourer no longer finds the same

interest in his work. The shoemaker no longer makes a shoe, but as a hand in the shoe factory he constantly performs one simple thing which is of no interest to him and which soon becomes drudgery. When one compares this factory worker to the shoemaker of yore who took the measurements, selected the leather, and then put his whole personality into the making of the shoe, one can understand why the latter, as we still find him in some parts of Europe, is a much happier man."

#### § 2. HISTORY

Strikes occurred very early in Roman History. Some are mentioned by Ovidius. The historian Titus Livius mentions a strike in Rome which occurred 494 B. C. The plebeians went away from the town of Rome to stay on the Holy Mountain in order to escape the oppression, extortions and hardships caused by the rich classes. The patrician Menenius Agrippa persuaded them to return by telling them the parable of the quarrel between the stomach and the limbs.

Strikes occurred also in great number during middle ages.

#### § 3. KINDS OF STRIKES

In the strike there are several phases of development from the mere spasmodic revolt in a single work-shop to the carefully organised stoppage of all work throughout a whole national industry.

We may distinguish the following kinds:—

1. Defence strike; its object is to

change unbearable conditions.

2. Attack strike; it aims at improving tolerable conditions.

3. Sympathetic strike; a group of workers without personal cause against their employer suspend work and join another striking group to re-inforce their position, to support them.

4. General strike, if all work stops. The history of the general strike in various parts of the world does not show any victory of this kind of strike; the historic test made in France after long and careful preparation ended in complete failure.

5. Sabotage is a strike method used by French anarchistic unions and consists in destruction of material, machines, telephone, telegraph, rails etc.

6. Ca'canny or "Go Slow" strike; this is a more harmless method used by English, Austrian and Italian workers. It means, go gently, slowly, carefully and is a sort of passive and silent but well organised and highly effective resistance, capable of driving any employer into desperation.

#### § 4. JUSTIFICATION

Since the strike is supposed to be used only as a means of self-help or necessary self-defence, it must be justified under certain conditions. The following are some conditions for its justification:—

1. There must be a grievance of a serious nature, an actual or a threatening grave injustice.

2. All other means of reaching the settlement must have been tried without avail, so that there be no way left open.

3. The strike must offer well grounded hope for success.

4. The good results to be expected from the strike should ever balance or at least counterbalance the evils it may entail.

5. The labourers must not act rashly

and let the whole brunt of hard times be borne exclusively by the employer, if in times of great financial depression wages must be lowered.

The following may be said about the sympathetic strike:

1. If a strike is declared in one of the various branches of labour controlled by a single large firm, then the men on strike deserve all possible support that can rightfully be given to them. If their fellow-workers made vain appeals on their behalf, then their continuance of work would help the firm to pursue its course of injustice towards the oppressed section of employees and a sympathetic strike is justified.

2. It is hardly possible to justify a sympathetic strike which is forced against employers of firms which are in no way connected with the unjust firm or employer.

3. It is impossible to lay down one principle covering all circumstances. Each case must be investigated and judged on its merits. Although a general strike may be justified, there is an overwhelming presumption against it, because the harm inflicted upon countless, helpless and innocent sufferers is likely to be out of all proportion to the good that can be obtained.

Picketing is not objectionable or unlawful as long as physical violence is not implied or threatened and only reasonable methods of moral persuasion are applied.

Abuses have been frequent. But if the world wide unionisation of labourers and the right to engage in nationwide strikes are both sanctioned, what is there to confine the future demands of labour within the boundaries of reason and justice?

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### § 5. EFFECTS

Although the strikes may sometimes achieve their aims, the evil effects of strikes are numerous.

1. There are certain facts or laws in economics which no amount of strikes can remove. No industry can over a long period be operated at a loss and if the price of the product collapses, wages can not be maintained at the previous high level. Under such circumstances employers may even welcome a strike as affording a means of disposing of the glut of goods.

2. Although strikers may win their war, they often lose the peace, hatred is increased and the gulf between labour and capital enlarged.

3. Strikes are an extraordinary means like a sharp drug, and if they become too frequent, they lose their effect.

4. They often cause damage amounting to millions of pounds.

5. They cause harm to industry, trade and the general public welfare. The Miners' Strike in England 1912 was the most paralysing of the whole series.

6. They often spread from one industry to another, or from one branch to another.

7. During a strike feelings run very high, passions are aroused and make people blind and the result is violence, excesses of all kinds, rights and lives of citizens are imperiled.

8. During a strike workers are idle and thus exposed to many evils.

9. Employers sometimes cause strikes so as to reduce wages afterwards. (These are more correctly termed lock-outs).

10. If a powerful union succeeds in raising wages greatly above competition level, the employer may have the alternative of shutting down or of working at a small profit; he might work for a time so as to cover prime

costs, but if profit is permanent than total costs he will production,

If the labourers win the strike, that does not prove that they were right or that what they get is something they have a right to have. If the employers win and the strikers lose, that does not prove that the employers were right and the strikers wrong. The settlement of a labour dispute through a strike does not prove anything as to the merits of the dispute, it simply proves which side for the time being has a greater amount of economic force, just as in war. Therefore a strike cannot be a reasonable method of settling labour disputes.

### § 6. REMEDIES

Various remedies offer themselves to cure the strike fever.

1. Since it is the duty of the Government to care for the welfare of all subjects, such legislation might be enacted which removes the causes for strikes and stops the evil at its source.

2. Machinery for proper dealing with the work-men's grievances should be created and developed. Joint Industrial Councils constituted of representatives of Capital, Labour and Government, Conciliation Boards, Arbitration Courts with a tribunal as nearly impartial as possible, officials of Trade Boards should offer their services as arbitrators.

3. The higher classes should show more sympathy with the working classes and make a more moderate use of their wealth.

4. More knowledge especially of economics is also necessary.

### § 7. EXAMPLE OF THE RESULT OF A STRIKE

Labour organisation may indeed force wages upwards, but then invariably the cost of living follows the upward

course. When the coal miners of Pennsylvania forced a raise in their wages in 1903, the price of coal was raised more than sufficiently to make up the loss of the coal operators. The rise in the price of coal was felt by the whole body of the working classes as consumers, though only the miners had benefited by the rise of the wages. Higher prices for coal also automatically brought higher costs in manufacturing for which the manu-

facturers were bound to recoup themselves by the higher prices for their commodities. Thus the public at large, and not the employing class, more than paid the miners the rise in wages.

Another illustration was the Lawrence strike, in which the strikers gained a ten or fifteen percent raise in wages. Simultaneously the cotton goods went up from fifteen to twenty percent.

## Chapter XV

### Lock Out

Just as the labourers feel sometimes compelled to unite and go on strike as a final weapon in their fight for their just claims, so the employers combine in associations against the workmen and the last resort of these associations is the lockout, i.e. the exclusion of the labourers from work or the refusal to employ them any further unless they submit to given conditions.

This measure is not unjust on the part of the employers if there is no other way of repelling unjust and unfair claims of the strikers. But it is a very serious measure which must be earnestly considered, since it is bound to hurt innocent men as well as their families.





## Chapter XVI

# Boycott

### § 1. HISTORY

The word Boycott comes from the Irish agrarian movement of the 19th century. Towards the end of the year 1879 the Irish Land League declared the economic proscription or outlawry against the manager named Boycott of Lord Erne in Lough (Country Mayo). The servants left his house; the farm labourers gave him notice immediately before the harvest so that he could not reap his grain, the bakers, butchers and storekeepers refused to deal with him. The Railway Management refused to transport his slaughter oxen, the owners of the vehicles refused to carry anything for him, and the hotels refused to grant him accomodation so that he had to leave the country for America. Later on he returned to Ireland, sided with the tenants and became again popular. He died in 1897.

### § 2. MEANING

If a boycott is to take place, a majority of persons agree to exclude a certain individual or group of individuals from all economic and social intercourse. They refuse to buy from, to sell to, to have any communion or business with, the proscribed party.

The boycott causes serious harm to some individual or group of individuals, but not to society or the general public as the strike does, because in the boycott there is only a shifting from one producer or consumer to another one. But the boycotted individual or party can suffer serious damage and often complete ruin.

### § 3. KINDS

Boycott is a weapon used at times by trade unionists.

The primary boycott is directed against the offending employer. It is not unjust if the labourers suffer serious injustice and if no gentler methods will prove effective. It is just self-defence.

The secondary boycott is directed against an innocent third party for refusing to assist the primary boycott. It is similar in nature to the sympathetic strike. Such a boycott must in general be considered immoral and can be permitted in extreme cases only. It usually demands sacrifices from the innocent third party, which are out of proportion to the claims of boycotters. In no boycott may the ordinary signs of charity be discontinued which the law of God requires.

### § 4. A NATIVE BOYCOTT

In March and April 1922 the Native women of Hershel District boycotted the stores of European traders on account of their profiteering. At other places prices had gone down whereas in Hershel District they remained at war level, and even goods imported before the war were sold there at the inflated war prices. In March a meeting was held at Sterkspruit where 3000 women of all tribes assembled, Basutos, Fingoes and Tembus. They unanimously resolved not to buy anymore in the stores until the prices had come down and until they got a decent price for their wheat.

All people were strictly forbidden to go to the stores. If anybody went there to buy, the women pickets took the purchased articles by force. Some storekeepers went to the lawyers to claim the money which some natives owed to them, thinking that this would frighten the Natives. It was of no

avail. All business stopped. The storekeepers did not get even a penny a day. Shop assistants had to be dismissed because there was nothing at all to do.

One man tried to go to a store to buy, in spite of the women's warnings he went, but on his return he was robbed of his purchase and beaten

furiously by the women. The case came before the Magistrate, but was dismissed because the man had been told not to buy. After some time the storekeepers held a meeting where they agreed to sell at the same prices as other storekeepers whereupon the Natives recommenced business with the stores.



## Chapter XVII

# Taxation

### § 1 DEFINITION

Taxation means assessment, valuation, fixing of an amount. It is a compulsory contribution of the wealth of a person or body of persons made to the Government for public purposes. This contribution consists of money, goods, sometimes also military service and forced labour (corvee—isibalo). A contribution of money and goods was till comparatively recent times as a rule merely a supplement to other sources of public revenue such as crownlands and mines, penalties, feudal aids. These were the ordinary revenue of the English kings, taxes were the extra-ordinary revenue.

### § 2. HISTORY

#### 1. EGYPT

In ancient Egypt there was no taxation proper, the peasants paid to the king one fifth of the produce of the land. This was more of the nature of the Matayer rent than a tax.

#### 2. GREECE

The ordinary revenue of the Athenian state arose from tributes (contributions made by other nations for peace or protection) and silver mines, supplemented by taxes in the shape of customs and tolls, fees for state protection, law court fees and fines. The extraordinary revenue needed for war purposes was obtained from voluntary contributions and from a graduated income or property tax. Rich citizens were liable to special burdens: giving plays, equipping ships.

#### 3. ROME

The Romans had a better organised system of taxation. Direct taxes used at different times and in different countries were tributes from land taxes on houses, animals, successions income taxes on senators, trades men and others, and poll taxes. Indirect taxes were duties on exports and imports, on commodities sold at auction or in the public market.

#### 4. MIDDLE AGES

There was no firm system. The sources of revenue were the income from the lands of the kings, voluntary or compulsory gifts of the people, fines, general taxes on movable property. At the end of the 13th century customs duties began to be important as permanent sources of revenue. From 1377—1698 poll taxes were tried at intervals, but were unpopular on account of their directness and inequality. In the 15th century a tax was imposed on land owners which developed later into a form of a graduated income tax. The rapidly increasing needs of the state were met by additional duties, of custom and excise, stamp, house, licence, death duties and income tax, until about 1800 nearly every luxury and manufacture, even necessity, were charged with the tax. In 1821 no fewer than 1799 separate articles were taxed (excise) in England and 1200 articles were subject to customs duty.

#### § 3. PRINCIPLES

Adam Smith gives the following principles of taxation:

1. The subjects of every state ought to contribute towards the support of the Government as nearly as possible

in proportion to the revenue which they respectively enjoy, under the protection of the state.

2. The tax which each individual is bound to pay ought to be certain and not arbitrary. The form of payment, the amount to be paid out, to be clear and plain to the contributor and to every other person.

3. Every tax ought to be levied at the time and in the manner in which it is most likely to be convenient for the contributor to pay it.

4. Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state.

These maxims inculcate equality, certainty, convenience, economy. Later on the following principles were laid down. Taxation should be:

1. productive;
2. economical: inexpensive in collection, retarding to growth of work as little as possible;
3. justly distributed: it should involve people in about the same proportional sacrifice; the wealthy should be taxed higher than the poor;
4. progressive: there should be a graded system of taxation under which the well-to-do people pay a higher rate than the poor and the rich at a higher rate than the well-to-do;
5. elastic; 6. certain; 7. convenient.

Another principle to be observed is: No taxation without representation (Revolt of the American Colonies).

But these principles, cannot all be followed at the same time, therefore taxation is essentially a compromise.

#### § 4. SYSTEM

There is no perfect form of a tax, for there are two extremes which must both be avoided. The one extreme which would be the most simple and

logical plan is to claim from each tax payer his contribution in one amount having reference in some way to his income. The adoption of such a single tax (which is generally connected with the collection of all revenue by a tax on land) has been frequently advocated, but was never adopted in practice by any country on account of the difficulty of:

- a. making a correct assessment,
- b. the irritation caused by the collection of such a large undisguised tax.

The other extreme is great multiplicity of taxes: the distribution of the burden would be more equitable, each tax may become almost imperceptible which is most desirable, but the expense of collecting and regulating these taxes would be enormous.

In practice therefore a multiple or plural system of taxation is necessary, a judicious mixture of direct and indirect taxes. There is also a tendency to place direct taxation more on individuals with large incomes by the adoption of graduated rates, the percentage levied being increased as the total sum assessed increases and by the entire exemption of small amounts of income. Direct taxes are collected from the persons upon whom they are intended to fall. The tax on tobacco is collected from the importers of tobacco, but it is not intended that they should pay it out of their income, they transfer the tax to their customers by charging them more for tobacco. This is called shifting of taxes.

### § 5. CLASSIFICATION

#### A. DIRECT TAXES

##### 1. LAND TAX

This is probably the oldest source of revenue. Originally it was charged either by reference to the gross produce of the land cultivated as in ancient Egypt, or to its area as in Rome.

## 2. HOUSE TAX

Houses were originally taxed as included with the land on which they stood. Their separate assessment is a development of taxation. Houses including shops, factories and premises invite taxation by the ease with which they can be assessed or valued and the evidence they afford of the wealth of the occupier. They are usually made to contribute largely to local revenue in form of rates. To the house tax in Europe corresponds the Native hut tax.

## 3. PROPERTY AND CAPITAL TAX

This is now rarely made a subject of taxation on account of the difficulty of correct assessment.

## 4. INCOME TAX

This is now generally recognised as the normal source of direct taxation. Its component factors are rent, wages and profits. The collection of the Income tax is not a simple matter. It depends primarily on the return or statement of income made by each individual and there is always a great temptation to underestimate a dubious income.

## 5. POLL TAX

is an equal tax imposed on all citizens. Poll taxes were always unpopular and have sometimes been resisted by armed rebellion. (Bambata Rebellion 1906).

## 6. ESTATE DUTIES

are also called death or succession duties. They are taxes collected when an estate changes hands on account of the death of its owner. Small estates passing to widows and children are lightly charged.

## 7. COMMUNICATION AND TRANSPORT TAXES

Railways, Posts and Telegraph Offices and Public Telephones are

as a rule state monopolies. Sometimes these services are carried on at a loss.

## 8. STAMP DUTIES

They are easy to collect. They were first adopted in Holland in 1694. The idea is to give legal authority of the Government to deeds or written instruments which are the evidence or record of acts or transaction more or less transitory. Such documents are:

- a. Statements: receipts, bills of lading, affidavit, a lawyer's deed, a copy or extract from a will or any similar document.
- b. Agreements: lease, mortgage, insurance policy.
- c. Appointments: commissions in army or navy.
- d. Permissions: to marry, to change one's surname, to sell patent medicines, to issue bank notes.
- e. Authorisation: giving power of attorney i.e. power to act as legal representative; cheques.
- f. Grants of letters patent by Government.

## 9. LICENCES

Government licences cost from 5/- to many pounds. Wheel tax, dog licence, gun, hotel, spirits, stores, auctioneer etc. licence, Entertainment tax.

## 10. RATES

Charges imposed by local authorities on the occupiers of property in proportion to the rental value of the property. (But in Durban rates are levied on the capital value of property and a proposal is being discussed for transferring the local rates to the value of land alone). Such local authorities are Municipal Councils, Town Councils, Divisional Councils, Village Boards. The rates are pay-

ments for definite benefits received: light, water, sanitation, roads, education etc.

## B. INDIRECT TAXES

### 1. CUSTOMS

Taxes on commodities or on consumption are levied:

- a. as customs at ports or at the frontier or
- b. as excise with supervision of the producer or
- c. by a state monopoly of production

The taxes were intended to fall on the consumer. Export duties are now found only in countries with exceptional products as in India with opium and rice, in Brazil with coffee, in the West Indies with sugar.

### 2. EXCISE

is an internal taxation, a tax on luxuries or commodities produced in the country. A corresponding customs duty is to be charged for the imported articles.

## § 6. TAXATION IN SOUTH AFRICA

According to the South Africa Act all revenue from whatever source arising rests in the Governor-General-in-Council. The ordinary revenue of the Union is derived from the following sources:

1. *Customs*, duties levied on goods imported in this country.
2. *Excise* on spirits, beer, cigarettes, sugar, matches, playing cards etc.
3. *Mining Revenue*.
4. *Income Tax*. It is divided into 3 classes:
  - a. Normal Tax which is levied on Public Limited Companies and individuals. The present rate for Limited Companies is a flat rate of 1/6 in the £ and for individuals a rate of 1/- in the £ for incomes exceeding £300 a year increasing

by one two-thousandths of a penny for every £ of the taxable amount to 2/- in the £ for incomes of £24,000 a year and over. Certain deductions are allowable to individuals only according to their circumstances e.g. £50 for each child, £30 for each dependant and a maximum of £50 for amount paid in Life Insurance Premiums.

b. Super Tax which is levied on individuals only. The present rate is 1/- in the £ on the amount by which their income exceeds £25,000 subject to certain deductions.

c. Dividend Tax which is levied on Public Limited Companies only. The present rate is 1/- in the £ on the amount by which the dividend distributed exceeds £25,000 subject to certain deductions.

d. Excess profit duty: 10/- from every £.

5. *Postal Revenue*. Postage, money orders, rent of Private Boxes and Bags, Ocean Mail Service, Telegraphs and Telephones.

6. *Native Taxes* In the Cape Province 10/- hut tax, in Natal 14/- hut tax, in O.F.S. £1 poll tax on each adult coloured person, in Transvaal a poll tax of £2 on each adult male Native with a further tax of £2 on every Native with more than one wife; Native farm labourers and Natives in municipal locations are allowed a reduction of £1 each in respect of their tax liability.



## Chapter XVIII

### Foreign Trade

#### § 1. DEVELOPMENT

By Foreign Trade we mean the exchange of goods or products which is going on between South Africa and other countries. This is the highest development of exchange. If a storekeeper buys year after year more than he sells, then he will soon have to give up business, and if a country has always to buy more than it sells or to import more than it exports, then this country is not in a flourishing condition. The difference between import and export trade is called Balance of Trade and this can be for or against a country; when a country imports more than it exports then the balance of trade is against it.

The earliest historical record of foreign trade is that of the Phoenicians. Three thousand years ago they sailed to North Africa, Portugal, Spain, France and came as far as the South of England. They carried on trade with other natives of those countries, and in southern France they founded the trading city Marseilles.

In the early English times the king and nobility were tempted to trade with merchants from other countries for various articles they could not get at home. Especially the Crusades helped to foster this foreign trade. Large caravans were organised to bring goods from the East overland, later on the sea route was used. The famous East India Company (1600) was one of the associations organised for carrying on foreign trade. It lasted till the 19th century.

In 1824 the first British settlers arrived in Natal. This band of adventurers came from the Cape to try their luck further east, since they had heard that a profitable trade might be carried

on with the Zulus. This desire to trade with the people of uncivilised countries gave rise to the founding of colonies by the various powers and foreign trade began to flourish. When the merchants came to a foreign country with their ships full of cargo, they did not like to go back with empty ships, they wanted to sell and to buy. Such a double transaction gave a double profit or "the money was turned over twice."

Just as in industry in the course of time a division of labour or specialisation was evolved, so it was in commerce, for foreign trade is only a case of the territorial division of labour on a wider scale. It is better on the whole that one country devotes itself mainly, but by no means exclusively, to food growing, another to manufactures. Each area should specialise in the production of that which it can make cheapest and then exchange it for the cheapest production of other areas. This is as desirable as the division of labour is desirable to-day.

#### § 2. EFFECTS

1. First two individuals exchanged commodities so that each obtained a surplus of satisfaction. They were not obliged or compelled to barter, but each gained by doing so. Their gain was satisfaction of a need or a want. There is no real increase of material wealth when exchange takes place between two countries, but the traders in each country obtain increased satisfaction and if the individual traders of a country are satisfied by an exchange then as a rule such an exchange is beneficial to their country as a whole and thus the sum of human satisfaction is increased by international trade.

2. By foreign trade one country exchanges its surplus goods for needs. Oranges and bananas are abundant in South Africa, while cotton goods are easily and cheaply made on a large scale in England. South Africa has a surplus of fruit, but needs wearing apparel. The marginal utility of fruit is low here, but high in England, whilst the reverse is the case with cotton goods. By foreign trade our country can satisfy its needs with its surplus goods.

3. An increase of the wants of the various countries is created by foreign trade, because the things procurable in some countries become known and then are wanted in other countries.

4. There are differences in natural productivity and it pays each country best to produce those goods for which it has certain natural advantages and to import those things which are better produced in other countries. The imports into a country, do not destroy the trade of that country, on the contrary it is an incentive for export, because money rarely passes between the different countries, but a sort of barter is going on in the exchange of goods between the different countries. Even if a country could produce all things it needs, it is still better to exchange with other countries, because the capital and labour applied to one thing could still be better used by being applied to another.

5. Commercial adventurers from more civilised countries have often been the first civilisers of barbarians, thus foreign trade may also be considered as a civilising agency. And still now in Africa the three chief factors of civilisation are the missionaries, traders and the government.

6. An ideal effect of international exchange would be that war be rendered obsolete by strengthening and multiplying

all interests which are opposed to war.

7. Commerce first taught nations to see with good will the wealth and prosperity of one another. When nations were still in their infancy, a patriot wished all others to be poor and weak except his own, but now we ought to see in the wealth and progress of other countries a direct source of wealth and progress of our own country.

### § 3. METHODS OF PAYMENT

As mentioned in the preceding paragraph gold seldom passes between the different countries in foreign trade. The great mass of incoming and outgoing commodities of a country pay for each other through the curious mechanism of "Bills of Exchange." International trade is more like a sort of domestic trade on a large scale. E. g. England imports food and wool and exports machinery and textiles. The latter goods pay or are exchanged or bartered for the former. If South Africa merchants send mealies or fruit to England, they can demand payment from the English trader by what is called a "Bill of Exchange." Such bills, when "accepted" or agreed to by the importer or person acting on his behalf do away with the need of transferring money at each transaction. A South African cotton goods merchant may buy such goods from England. Instead of sending money to England, he will buy a bill of exchange from the grain merchant or his banker and pay with it for his goods. Such bills of exchange may pass from owner to owner as money. They may be payable after some months. If the creditor or drawer of the note needs money when the debtor or acceptor of the bill is not yet willing to pay, then the drawer will look for some bill broker willing to wait till the bill matures and to advance the money at once. In such



a case not the face value will be given but the buyer of the bill will deduct the interest he would get for his money in the meantime, he will also deduct a small amount as insurance, since there is a possibility that the bill might not be met at maturity. Bills of exchange are therefore to foreign trade what cheques are to internal trade.

#### § 4. EXPORT

Goods are sent out from a country either to execute a definite order or with the chance of being sold when they arrive at another country. This latter is called exporting goods "On Consignment". Merchants do not take great risks in exporting goods on consignment because they know the needs of the various countries. An order for goods coming from abroad is called an "Indent." This contains names and address of buyers and sellers, quality and prices of goods, packing, marks, delivery and insurance details.

The goods to be exported are forwarded to the port, where the formalities of export have to be gone through by a shipping agent. He receives from the sender an "Advice Note" giving all details concerning the goods. The shipping agent meets the various necessary expenses and sends to the trader a "Freight Note" showing his expenses and charges for commission. The shipowner gives a "Bill of Lading" being a receipt for the goods to be transported and containing all details. Two copies of the bill of lading are sent to the consignee, one copy is kept by the merchant for reference. The customs authorities require a "Shipping Bill," a statement containing name of exporter, value, quantity and description of goods to be exported. In some places a "Certificate of Origin" is wanted

before the goods are accepted. Other documents, required are consular invoice, shipping notes, mate's receipt, forms of specification, forms for indemnity etc.

#### § 5. IMPORT

Numerous formalities are also required for the import of goods. Customs officers go on board incoming ships to inspect the cargo and note goods subject to duty. The captain delivers the "Ship's Report" containing details about the ship and cargo.

A "Bill of Entry" shows nature and value of goods imported and duties to be paid. The tax must be paid before the goods are delivered to the merchant. But if the merchant does not want to take the goods immediately because he still has a large stock of them, then he leaves his goods in a "Bonded Warehouse" or in a warehouse under government control till the tax is paid. Only then the goods become the property of the merchants. A charge for storage in the warehouse is to be paid. But if the goods are only imported to be reexported to another country, then the merchant need not pay any tax, or if he has paid, it is refunded. This is called a "Drawback."

#### § 6. FREE TRADE

##### versus PROTECTION

With regard to foreign trade we distinguish two schools of thought, the Free Traders and the Protectionists.

##### 1. FREE TRADE

This school of thought says, foreign trade should be entirely free, there should be no obstacle to such a trade; all attempts to interfere with the natural development of production and trade will defeat their ends. Protection may aid a particular industry,

but such a beneficial result would be more than balanced by a sacrifice at another point of the economic structure. If free trade is restricted there is a danger that inefficient firms may have to cease. An artificial stimulation of one industry often leads to depression in others. The bracing effect of competition is liable to give place to slow degeneration behind a sheltering tariff wall.

## 2. PEEL AND FREE TRADE

Sir Robert Peel (born 1788) was a great English statesman. In 1841 he became Prime Minister. He inaugurated general Free Trade in England. The great influence which led him in this direction was the great book "Wealth of Nations" by Adam Smith, the founder of Political Economy. In the early years of Queen Victoria's reign there was always a deficiency in the national income. The state revenue was then mainly derived from customs or duties levied on certain articles produced within the country. For the most common and necessary things duty had to be paid, for soap, glass, windows, bricks, salt, pepper medicines, newspapers etc. In 1821 no fewer than 1,799 separate articles were taxed; during Peel's time they were still 1200. The idea was to discourage the importation of articles from abroad and to compel people to buy goods manufactured at home and thus protect the home manufacturers or growers of produce from foreign competition. In 1842 Peel removed the duties from 750 articles and imposed in their place an income tax. Later on he swept away the remaining 430 articles from the list of customs duties.

## 3. REPEAL OF THE CORN LAWS

The greatest feature of Peel's administration was the repeal of the Corn

Laws which formed the keystone of the protective system. In order to make the growing of wheat profitable to English farmers heavy duty was placed on foreign wheat imported into England a hundred years ago. This duty prevented the importers from selling wheat in England at a lower price than home-grown wheat. Whatever the price of home-grown wheat was, foreign wheat, under the Corn Laws, could not be sold for less. The aim of those laws was to prevent the British farmers from being ruined. While Britain remained an agricultural country, the pinch was not felt, but when she became mainly industrial, the manufacturers saw that, if foreign corn came into the country free of duty, their workmen would get cheaper food and wages need not be so high, and the buying of corn abroad would open fresh markets for British goods. There was a period of starvation from 1815—1843 in England. In 1837 trade was depressed and thousands were unemployed. There had been a succession of bad harvests and wheat became very dear. At the same time there was an abundance of wheat in Russia and elsewhere, ready to come to England. Therefore an Anti-Corn-Law Association was formed in London in 1836. This developed after 2 years into the Anti-Corn-Law League which eventually resulted in the Corn Laws being abolished in 1846. American grain flooded the English market and bread became cheap.

## 4. PROTECTION

The Protectionists are opposed to Free Trade and adduce various reasons and opinions for their attitude. They maintain that:

1. Free Trade would ruin certain trades and industries in their own country.

2. The import of foreign goods would drain the country of gold.

3. Home trade is more valuable than foreign trade because the cost of transport is saved.

4. Protection accelerates the development of "infant industries," especially those subject to increasing returns. If rising industries were not protected, nobody would risk to invest capital on account of the competition with other countries producing on a large scale. The initial outlay of such industries is great, but if established they are an advantage to the country. In England the textile and iron industries were protected during their growth.

5. Free Trade countries are liable to dumping i.e. selling at prime cost in a foreign country, whilst at home high prices are charged.

6. It is of great importance to get a large market, so as to make increased production possible; the protected country commands its own market and has access to markets of Free Trade countries.

7. Sometimes there are military reasons for protection of the trade.

8. Freedom of Trade may lead to overspecialisation so that one country becomes exclusively agricultural, another manufacturing. But excessive specialisation is neither good for the individual nor for a country, as it would mean a one-sided development. Protection would tend to redress the disturbed balance. The Great War showed that a country should not manufacture only and neglect farming. Both farming and industry should flourish in a country. The health and prosperity of a nation do not depend on money profit alone. It should therefore be willing to sacrifice a little material wealth both for the sake of security of supplies in war time and for the desire of a well-balanced economic life.

#### 5. CONCLUSION

On the whole the Free Trade system

seems to be preferable and economically (but not in every other respect) most profitable. At least this is the experience in England where the system of free imports or Free Trade is still the mercantile policy, whilst every other great nation is more or less Protectionist.

#### § 7. ECONOMIC POSITION OF SOUTH AFRICA

South Africa owes her importance to the development of her foreign trade. In the middle ages active trade was going on between Europe and the East or Asia. Since transport over land became more difficult owing mainly to the conquest of Constantinople by the Turks in 1453, a sea route was tried round the South of Africa and ships began to call at the Cape for fresh food on their way to India. For over 200 years the importance of Cape Colony, the only settled portion of the country, was almost entirely due to its position as a port of call for Indian and Australian ships. South Africa's mineral wealth had not then been discovered and its peculiar geographical conditions-absence of navigable rivers, table land formation etc.-made transport and internal development slow and difficult. When with the opening of the Suez Canal in 1869 the East Indian and Australian ships ceased to call at South African ports, the people of South Africa were compelled to develop the resources of the country for entering the world market. Fortunately it was just about this time that diamonds were first found and gold mines were developed not long afterwards. This opening up of the country's mineral wealth provided a valuable stimulus just when it was needed.

Foreign Trade is now a necessity for South Africa. Many commodities must be imported because they cannot be manufactured here or at least they could

not be made as cheaply as elsewhere. Coal, the great moving power of factories, is expensive. This is the main reason, why so few things are manufactured in this country. It exports mostly raw material and imports manufactured articles.

More than half of the value of export are products of the mines. The mining industries of South Africa export gold, diamonds, copper and tin. The agricultural and pastoral exports are feathers, wool, mohair, hides, horns, meats, maize, wine and fruit.

South Africa imports the following goods: corn, grain, meal, coffee, manures, fertilisers, raw and manufactured iron and steel, galvanised iron, fencing wire, agricultural tools and implements, machinery, leather, wool, tobacco, tallow, grease, mineral oils, all sorts of clothing, earthenware and hardware.

The earliest records of imports and exports which we have, are those through the Cape of the year 1826. The value of imports in that year was £250,000. The latest figures of the value of imports and exports expressed in millions of pounds are:—

Year	Imports	Exports
1910	36	53
1912	38	62
1914	35	39
1916	40	65
1918	49	70
1920	101	89

These figures are not typical as they cover the war period and the years of excessive depression which followed it. Thus from 1914-1918 the war caused a brisk demand for South African raw materials and exports increased from £53,000,000 in 1910 to £70,000,000 in 1918. The temporary decline in 1914 was due to the short-lived dislocation caused by the outbreak of the war. Imports remained low as European manufacturers had their hands full and

could not meet the orders from South Africa. In order to get some goods, many merchants ordered twice or three times as much stock as they wanted or expected. When the depression began, English manufacturers remembered these non-fulfilled orders from South Africa and rushed out the long expected goods. Imports rose rapidly while, owing to the decline of European trade, exports fell off.

The value of imports and exports of food for the year ended 30 June 1922 was:—

Imported:—	£3,616,411
Exported:—	£5,314,429

The countries from which South Africa imports are in order of importance: England, America, Sweden, Argentine, Japan, France, Brazil, Germany, Belgium, Holland and its colonies, Norway and several others. The countries to which our country exports are in order of importance: England, Rhodesia, South-West Africa, Australia, Egypt, Straits Settlements, Mauritius and some others.

### § 8. THE FUTURE OF SOUTH AFRICA

In his "Education of the South African Native" Dr. C. T. Loram says: "As far as we can at present foresee, agriculture must become the chief industry of South Africa. Our mineral wealth must, in the course of time, become exhausted, and the isolation of South Africa must prevent it for many years from becoming a great manufacturing and industrial country in the sense in which Great Britain, Germany and the United States are industrial countries. On the other hand, South Africa's opportunities in agriculture and stock-raising are very great. The country's farming resources are only now becoming known, and with the discovery of remedies for the numerous plagues and diseases which periodically ravage the country, the agricultural prospects of

South Africa are very bright. If however, these prospects are to be fully realised, the four million Native rural inhabitants must be taught to be good farmers." In order to see and appreciate fully to possibilities of the South African soil or of South Africa as a farming country one need only visit one of the many agricultural shows which are being held annually throughout the Union. Especially the shows of the larger centres are really eye-openers and revelations to any one visiting them. These shows prove amply that South Africa can produce splendid goods suitable for export to other countries.

Now what about the future of the Natives of this country? Where are they to come in in the general future economic organisation of the country? Just as a boy, when he has reached the age of about 15 years, is beginning to ask himself seriously about his future vocation or his profession, so the Natives as a race have now reached that stage where they must ask themselves this question: "What are we as a race, when we have reached our full manhood, going to be?" Will they be nomads and pastoralists, or agriculturalists, or industrialists, tradesmen, artisans or commercialists, traders, or, as the great Napoleon called the English, "a nation of shop keepers" or a nation of clerks or a nation of professional men such as clergymen, teachers, doctors, lawyers, or what? There is only one possibility. The Natives as a whole are a rural race and will have to gain their livelihood from the soil. Some individuals will

have to take up other professions, trades and trading, but the bulk of the population will have to be small farmers or peasants. So the future of the Natives is to become a race of a prosperous peasantry.

This future implies two things: first that they come so far as to grow all that which they consume themselves, secondly that they produce a surplus for export to other countries, for the increase of South Africa's foreign trade. The Natives are still far away from the realisation of the first thing, but there is no escape, they must reach that goal, and the second goal must then immediately be aimed at.

The South African white farmers have already realised that, in order to be successful in the competition on the world market, they must first build up a good name for the produce which they export by sending first grade produce oversea. Their aim is therefore to continually raise the standard of their produce and goods. The Natives will have to face the same problem. After having solved the present problem of quantity by first producing sufficient for themselves and then a surplus for the world market, they will at once be confronted with the problem of reaching a high standard of quality, that means, their cattle, their pigs, their poultry, their grain and their fruit must be of a high grade. It is therefore for the Native an inexorable and inevitable necessity to learn the best farming methods in order to be able to contribute their share to the country's foreign trade.



## Chapter XIX

### Unemployment

#### § 1. THE PROBLEM

One of the most difficult and tragic problems of our modern economic state is that of unemployment. The ordinary working man must continually fear it, he can be thrown out of work at any time without any fault of his. Unemployment causes great distress to the workers and a great loss to the nation as a whole. It has now become a regularly returning disease, occurring at certain periods all over the world, now here, then there, but always assuming more alarming proportions. It existed before the war to a great extent, but became practically non-existent during the Great War on account of the extraordinary demand for labour all over the world. But as soon as the war was over, the soldiers were discharged and all war activities ceased, unemployment at once appeared in far bigger proportions than before the war. Especially the returned soldiers swelled the ranks of the unemployed.

Sometimes public expression of the existence and importance of this problem is given by the unemployed in the form of organised parades, mass meetings and monster demonstrations.

The problem has for a long time been deeply studied and discussed, but it is still stubbornly evading solution. Various measures of relief and prevention have long been tried, but to all appearance the evil is only getting aggravated.

#### § 2. KINDS AND CAUSES OF UNEMPLOYMENT

There are various kinds of unemployment which have their particular causes, but they seem more or less to point to one chief cause which is the maladjustment of the production factors in

the modern economic system, and the root of this maladjustment is said to lie in the fact that the aim of the production at present is profit or money hunger, not service or the satisfaction of definite human needs. In classifying the causes of unemployment we can distinguish three minor causes and one major cause which produce the different kinds of unemployment.

1. *Seasonal unemployment* is found in agriculture and in industry.

a. *Agriculture*: at certain seasons of the year there is a great demand for farm-labour e.g. in cutting sugar cane, reaping wheat. When this work is over, then the labourers who were employed, are again out of work. In order to get the necessary temporary labour, wages are sometimes offered which are a little tempting.

b. *Industry*: whilst certain fashions flourish, labour is required for the needs of those particular fashions; when they die out, then that labour becomes superfluous.

2. *Lack and loss of industrial quality.*

a. Some people are unemployed through their own fault because they are unemployable, deficient or inefficient, lacking the necessary physical, intellectual or moral qualities. There is the professional vagrant who shuns labour, or the revolutionary agitator who only agrees to accept labour upon his terms, for whom farm labour is below his dignity at any wage, and who would rather fight for his bread than earn it by humble, but honest farm work.

b. On the other hand there are workers who are unemployed through no fault of their own, they are thrown out of employment, their labour being displaced by new labour-saving ma-

chinery, rendering their acquired skill useless. The sudden introduction of improved machinery causing former labour to become obsolete is bound to cause a period of suffering and often widespread unemployment, until readjustment is effected. In the long run there will be a gain for the working classes.

3. *Casual Employment* is found where labour is only required for certain work or for a certain time, e.g. loading or discharging cargo from ships, certain work connected with building, road making, railway construction.

Such casual employment is necessarily unskilled and therefore attracts men who have failed in other pursuits. There are therefore more workers than are really needed; but as each gets a little work each week, they hang on in a miserable state of underemployment rather than make a break and look for something else. Natives working as *Togt* boys are already such a class of people and in course of time their underemployment may make itself more acutely felt.

4. *Cyclical Depressions* are probably the major or chief cause of unemployment. There are trade cycles or periods of good and bad trade; at certain times trade is brisk and then there is a great demand for labour, at other times trade is slack and then there is little work with the result that many are thrown out of employment. These cyclical trade variations or fluctuations have been observed since the end of the 18th century, although they probably existed even earlier in a less marked degree. They occur or recur now more or less regularly about every ten years and approximately at the same time in all industrial countries, the resulting depression propagating itself from one trade to another. They are supposed to be due to the following causes:

a. Spots in the sun affecting the weather, this influences the crops, and the crops determine the prosperity or the reverse of agriculture which in its turn influences industry.

b. Misdirection of productive power resulting in an accumulation of unsaleable stock, the market is glutted and trade becomes slack or stagnant.

c. Investment of capital in permanent works (railways) causes a demand for labour and commodities; when such works near completion, the demand ceases.

d. War always dislocates industries and thus naturally creates an aftermath of bad trade and unemployment in the conquered as well as in the victorious countries. Such was the case after the Napoleonic wars, Franco-Prussian war (1871) and after the Great War.

A few other factors are still enumerated which can also be considered as causes of unemployment:

1. *Strikes* cause a rise in wages and the elimination or dismissal of inefficient or less efficient workers.

2. *High prices* cause underconsumption, the market gets overstocked and production must slacken or cease temporarily which involves underemployment or unemployment.

3. *Unused land* is an alleged cause of unemployment in this country. The use of land is restricted, large tracts lie idle and uncultivated, much land is only bought and kept for speculation, so that the object of the ownership of land is not to produce what human society requires, but money hunger or profit making.

### § 3. REMEDIES

The remedies against unemployment can be discussed under a twofold point of view. The one viewpoint is the assumption that it cannot be removed. In this case we must seek for re-

medial or palliative measures. The other viewpoint is the possibility of stopping unemployment. If this be the case, then we must search for preventive measures.

1. *Remedial or palliative measures* which are to be used if unemployment remains a permanent problem, are:—

a. *Insurance against unemployment.* In Great Britain now practically all the workers, save agricultural labourers, are insured against unemployment. The workers have to pay a weekly tax for that insurance.

b. *Government or municipal work in times of depression.* The government and municipalities should defer public works or undertakings to such bad times. Such works are road making, railway construction, irrigation work, afforestation etc. Pericles (about 500 B.C.) tried already to meet unemployment at Athens by the plan of public works, and it was used through all centuries right down to our times, but it was very rarely successful. Such works, however, should not be relief works started to give work to the unemployed. When this is done, many vagrants are attracted, discipline is bad and many men are put to work for which they are unfitted and which in consequence is badly and expensively done (stone breaking by clerks). Simply the Government should arrange to keep all the regular work it can for the years of depression (three or four of every ten as average) and take over the necessary men in the ordinary way.

c. *Labour colonies or similar special institutions* should be established for such people who are always hopelessly unemployable.

2. *Preventive measures* may be applied under the assumption that the solution of the problem or abolition of unemployment is not an impossibility. We can, however, not dogmatise on this point, as at present it is still too

vague and uncertain and unemployment will not be stopped in the near future. Such preventive measures will be:

a. *Reorganisation of industry* in such a way that production is for use or for serving the needs of society, not for profit or for enriching the capitalists or captains of industry. At present the rich cannot consume what they get and the poor cannot get what they need or want to consume. In order to produce for service and not for profit co-operative ownership of the means of production should take the place of private ownership. This aim is still an ideal and can only be achieved by degrees, but attempts on this line have been made already successfully.

b. *Organisation of natural resources.* In order to adjust production to the needs of the people, those needs should be ascertained and estimated in a scientific way. Then a survey of natural resources, capital and human energy should be made.

c. *State enterprises* are also considered as help towards solution. The state should undertake such services as transportation, shipping, farming, banking, housing and supply of power. Whenever private enterprise in the supply of essential needs tends to become monopolistic, the state should step in and undertake the supply of such needs. But such plans are not yet fully realisable, though examples could be given of the successful organisation by the community of each enterprise mentioned above. In some spheres co-operation is remarkably successful. In England and in Germany consumers' co-operation is a mighty and a growing movement and always involves, wherever it appears, the elimination of private profit and the decent treatment of the work people. Denmark has been



- rejuvenated by co-operative societies among the farmers for the purpose of making and selling butter, cheese and bacon.
- d. Taxation of unimproved land might effect a better use of the land or an easier access to it. An Income Tax and a Death Duties Tax are also advocated, graduated in such a way that at a certain stage the tax would amount to 20/- in the £.
  - e. Employers should organise and federate to give more steadiness to the labour market. They might also distribute underemployment among all their men by temporarily reducing the hours of work. This is already done by agreement between the trade unions and the employers' federations in the Lancashire cotton trade.
  - f. Efficient and well organised Labour Exchanges or Labour Bureaus can also to some extent prevent unemployment. Such institutions were successfully conducted in the Middle Ages under the Guild system. But there is a danger of the labourers being exploited or of such exchanges becoming political machines.
  - g. The workers should try to become more and more efficient, regular and steady in their work. In this way they make themselves more and more indispensable to the employers and thus secure continual employment. But this presupposes a high degree of education on the part of both employers and employed and good will between both which has not yet been reached at present.

#### § 4. THE POOR WHITES

Since in this country unskilled work is mostly done by Indians and Natives, the unskilled white workers find themselves in competition with Native labour, forced to maintain a high standard of living, but unable to command a sufficiently high rate of pay. These condi-

tions have introduced into this country social and economic difficulties of a serious kind which are not found in another country. These difficulties constitute the Poor Whites Problem.

The chief reason for this problem is the colour bar by which the worker is or considers himself debarred from semi-skilled or unskilled work which is open to him in other countries. Since industries are worked for profit, the cheap Native labour is employed, and the white labourer is not profitable to the employer. This may be called the natural bar. A conventional bar has been created by the white workers themselves by calling all unskilled labour "Kafir work" or "Kafir jobs." There exists also a legal bar because legislation has sanctioned an indenture labour system in which a breach of a contract by an indentured native is a criminal offence, whereas the breach of a labour contract by a white man constitutes only a civil offence. Indentured labour is therefore preferred to free labour, the hold given to an employer over Native labour is an incentive to use such labour in preference to white labour.

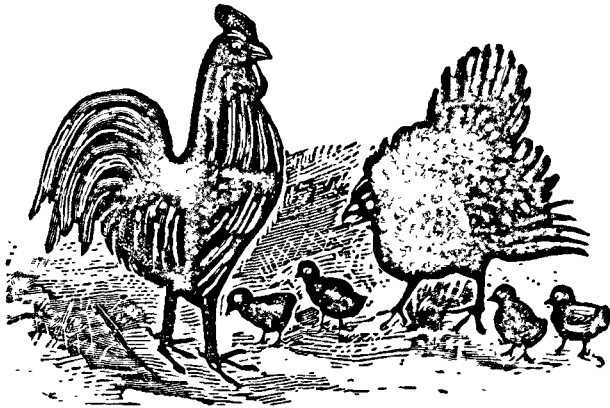
In giving evidence before the Transvaal Indigency Commission the late Mr. T. H. Hofmeyr mentioned the tradition of slavery as the prime cause of the particular disease of South Africa called "Poor Whiteism." Slavery dates back to the year 1658 when the Government made its first disastrous attempt to solve the question of labour shortage by importing 400 West African slaves.

Other causes which help to accentuate this problem are drought, pests, lack of railway facilities, lack of markets and lack of proper education, things which caused a great influx of whites from the country side into the towns. Many also lost a hold on the land on account of excessive subdivision of estates among heirs, they became unable to support themselves on their

small plots, so they were either forced to sell them or they became so indebted that their land was taken from them.

At present there are about 120.000

unemployed out of 1½ million whites or 8%. Many are now employed in public works, road making and railway construction.



## Chapter XX

# Communism, Socialism, Bolshevism

### § 1. DEFINITION OF COMMUNISM AND SOCIALISM

A great deal of wealth has been created, not by personal effort and hard work, but by oppression, exploitation and enslavement of others. As long as people are on a low level of civilisation, they accept slavery and poverty with fatalistic resignation, but when the high level is reached, then the working, serving and dependent people revolt against any oppression, unjust and unworthy of man.

The word *Communism* is derived from the latin word *communis* which means belonging to all. The system of Communism wants to bridge the gulf between rich and poor by a general distribution of goods, or it aims at the substitution of public or common for private ownership, a policy which cannot be completely carried out. Another fundamental idea in Communism is equality of income for all. The demands of Communism are:—

1. Transference of the means of production to society or the community as a whole,
2. the community as a whole to produce according to a uniform plan,
3. of the products the community to get first what is necessary, the rest to be distributed amongst the individual to members according to their needs.

More serious is the system of *Socialism* which wants to replace the present private production of goods by common production so that the state would be a large organisation of labour. According to this school of thought the cause of poverty is not lack of goods, but the unequal distribution of the produced goods which are sufficient for all. In

many cases common production or common management is possible, (e. g. in railways), but where success depends on personal initiative, quick perception of circumstances and decided action, there the collectivist management will break down, because we have not discovered a means whereby the important and decisive personal factors can be enticed into operation save by the hope of personal profit. The Great War has demonstrated the possibility of a certain State Socialism which can sometimes become imperative and indispensable in order to maintain the public welfare.

Another way of defining the above terms is this:—

*Socialism* means certain attempts to socialise community resources or certain proposals for organisation distributing wealth more widely. The demand for such a change is caused by dissatisfaction with the existing order. We can distinguish three different forms of Socialism:

1. *Communism*: a system by which society has the complete control of equal distribution. *Bolshevism* is the attempt to realise this Communism here and now by force and by dictatorship of the proletariat.
2. *Collectivism*: of which there are two kinds:
  - a. *State Socialism*: the state manages e. g. railways, paying for capital and brains;
  - b. *Municipal Socialism*: municipality manages the supply of e. g. light and water. There is a growing feeling among thoughtful socialists that no hard and fast scheme is possible.
3. *Consumers' Co-operation*, which is working in many countries with really remarkable success since the

first attempt of the "Equitable Pioners of Rochdale."

## § 2. DEVELOPMENT OF SOCIALISM

When with the progress and growth of capitalism the position of the working classes became more and more miserable, some leaders arose among them from time to time in order to spur and guide them in their efforts towards self-help.

1. *Francois Noel Babeuf* is the first communist of France. Condemned to death for causing a conspiracy he died for his idea by suicide in 1796 and is therefore called the first martyr for the communistic-socialistic ideas.
2. *Count Henri Saint-Simon* was the first theorist of that system. He considered himself the saviour of the working classes, but his career ended with imprisonment on account of celebrating wild orgies with the money of his poor clients.
3. Another Frenchman *Charles Fourier*, a poor shop assistant, worked hard to secure a minimum subsistence wage for every worker. According to his theory the profits should be so distributed that 5 twelfths go to the workers, 4 to the employers and 3 to the brains or talents. Probably more than five-twelfths go to the workers as it is certainly in extractive industries.
4. In *Louis Blanc* arose an organiser for socialism. His aim was a state socialism, he considered competition to be the root of all evils and hoped that state industry would slowly absorb all private industry, then the state would have to look after the welfare of its workers. Under the influence of his ideas state workshops were organised for the unemployed during the French uprising of 1848. These were, however, work-

ed by persons hostile to the principle and proved a complete failure.

5. *Pierre Joseph Proudhon* said "Porperity is theft." This sentence was chiefly directed against people who drew an income without doing any work. As a remedy he wanted to establish a people's bank which should supply capital to labour organisation without charging any interest, but he failed.
6. In Germany Socialism was originated by *Karl Marx* by his communistic manifesto on the day before the revolution of 1848 which ends with the famous words: "Proletarians of all countries, unite!" At first this manifesto had little practical results. After the revolution the reaction came over whole Europe which nipped the workers' movement in the bud; only in England trade unionism was developed. But when capitalism became international and when at the world exhibitions the workmen of the various countries came together and began to know each other and to exchange ideas, then the words of the great theorist of international socialism began to bear fruit. The aims of the Marxist theory were government by the proletariat, dispossession of the rich and the taking over of the production capital by the organised proletariat. Very important became his "Surplus Value Theory" according to which the difference between profits and wages belongs to the labourers and not to the capitalists. In this theory he only saw the mechanical or physical work of the labourer and entirely overlooked the mental work of organisation and administration. But he may be called the father of the theory and fighting methods of Socialism and this is his chief work and makes him so important. He was born in 1818 and spent his last

years as a political fugitive in London where he died in 1883.

7 *Ferdinand Lasalle* formulated the theory of the iron or brazen law of wages by which the labourers' wages did never rise above the bare subsistence level. In 1863 he founded the General German Workers' Union. Whilst advocating the rights of the poor he enjoyed the finest dinners and suppers in Berlin. He died in a duel in 1864.

The system of Marxism gained a strong foothold in Germany and spread from there over the whole world. The Great War was a test for the Marxist Socialism, but the system broke down giving way to the stronger nationalism and imperialism for the time being.

### § 3. ORIGIN OF BOLSHEVISM

*Bolshevism*, the absolute contrary of Capitalism, is the programme of a group of Russian socialists called Bolsheviks. On the congress of socialists at Bruxelles-London in 1903 the Russian socialists split up into a majority (in Russian *bolschinstwo*) and a minority (*menshinstwo*) The majority was led by Lenin and called itself *Bolschewiki* whilst the others called themselves *Menschewiki*. On November 7, 1917 the Bolsheviks overthrew the government of Kerenski and established the Soviet (council) Republic which called itself a Government of the Workers and Peasants.

The majority of the socialists in Western Europe aimed at socialism as the result of a continual political and economic development, the Bolsheviks tried to finish capitalism with one stroke. But to-day there are Bolsheviks among the socialists of all countries who are all eagerly waiting for a world revolution which would finish and annihilate capitalism.

### § 4. PRINCIPLES

In order to achieve its aim Bolshevism

proclaimed the following principles or constitution:—

1. Absolute power or dictatorship of the proletariat; for this purpose the only productive classes i.e. the workers and peasants have to be armed.
2. All power is in the hands of the councils, called Soviets. All men and women 18 years old and "doing productive and useful work" possess the right to vote; excluded are all employers, people receiving rent, traders, monks, priests, servants and agents of the former police force, lunatics, criminals and members of the ex-emperor's family. The highest power of the Russian Soviet Republic is the Pan-Russian Soviet Congress.
3. The general obligation to work will be introduced. Every one receives according to the work performed and entered in his book the necessary goods from the depots without money. There are four classes nutrition:
  - a. those doing hard labour and soldiers of the red guard;
  - b. the Soviet officials and the intellectuals;
  - c. the members of the so-called liberal professions;
  - d. the former capitalists, dispossessed landowners and others of the upper classes.
4. The large farms owned by the great landowners are nationalised and given over to the peasants, to be cultivated by them and their families and without paid labour. The grain has to be delivered to the state which has the grain monopoly. The products of town and country shall simply be distributed without trade or money payment. The houses are to belong to the local Soviet and to be assigned to the people according to their needs.
5. All Government loans are annulled, the payment of interest and dividends is forbidden. The ultimate aim is the

- abolition of all money, so that all exchange be effected by pure barter.
6. In order to free the women from their former enslavement the single-house management should be replaced by community management with central kitchens. Marriage and family ties are to be dissolved and the system of free love should obtain.
  7. The members of the Bolshevistic system are to live exclusively by productive work. Everyone receives his share of the produced goods according to the amount of his work.

### § 5. METHODS

In accordance with these principles the Bolsheviks at once took hold of the large farms, banks, factories, all raw material and finished products, dispossessing the legitimate owners and bringing all those things "into the possession of the working people" in order to thus ameliorate the situation of the Russian workers and peasants.

Since industry was ruined, the peasants could not get the necessary tools and goods neither for money nor for farm produce. They refused to send their produce to the towns and consumed it themselves or stored it for better times. Therefore starvation followed in the towns and the Soviet government sent commandoes of soldiers and armed workers into the country to take the farm produce from the peasants by force and at the cost of much human blood on both sides.

In order to maintain their authority the Bolsheviks suppressed all liberty of the press. From July 1918 only Bolshevik meetings were allowed, all other socialist papers were stopped. This not being sufficient, the red mass terror was resorted to and thousands of innocent people, men, women and boys were shot, amongst them even moderate socialists, members of the Russian peasantry and workers. It is

reported that many people were tortured before being executed. And this was done by the Bolsheviks who, a year before they came into power, had declared in the most emphatic manner that capital punishment was cruel and inhuman.

### § 6. RESULTS

Did Bolshevism succeed in replacing the capitalistic system of production by another and better system? The labour class was unable to solve the problem of reorganising the whole economic life of the country. It ruined the old system without replacing it by something new.

The situation of the workers would have been ameliorated by reducing the cost of production and increasing the production. Instead of that the great majority of the Russian factories was compelled to close down, others had to reduce production and the cost of production increased at a stupendous rate. Thus Bolshevism proved to be the ruin of industry in Russia. The great masses of workers could not keep discipline, and Lenin was compelled to depart from his socialistic-bolshevistic programme in the most important points. He had to give up his principle of equal wages and pay high salaries to organisers and managers, he had to insist upon unconditional submission of the masses under the will of the leaders and upon iron discipline during work and absolute obedience to the will of one man during work.

He had to introduce the Taylor system (finding out exactly the maximum amount of work which could be performed at a certain time and insisting upon this amount being performed) and piece work wages etc.

Even in the far easier task of the centralistic distribution of the ready made goods Bolshevism completely failed. Some factories could not pay wages, many had to cease production because

there was no more store room for new goods, the Government could not take away the goods from the factories, Since the Government could not distribute the goods, the people made an attempt to do so, for it is reported that during the first three months of the year 1918 44,207 private houses and 26,317 magazines and stores were plundered in Petrograd. The same methods were adopted in the country on the farms. Since industry was ruined more and more, the Government tried to help the workers by repeatedly increasing the wages, but without avail, for the prices rose much quicker than the wages.

The agricultural production broke down in the same manner. Whilst the peasants took possession of the large farms driving away their former owners by force, much valuable material was destroyed by fire and otherwise and many cattle were slaughtered. The peasants lacked labour, implements and manure and the lands remained mostly untilled. They also refused to plant more than they needed, because the towns either gave them no products for their grain or only at exorbitant prices. The armed labour commandoes, which wanted to take the grain by force, only carried civil war and war of the classes into the country.

Life became harder and harder in Russia. At the end of 1917 Petrograd had 2,700,000 inhabitants, in October 1918 they were only 1,200,000. In January 1918 the workers received 13lbs meal, 10lbs bran,  $\frac{3}{4}$ lb butter. In February 1919 the following amounts were distributed: 5lbs meal, 1 lb sugar,  $\frac{1}{2}$  lb butter. The Bolshevik paper "Nasch Krai" (Our Country) reported that in some districts people ate straw and moss. "Nasch Wjek" (Our Age) of January 10, 1918 reported that in Turkestan the starving people had begun to kill old men and children. The people

in the towns had not even straw and moss to eat and died in masses of various infectious diseases. Hopelessly sick people were sometimes killed by chloroform, in most cases they were shot and the corpses were carried away by waggonloads. The Natal Mercury of June 7, 1922 reports: Russian Bolsheviks shot 117 children, sick on account of eating infected horse flesh, for humanitarian and sanitarian reasons.

The only ones who gained under the Bolshevik government were those workers who were members of the numerous Soviet committees and the officers of the red army. Thus there was the development of an aristocracy of the proletariat which kept its authority by way of brute force.

On the other hand it seems to be a mistake to believe that the highest leaders were actuated by personal motives or used their powers to secure for themselves a life of luxury or to aggrandise themselves in any way. Lenin and his immediate followers lead, according to the latest accounts, lives of austere hard work and self-denial. Membership in the Communist Party is only open to those who take a vow of obedience and simple living. All communist leaders, for example, are required to be teetotalers.

#### § 7. CRITICISM

"Some redistribution of wealth has been attempted by governments which are not at all of a revolutionary character e.g. old age pensions, maternity allowances, free education and similar benefits to the poorer classes. This is the policy of most governments nowadays, but it is a question, how far the policy should go. Some have proposed vastly greater transfers and we have before us the example of Russia where a similar policy was pushed to a violent and hasty extreme. Bolshevik Russia is likely to remain for long a

warning, for there the attempt to redistribute the whole income at once proved to be a case of killing the goose with the golden eggs." So writes Professor Lehfeldt of Johannesburg in his book "National Resources of South Africa".

After four years the Bolshevists had to admit that their new system would not work specially in view of the fact that the expected revolutions in the other countries of the world had not come off and during the course of 1921 Lenin announced a new economic policy by which a modified form of capitalism was introduced again. Private trading was allowed again and attempts were made to get foreign capital to undertake the reconstruction of Russian railways and factories.

It is impossible to abolish capitalistic production and to replace money as a means of exchange by barter, for as long as only one individual country and not the whole world is under bolshevistic administration, money is indispensable as the circulating blood of the process of production or economic organisation and as a means of exchange exactly as the blood is indispensable to the physiological organism.

Bolshevism wants a complete reorganisation of the economic organism of the world, but it wants to establish it by way of a world revolution, by overthrowing suddenly all existing conditions and by way of dictatorship of the proletariat. Every revolution is an unnatural process and must be followed by its reaction. The natural and only possible process of reorganisation or reconstruction is evolution which makes a wise use of existing conditions and forces and slowly adjusts them to the achievement of the intended reorganisation.

Bolshevism not only wants a redistribution of all goods, it wants and must create a new type of man, for with

men as they are at present it is extreme madness to think of the recognition of free love and of a rupture of all marriage and family ties. The communism of the Bolshevists is Marxism on a gigantic scale or complete materialism. The life of man would be reduced to the animal functions of eating, drinking, sleeping, working, propagation of the species and the rearing of the physically fit children by the community.

#### § 8. BOLSHEVISM IN SOUTH AFRICA

Bolshevism is openly preached in South Africa to the Whites and Natives. Its apostle Tom Mann came from England to South Africa in 1922 and left again in the beginning of 1923. On October 6, 1922 he addressed a crowded meeting in the Claremont Town Hall near Cape Town and urged industrial organisation declaring that co-operation by Socialism or Bolshevism meant joint production or the common good and joint enjoyment by all. As a member of the Red International he urged them to become indented with that organisation and concluded his speech by saying: "Anything less than genuine Communism is not worth having. I tell you flatly. If you don't like it do what the devil you like. I do not ask for violence, much rather would I ask for a peaceful change. And I am working hour by hour, day by day for that change. If it is possible to bring about the change peacefully, it will be brought about peacefully, but let me be emphatic that, if those who it is anticipated are likely to block the way and render action necessary, I, for one, will be ready for that action."

The Johannesburg Trades' Hall has associated itself with the Bolshevistic intrigue as formulated from Moscow and has started a vigorous propaganda for the Bolshevist movement among the young people of the Rand by hand-



ing circulars to the children as they leave schools. One such circular, given out in March 1923, represents an endeavour to subvert such bodies as the Cadets, Boy Scouts, Girl Guides, Wolf Cubs, Navy Leaguers, members of the Junior S. A. Party, to all of which among other effusions the following was specifically addressed: "We are living under a system of robbery called capitalism. The worker is only able to buy back with his wages a portion of the wealth he has produced. The surplus must be sold in foreign markets in order that the capitalist may realise his profit. The competition for foreign markets between large national groups of capitalists results in a series of wars which, if not stopped by the overthrow of capitalism, will cause the downfall of civilisation and a return to barbarism. You, the young generation of South Africa, are being trained to kill and be killed in the next war. The capitalist class has no concern for your lives and welfare. It is prepared to use you. Do not allow others to do our thinking for you. Join up with young Communist League and learn to think for yourselves."

Noticeable attempts were made to enlist Native workers under the Bolshevik banner, but so far with little result. On the contrary during the Johannesburg Strike of March 1922, which was a sharp outbreak of Bolshevism, the Natives wisely kept aloof from the movement and showed remarkable self-control often under great provocation so that their praiseworthy conduct was repeatedly commented upon in parliament, on platforms and in the press.

### § 9. THE FUTURE

The Communists, Socialists and Bolsheviks are right if they aim at a sort of redistribution of wealth or at a reconstruction of the economic organism

with a view of bridging over the gulf between Capital and Labour and thus ameliorating the sometimes intolerable and inhuman conditions under which the toiling masses are sighing and suffering, but they are totally wrong in their choice of methods which they advocate for the realisation of this imperative change.

Peace and mutual understanding will reign between Capital and Labour, if both sides have good will and are prepared to make mutual sacrifices. The sacrifice of the employers would be to agree to the socialisation of those processes of production which are ripe for this purpose or to a rational and equitable participation of the workers in the total profits of industry. The workers on their part would have to cease claiming the whole amount of profits for themselves but to leave a share to the employers so that they can accumulate a reserve capital with which to keep their business efficient and fit to compete with others on the world markets.

The realisation of this new order requires a new type of man; a new type of employer whose pride would be to serve society and to improve the lot of his workers and make them happy and contented; a new type of worker whose pride would be to become more and more efficient and reliable in his work and to be satisfied with a frugal and comfortable life, so that employer and worker could exist and work together in peace and harmony.

The sciences which will aid in the realisation of this ideal are

PSYCHOLOGY  
and  
SOCIOLOGY.  
with  
RELIGION  
as indispensable basis.

## Errors

Page	1 left	column	3. line	read	means
"	9	right	" 13. "	"	<i>increases</i>
"	19	"	" below	"	<i>intrinsic</i>
"	26	"	" "	"	<i>satisfied</i>
"	27	"	" 4. line	"	<i>throughout</i>
"	28	left	" 17. "	"	<i>people</i>
"	33	right	" 11. "	"	<i>cheque system</i>
"	35	"	" in the middle	"	<i>efficiency</i>
"	37	"	" 17. line	"	<i>classical</i>
"	38	right	" 8. line from below	"	<i>organisations</i>
"	39	"	" 16. "	"	<i>of a German</i>
"	"	right	" middle	"	<i>businesses</i>
"	41	left	" 1. line	"	<i>exercised</i>
"	42	"	" 11. "	"	<i>principle</i>
"	"	"	" 16. "	"	<i>exploits</i>
"	"	"	" below	"	<i>than</i>
"	"	right	" 25. line	"	<i>Vaat at Vereeniging</i>
"	45	left	" 31. "	"	<i>if he gets</i>
"	"	right	" 47. "	"	<i>wife of a</i>
"	47	left	" bottom	"	<i>The virtue of thrift</i>
"	48	right	" 1. line	"	<i>ordered</i>
"	49	"	" middle	"	<i>A life time</i>
"	52	left	" 16. line	"	<i>affects</i>
"	60	right	" 24. "	"	<i>of inspection</i>
"	66	left	" 30. "	"	<i>contracts</i>
"	67	"	" 6. line from below	"	<i>injustice</i>
"	76	"	" 30. "	"	<i>wealthy</i>
"	77	"	" 1. "	"	<i>originally</i>
"	79	"	" 10. "	"	<i>than</i>
"	80	right	" 25. "	"	<i>African</i>
"	81	left	" 24. "	"	<i>and</i>
"	93	right	" 25. "	"	<i>of nutrition</i>
"	"	"	" 11. " from below	"	<i>grain</i>



~~CHECKED~~  
~~1000-04~~