

Substitute for socialism

by Machin

A SUBSTITUTE
FOR SOCIALISM

or

Short Studies in
Progressive Economics

By

A. G. F. MACHIN

EMPKIN, MARSHALL, HAMILTON,
KENT & CO., Limited.
STATIONERS' HALL COURT, LONDON, E.C. 4

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INTRODUCTION

DURING recent years there has been a considerable agitation in favour of what has been called Socialism. In so far as it has been defined and practised it calls for the government ownership of the means of production, distribution and exchange. It sets out to attain this object ; it is on the offensive, and promises a practical utopia on earth as a consequence of its victory and the attainment of its objective.

Individualism, the established order that is being attacked, has, up to now, been content with retaining its hold ; it has been on the defensive and is satisfied that as long as human nature is as it is no utopia is possible : it fails to set up an ideal in contradistinction to Socialism that might attract men so that in its attainment their nature became better.

All the advantages of the offensive are at present with the socialists ; all the idealism is, at present, theirs. But surely it were wise for the individualists to take the offensive, to seek to root out what is left of government ownership and official interference and to think out and preach an individualistic utopia. Their failure so to do tends to drive all idealists into the socialists' camp, whether they agree with or whether they trouble to think about the effects of attempting government ownership of the means of production, distribution and exchange or not. It is for the individualists to attempt to capture the idealism of the socialists, to absorb whatever of right their theories possess : as for example, the economy in human labour which Socialism demands and seeks to effect.

Recently, attempts have been made, as in Russia, to bring about the government ownership of the means of production, distribution and exchange by revolutionary means.

The gruesome methods adopted in Russia and the results attained are no doubt as disappointing to the Russian communists as they are disquieting to the world at large ; but the ideal is there, the ideal of a world where no one works longer than necessary, where no one lives on the labour of another and where everyone has the largest opportunities for living the greatest possible life.

Doubtless their efforts have had rather the reverse effect to date, but in the absence of any other means for attaining the ideal, theirs holds the field : and will the historian be able to condemn them for preaching world revolution with a view to attaining an ideal world in the absence of any alternative method of attaining that ideal ?

It is easy for the eminently respectable person, in answer to the impulsive idealist, to say it is necessary to take a step at a time. No one will disagree with him, though if he were told when he went beyond the confines of his own house never to take any notice where he was going but only to look at his feet and be contented with a step at a time he might perceive that it is as well to have a succession of steps in mind when making one.

The obvious truism is that it is necessary while hitching one's waggon to a star, to keep it running along the ground, and while seeing that everything is right with the waggon and that it runs along the ground smoothly to have the guiding star of an ideal to attain.

It is natural and easy to be righteously indignant at the outrages perpetrated by the Russian communists ; it is so difficult to look behind the loss of blood and waste of treasure and perceive that in the terrible sacrificial holocaust there is an ideal for which men think it worth while to suffer. But if one takes the penetrating view, gets the X-ray photograph, and sees and adopts the ideal, and also seeks just methods of attaining it, thereby absorbing what of truth the socialists and the communists may have to teach one is removing whatever justification they may have for preaching world revolution.

CHAPTER I

MARKETS

THERE are people who talk of increasing production without remembering that to do so to any purpose it is necessary first to increase the market. They do not examine the cause of a demand for an increase of production. Yet it is the one matter of vital importance to every one in business. Where is his market? From where are his customers to come? Trade may be only a giving and receiving of goods, but they must be marketable goods.

For individuals to create a market it is necessary for them so to appreciate the use of commodities that they are willing to go to the mental, moral and physical labour of producing and distributing them, or that which will exchange for them.

Many people desire goods but are not willing to go to this length to obtain them. They lack the real, critical appreciation of their use which would give them the incentive to go to this length. Some of those who have the least property sigh the most: "Oh, what must it be to be wealthy"; but they are the last to seek to understand the use of wealth and to labour to produce it.

Many people in better circumstances are convinced that slum-dwellers need vastly more goods than they have; but do these slum-dwellers create a market for this increase of goods? Ask any typical one of them what he would do with a large sum of money, and he will only tell of wasteful and fanciful means

for getting rid of it or he will be satisfied to imitate some one else who has wealth, without appreciating the other's purpose.

After all, it is easier to be indolent than energetic : it is easier to be satisfied with labouring casually than with working steadily ; it is easier to work more with the hands than with the brains ; it is easier, even in times of prosperity, to sink than to swim. In times of depression, most of those who suffer are prepared to go without rather than go to the greater intellectual, moral and physical labour then necessary to produce, distribute and exchange.

There is oftentimes a prejudice against new uses for wealth. When automobiles were first run, or aeroplanes began their ascents, there were many people who were pitifully slow to appreciate these new things. Likewise, there are many who fail to be speedy in adapting themselves to the fresh scientific knowledge that is being constantly gathered in. Any such prejudice or dead conservatism hinders the growth of markets. If people critically appreciated new things, they would demand them, and thereby create new markets.

There are those who denounce certain forms of wealth altogether. There are those who say that advertising is waste ; they say that if demand sought supply such a means of attracting custom would not be needed and the wealth so saved could be added to wages or profits.

Advertising is a fine art of industry, and in its capacity as a fine art is a line of industry itself. True, there is a lot of wasted advertising and a lot that is ugly, but the tendencies are towards ever more artistic productions. It is a form of wealth, like food, books or trains. If it ceased to exist the incentive for it would have ceased, and the wealth so represented would cease likewise.

Advertising attracts business only in the sense that it can educate a public willing and anxious to learn. Any progressive firm is well nigh certain to seek such an educational and artistic display. It is not a case of one firm getting prospective sales of given goods from another firm, but of an enlargement of the total market that is of value.

There have been those who have denounced all wealth ; yet, in the coincidence of the ownership of wealth and its use there lies the element of truth in the religious demand for poverty. St. Francis of Assisi, while having little or no wealth himself, had no objection to the Papal use of a great deal of wealth in the expression of Christian leadership ; and which expenditure would leave the Pope as poor as St. Francis himself. Religious poverty consists in having nothing to spare. There is a use for everything and everything to its use.

Besides the one extreme of denouncing or prohibiting, certain wealth we find the other extreme of "freeing" certain wealth. Libraries, museums, parks, concerts and public meetings are often "free." If what a person gets costs nothing he will tend to value it accordingly. Both extremes are very injurious to markets.

It is such a critical appreciation of the use of a commodity by an individual that he cannot rest until he has produced it, or that for which it will exchange, that necessitates its manufacture. It is the critical appreciation by the populace at large of great quantities and varieties of goods, and consequent will to make them, that sets the wheels of industry in motion, and it is the critical appreciation of yet more goods that speeds up those wheels.

The cinema and the wireless provide good examples of how markets are made.

There existed a hope for greater instruction and entertainment by way of pictures. Science had

arrived at a point where a departure of this kind was possible. The earliest pictures shown were utilised by the public in demanding improvements which quickly came. The cinema helped to educate a public, ready to learn, in the appreciation of itself. The beginnings of an entirely new art, appealing only to the eye, appeared. The public worked to produce what would buy attendance at the cinema, and the more they wanted to attend the more they had to produce to pay for admission.

Likewise, with the wireless, though it has had an even more remarkably rapid spread. The public have had to work to pay for their sets. They so far critically appreciated the wireless that they went to the labour of producing sets or what would exchange for them, and the labour necessary to pay for the running of the broadcasting stations. Here there are signs of still another kind of art in the process of creation, one appealing only to the ear.

Every individual has a variety of things that he critically appreciates and which therefore he must produce or what will exchange for them. The greater the number and quality of those things the greater the market that individual has to supply.

To extend markets all that is necessary is for the customers composing those markets critically to appreciate more goods. To reduce a market all that is necessary is for the customers composing it critically to appreciate less goods.

Leaders of thought, men seeking to inspire their neighbours with new ideas, new aims, new activities, are helping men to enlarge their markets. A preacher may, in a half empty church, succeed in instilling into a chance worshipper a clear ideal in life so that he commences with a wholesome will, vigor and capacity to labour to produce its practical realisation, thereby creating a new market.

But does all wealth go where the use for it is

appreciated? If it does, all people do not devote their wealth to the purpose for which they produced it, for some of it is wasted. The motive that led them to produce it was not the aim to which they put it. A person will not work hard all the week to gamble away or otherwise frivolously spend his earnings. He has a good motive but falls before the snare of his own inclinations.

It may be argued that many wealthy people, though they use their wealth, have not produced it. They may critically appreciate the use of many products, but they lack the will to produce. But they get what they can use produced, and if they did not critically appreciate its use they would not demand it and care for it.

The people who inherit great portions of wealth are mostly brought up to its use. If such wealth had been distributed amongst the mass of the people, much more might have been squandered than by wasteful heirs and beneficiaries. In the matter of taking control of the repair, renewal and increase of wealth, heirs and beneficiaries have taken a very important place. And if anyone wishes to share in the ownership of property he must prepare himself to be a sound and intelligent trustee of it, to be the one who can put it to the best use, who can make the most of it. And this individual preparation is harder work than producing, distributing and exchanging under the orders of the bourgeoisie. But once the populace have prepared themselves individually to be better users of property than the present owners, are they not entitled to it?

* * * *

Once it is realised that a person has a right to make the wealth he can use, there will be a strong tendency to abolish any privileges and hindrances that may exist against his doing so.

It is common to have exclusive professions and

trades. Men and women are allowed to be priests, ministers of religion, lawyers, doctors and dentists only after passing certain examinations and paying certain fees. Thereby some practical and experienced men may be kept out and some theoretical and inexperienced let in.

It is said that these requirements preserve an ignorant and credulous public from being duped. As if an effect could be cut off from its cause ! If there are ignorant and credulous people they dupe themselves, and it is safe to say will suffer for it, whatever contrivances are set up.

To establish a privilege on the basis of popular ignorance and credulity is to do one's best to perpetuate that ignorance and credulity. The sooner the ignorant and credulous feel the effects of their ignorance and credulity, and thereby realise their own blame-worthiness, the sooner will they tend to improve themselves.

Should not anyone have the right to be what his labour denotes he should be ? And if he gets sufficient business to make his labour a paying proposition he is thereby stamped a suitable person. And if he loses that business he loses the stamp.

To be trained for a position may be and, if taken full advantage of is of great benefit ; but training is a poor criterion of fitness for a certain line of business. That depends upon the will, effort and capacity of the individual, and communicants, customers or clients can decide whether an individual possesses these qualifications.

It is to be noted that the individuals who gain privileges by examination are no more to blame for acquiring them than any other members of the community.- The public set up these privileges partly in their desire to avoid using their own discretion as to whom to put into certain positions.

In most countries, there are still many hindrances

placed in the way of particular individuals using their own property. Married women are sometimes denied access to certain positions or the right to deal with their property as if they were its independent owners. Two or more people may hold jointly or in common or communally so that no one owner can deal with his share without the consent of the other or others. A person may be an owner for life only, with a couple of trustees over him. Marriage settlements, family customs and wills are notorious for the manner in which they tie up property. All of this tends to fix matters economic: progress is interfered with; individuals are hampered. But until people have the will to use a greater liberty it is idle for them to be given it.

Also, there is much official interference with individual production, distribution and exchange, and there are reasons for thinking that this is on the increase. It is probable that officials attempt less arbitrary interference than formerly, though they have extended their range of operations.

At their best, the official governmental departments are the headquarters of great public activities, like the central offices of combines, and more and more of the control of these departments is passing to those engaged in the particular activities. The sooner this process is completed so that government officials become the servants of distinct and organised activities and industries paid out of the profits of their respective industries and organisations instead of out of taxation, the sooner will outside interference cease.

A reason for the outside interference by governments has been that the mass of the workers have, up to now, failed to make the effort and to acquire the capacity to take their share in the government of the firm, combine and industry wherein each of them has laboured; and, so, they have brought the general official government, over which by means of the

ballot box they have an ostensible control, to bear upon particular industries. However, the workers are making great forward strides in the control of their own particular firms, combines and industries, and the official government is becoming more a co-ordination and a union of these industries and less an outside imposition.

* * * *

Another hindrance to an individual's producing and distributing as he wills is in the tariff walls reared between nations. Tariffs are the expression of a lack of confidence between members of different nations ; a refusal to stand comparison with them ; a refusal to be self-critical in their presence.

The people within a nation have sufficient confidence in one another to make tariffs between the provinces, localities, parishes composing it intolerable. Interprovincial tariffs would violate the national confidence, conception and patriotism ; and it needs a racial confidence, conception and patriotism to abolish tariffs between nations ; and it needs a world confidence, conception and patriotism to abolish tariffs between races.

One of the troubles of free traders is that they are sometimes such poor traders. Not infrequently they are more obsessed by the notion that the freedom of trade means more trade than the protectionist is by the notion that tariffs mean more manufactures. At best, free trade is the freeing of the way of trade, and an increase of trade depends on whether traders utilize the way.

It may be that some nations will not drop their national tariffs until racial and world-wide industrial combines turn them into vexatious and manifestly useless items of book-keeping.

The opposite extreme to a tariff imposed to keep foreign produce out is an indemnity to force foreign produce in. During the Great War, Germany tried

to get wealth from the people she conquered, only to find how hard it was to procure. She discovered that people will not produce unless sure of the fruits of their labour : which is to be expected if the incentive to produce is to use what one produces.

Since the war, other nations, trying to get reparations out of Germany, have found out the same truth. It is impossible to extract from another people unless they appreciate that they owe it—that is, appreciate the use to which it is to be put.

* * * *

There is another and very severe restriction upon any individual needing to produce or use articles that are protected by patents, copyrights or trade marks. Anyone setting up in business for himself is debarred from using or making products so protected.

When a new machine or a substantial improvement to one is invented, or when new methods of working are devised, or when a new book is written or other work is originated, it is common to patent or copyright it and allow but one firm to make it or utilise it for a given number of years. To do so means that all other firms are excluded from its use, and instead of drawing a royalty from all who use it, the originator draws a royalty from only one ; and he has perhaps to consider himself fortunate if he succeeds in getting that.

The firm which has the exclusive use of a patent or copyright has a monopoly of it, and a correspondingly privileged position in the competition with other firms. If any and all firms were allowed to use any and all patents and copyrights on paying to the originator or creator the market royalty, all would have a correspondingly equal opportunity.

It is true that energetic firms often have many patents of their own and that in the long run the patents of one energetic firm may be about equal to those of another firm ; but it is a hardship on

beginners not to have the full opportunity to use the latest and best ideas, and a hardship on every firm not to be able to use the patents of other firms.

Furthermore, if all firms could use all extant patents, it would be possible, by combining them, to develop machines and methods that partook of the advantages of all patents and the disadvantages of none. Automobile manufacturers, retaining what was best in their own work, might add that which was best in the work of their competitors ; of course, on paying the royalty. Automobiles combining the advantages of all and avoiding the disadvantages of any might be made, and made by the best-known appliances and methods.

The overwhelming importance of freeing patents is recognised when one considers that to supply increased markets it is essential to produce more goods in less time. Patents restrict not only the use of commodities that the public consume, but the mechanism for making those commodities.

And to make an increase of commodities to any purpose there must be time to use them on the part of those who are to buy. It may be their leisure hours are fully occupied, and if they are not their working hours will tend to increase. One cannot have a vacuum in one's life, though it is possible to be so lazy as to require very little to do to occupy either one's working or leisure time ; but in so far as one acquires an additional interest in life, some time is necessary to enjoy it, and if one keeps on acquiring more and more interests in life, one must inevitably get to the point where it is necessary substantially to reduce one's working hours to provide time for these manifold interests.

Inventions that give the opportunity for an increase of production in less time are the very means whereby time can be provided for the use of additional commodities or services, and to restrict the use of

inventions is to interfere with this vital necessity for reducing hours of work to allow time for greater and more varied activities.

In the case of trade marks, anyone ought to be able to use them, but only on making the article actually known by the mark and paying the originator a proper royalty for its use.

And this applies to a person's own name as well as an artificial trade mark. A person with the name of "Brown," making his name famous as a manufacturer of chairs, might rightly find his name copied and his chairs made by anyone else on their paying him a royalty. Such a private name has become a trade name.

An effect of these arrangements would be an extension of the amalgamation of firms and businesses, while at the same time giving greater opportunity to any individual to start for himself. One of the greatest advantages of being in a combine is that one can thereby employ the best methods of the whole combine; and one of the biggest supposed advantages of staying out is that thereby one can retain any particular patents, copyrights or trade marks held.

CHAPTER II

RENT

There are differences in the return which nature yields to the same measure of labour and capital. The economic expression of the differences is rent.

These differences may be of "quality" or "location." Two fields may, under existing methods of cultivation, have different "qualities" of soil: two fields may have almost the same "quality" of soil, but one may be much nearer the existing market than another. These differences are represented by rent.

The poorest use of nature provides no rent. It will provide profits on labour and interest on capital, but there is nothing left for rent. All the nature in use above the poorest that can profitably be used provides the difference between it and the poorest.

But might not the poorest nature in use at one time be out of use at another? Might not men leave the poorest and go to the better? It may well be that where there is more than ample nature available the use of which is generally known, as in a new country where there are immense tracts of agricultural land, men will seek the most productive and neglect the land of equally good location but less productivity, and later come back to the less fruitful. Rent is not only the difference between those portions of nature in use which are the least and the most productive, but it is the difference between the nature, the use of which provides, or would provide, only for the renewal of and interest on the capital invested, plus the profit or wage on the labour employed on the one hand, and the most productive

nature in actual use on the other. The poorest nature that can be used is that which provides only the renewal of and interest on the capital therein invested, and the profit or wage on the labour employed. If it did not produce these, men could not live on it, except in a stationary civilization where each man might only need to make a profit and enough to renew his capital. As soon as a portion of nature produces for the same expenditure of capital and the same application of labour a greater return, rent comes into existence.

The provision of rent is useful in order to make human produce comparable. By cutting off the irregularity in the returns that nature makes to the same capital and labour production equates their application.

It is noteworthy that the differences in the productivity of nature are not differences in the nature itself, but in the human use of nature. They are echoes from our own labour. One piece of soil or one mine is more productive than another when used as the owner or tenant uses it. If he improved his knowledge of how to use it perhaps the less productive nature would become the more productive.

It is common to speak of rent as the difference in the return which various portions yield to the same measure of capital and labour. It is said that rent is the difference between the poorest nature and the best nature. But no two persons could agree as to what is the poorest nature! Every person has his own use for nature, and what is poor to one is rich to another, and rent is the difference between the return which two pieces of land or nature will make to the same person by the application of the same quantity of labour and capital.

When one person, working on a certain piece of soil or in a certain mine, imitates another, there is almost bound to be a less productivity on his part.

He does not adapt himself, does not learn and create. He is trying on one portion of nature the ideas that are successful on another, not what will be most successful on what he has.

Rent may include sums not popularly called rent, and exclude sums called rent. It will include so-called mineral royalties and exclude so-called rent from house property or land improvements and which is an interest on the wealth so invested. In urban areas, where long leases are granted, the genuine rent may often coincide with the ground rent. It is possible for the sums that are paid by lessees by way of ground rent to be larger or smaller than this economic rent, for the rents paid by tenants while, as a rule conforming with this principle, are not made to do so in all cases.

Moreover, rent can be provided whether the user of the nature is the landlord or not. The farmer owning the farm he runs provides the rent on the land—or ought to; though, unfortunately he may not always account for it; he may neglect to discover its purpose and to devote it to that purpose. But it is the will strictly to account for rent that, to some extent, explains the persistence of the division of the position of landlord from that of tenant.

What is the purpose of rent?

All produce is made from raw material that has been extracted out of nature's resources; and any enlargement of the area of nature so used adds to the nature subject to rent; that is, subject to comparison with the poorest that can at the time be used.

Any increase in the production of wealth, calling as it does for an increase or intensification in the use of nature, adds to rent. To find the cause of the increases in rent is to find the purpose of rent.

The processes by which we increase production, whether of an increased quantity of goods or an increased variety of goods, are processes, the discovery of which should be paid for out of rent.

Every considerable firm finds it necessary to have its experimental department, with the object of making increases in the variety of its productions or improvements in its methods, and there exist many societies for experimental and research work and speculative discussion in many walks of human activity. And to a greater or less extent every individual individualises and originates.

Rent from nature is provided to supply the cost of the implements and materials used in this pioneer work of creating the new, and to construct buildings to shelter those devoted to it, or to pay their bare expenses if travelling, and to feed and clothe them.

In order to leave as much as possible for the actual implements and materials, it is necessary to have the buildings, food and clothing as inexpensive and plain as possible.

No salaries can be paid out of rent, for nothing has been earned. If any of those engaged in this pioneer work meet with success they will be entitled to a royalty on their work, but not until.

The structures in which this work might be done (monasteries in the true sense of the term, and of which the monk Mendel may be said to be the modern prophet) might rightly be supported from out of the subscriptions of rent owners. Some of these owners might doubtless spend a portion of their rent on their private endeavour along these lines and transmit the remainder to the monastery.

To supply the varied walks of modern life, these monasteries would have to cover a much wider range of activity than they have done in times past, even at their best. They would have to include every line of activity, whether of art or science.

With the recognition of the purpose of rent, there will be a strong tendency for the tenants and those who extract from or labour on nature to suggest and decide exactly in what observation, experiment and

fancy it shall be spent. Indeed, the rent paid by each user will be decided by his use of nature and the better the use the higher the rent, for the greater the distance from the poorest that he can use. The best users of nature experiment the most, and they have or should have the most rent to pay for it. They are the persons having the most use for wealth and calling for the greatest production; they are the most creative persons.

It is surprising that men have not more earnestly sought for the purpose of rent. The fact that it is so universally paid suggests the existence of a corresponding purpose.

Tenants have not paid rent simply because landlords call every Monday, or because they have been given a dinner twice a year; nor because a statute or custom declared that landlords had to receive it. The tenants could have had, and doubtless did have, just as much, if not more, to do with the making of any statute as the landlords. And if men have a substantial reason for objecting to pay any sum, they have a habit of not paying, as in the case of a tax felt to be really unjust.

There must be a purpose for rent, and though the rent paid may be diverted from its purpose there must be an incentive for its payment; no less so because rent has been mixed up with the other resources of the recipients and the community and because only out of this general mixture has the purpose of rent, research and experiment, been pursued.

The folly has been in the failure of men to see to it that the rent they paid was devoted to its destined purpose.

Some publicists have felt the inconsistency of rent being spent as if it were earned by the sweat of the recipient's brow, and, groping after some solution have thought of taxing land values (which might only have the effect of diverting rent from one improper

object to another possibly more improper object), or they have thought of the nationalization of land by purchase, forgetting that they are thereby making the people of a nation buy the land for the officials to own.

Officials are not susceptible to the same progressive motives and tendencies as are private owners, and for an official oligarchy to own all the land of a nation is to invite industrial strangulation. Nothing is more likely to tend to fixity.

The aim is to free land, to make it instantly responsive to every progressive movement of every individual member of a community.

A monastic order which devoted all its rents to research and experiment, being the very spender of the money so obtained, composed of individuals feeling most keenly the creative impulse, would be the most progressive superintendent of land.

If all nature is liable only to a rent, and if that rent is due to go to research and experiment, it behoves all those interested in these activities, and everyone to the extent that he or she is thus interested, to influence the superintendence of land.

The official governments are at present the most likely popular institution to establish such a superintendence, but the less the officials of the government have to do with it and the more control by those who use the rent, the better.

And here a safeguard is needed. A superintending organisation might try to hold land out of use, or insist on an exorbitant rent. It is for them to accept the highest rent obtainable, whatever that is: and to receive, as profit, a commission for their trouble.

Nature not having been made by any man, might be said to be incapable of being logically owned in the sense in which the products of human hands and ingenuity are owned, and it were well that no organisation, institution, or person, set up any claim to control over nature other than to accept the highest rent that anyone will offer for any portion.

CHAPTER III

INTEREST AND PRICE

It is strange that with a matter so common as the provision of interest on principal there should be any doubt as to its cause and purpose, but it is fact that no cause for the provision of interest has yet been declared that has been accepted as final by the general public. Moreover, there has been little inquiry into the purpose of interest, and which may explain the unsatisfactoriness of the suggestions that have been made as to its cause.

What purpose is there for the user of capital or the borrower of a loan or the tenant of property to provide an interest on it ?

It is considered right to repair property of any kind when damaged. Likewise it is considered necessary to renew property when it is worn out. But what of the increase in its quantity, quality and variety ? Population increases, and the uses of wealth per individual increase : what is the means provided to meet this increase ?

And when we talk of the renewal of property, do we not mean a renewal with all the improvements that have been invented and developed in the meantime incorporated ? Indeed, how long is an article meant to last unless it be until such time as these improvements to it have thrown it out of date ? Do not the very renewals of property depend on the improvements that are made to it ?

What is the fund provided to meet the cost of increasing the quantity, quality and variety of what we have ?

Interest is, in fact, an addition to capital and in

the continual demand for an increase of capital there lies the purpose for it. If interest is destined to be expended in the increases to principal, it follows that interest is the economic expression of such increases. Increases in the uses of wealth call for an interest to pay for them. Having spent rent in the invention of new uses, interest is provided to put these uses into practice.

If interest on capital is provided to meet the demand for increases of capital, we can account for the fact that users of capital pay interest and pay it willingly.

Merely because it is said that Mr. So and So owns a lot of capital is no reason for users working to pay that gentleman an interest on it. The necessity for the provision and payment of interest is not surmounted merely by saying that Mr. So and So shall cease to be the owner of the capital.

Moreover, Mr. So and So's ownership itself must rest on something. The very statute or custom that gives him the ownership exists because there is a reason for his ownership. Interest may be paid to him because of that reason, but certainly not because he happens to be called the owner.

Some economists have said that interest is due because capital is commonly lent out. The lender, by lending his capital, helps the borrower to make his labour more productive. It is difficult to see what else the capitalist can do, unless he worked with it himself, in which case he will still provide an interest on it in all probability.

Some have said that interest is the reward for saving. As if spending money in capital uses were a virtue, and spending in final uses the reverse. If too much wealth was saved, there would be too much of such virtue, when the more virtuous action would be to spend in final uses.

If interest on capital is destined to be used in the increase of capital there is an ample purpose for its

provision and payment, though humanity may not have been wise enough to earmark it for and put it to its purpose.

If this is the purpose of interest it is due on all property, whether invested or lent or used by its owner, and in respect of which progress is being made. It is due on capital wealth and on all other wealth (and which we here call final). The capitalist should increase his capital wealth, his factories, machinery, utensils, by his interest on it and all workers should increase their final wealth, their dwelling house, furniture, food, books, automobiles, and all that in which they spend the profits of their labour by the interest on it. Indeed, the profits of their labour are but the funds whereby they repair, renew and increase or improve the final wealth they use.

The capital investor who fails to put back into capital the interest he receives is diverting that interest from its purpose ; and if he lives on it, is he not laying himself open to the charge of living on the labour of others ? Let everyone who can work, work. He may be a millionaire capitalist, but if he is physically capable of working, why should he not do so ? If he does work, is he not entitled to all the profits of that work, even though those profits make him a millionaire. And is not he who misuses his wages, or a portion of them, as much in the wrong as the capitalist who misuses interest on capital, for is he not wasting interest on final wealth ?

The capitalist millionaire may be wholly occupied with the investment of his millions, in which case he is entitled to a profit, salary or brokerage on his labour, as a large landowner is entitled to the profit or commission of a land agent if he manages his own estates. And if he is a creative genius, his profits may be huge. But the interest on his capital is destined for another purpose.

Care must be taken to distinguish between

accumulated profits and capital. Within certain limits, mentioned hereafter, it is possible for a person rightly to accumulate his profits, and in the topsyturvy world in which we live, the owner of accumulated profits may, until he needs to spend them, invest them in capital uses ; but if it is conceded that all increases of capital are really only interest there is very little capital that consists of the investment of accumulated profits, and that only a temporary, fluctuating and disturbing quantity, other than what is provided for sickness and old age, and which were better used in the purchase of insurance and annuities.

It is remarkable how much of what is paid to investors as interest finds its way back into capital. Some farmers improve their stock, some manufacturers increase their machinery, some shareholders save up and re-invest their dividends. And if interest on capital is mis-spent, it does not follow that capital additions go short by exactly that sum. Some of it is made up for by subtractions from other funds, but some is wasted and lost.

Some people who live on their interest from capital live useful lives. Some politicians do so, but as their speeches are not sold (forbid that we suggest that they are not worth a substantial price) they do not make their business a paying concern. Because they fail in this is no reason for their raiding interest on capital to make up the deficiency.

But what are people who are accustomed to living on interest on capital to do? If the suggestion in this book is correct, they ought to invest their capital, or a portion of it, in such a way that they can work with it to make not only interest, but profits.

But, who would blame Charles Darwin for living, during many years of quiet investigation, on unearned income in a world when economic rent had found no purpose of its own? But if he had not

been so fortunately placed, he would have had to work for a living and would probably never have saved enough out of his profits to provide for his wants while he pursued the observations and experiments he loved, and which have been of such immense advantage to mankind; inconceivably greater than the paltry amounts of money he received, and on which he lived. And it is for all those living on interest to be very sure they are contributing by their labour at least the equivalent of what they are taking out as interest, besides trying to educate humanity to make other and proper provision for them.

It may be said that to devote interest on capital to its purpose would be to dry up the source of charities and of much taxation. To the former contention the obvious reply is that institutions that depend on charity might the better be self-supporting and would be well employed selling their products or services and making a profit. Of the latter, it can be asked, is it to be supposed that progress stops because of the incidence of human taxation? If interest is required for progress, and taxation garners some of it in, will not those receiving the interest charge more to make up the loss? To exempt interest on capital from taxation would help to show who does pay taxes.

Because interest is to be expended on the increased quantity, quality and variety of the property in respect of which it is provided, it does not follow that the directors of concerns should take out of the hands of shareholders the work of choosing investments for their interest. That would tend to restrict the range of investment. Furthermore, no capitalist is bound to put his interest into any one investment; and he can always sell his investment and re-invest in another.

It is rather for the individual shareholders to consult with individual workers as to their investments.

The public have had confidence in the shareholders, and it is vastly more probable that the public will transfer their confidence to the many workers than transfer it to the few directors.

Wherein lies the advantage to the workers of the increases of capital that take place? A man with a machine will produce more than a man without one, and take less time over it; a man with an improved machine will make still more and take still less time over it; the better the machine the more productive the labourer and the less time he will have to work. The increased production will not only be sufficient to pay for the repair, renewal and increase of the capital machine, but will allow more in profits and more time to enjoy them.

Unfortunately, the increased returns from improved machinery pass first to the capitalist owners, and it may take time before the worker gains an added return, and even then it may not come to him as the direct result of the machine or its improvement.

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The price of an article is the critical appreciation of its use and the consequent will to produce it, or what will exchange for it, expressed in terms of money, that is, in the last resort, made of gold, itself subject to whatever affects price.

The greater the critical appreciation of an article by a person the greater the price that person will pay for it; the less the critical appreciation by that person the less the price he will pay for it.

But, exactly what do we mean by the critical appreciation of the use of an article? It is one of those rather high-flown phrases that might cover only a confusion of thought.

We mean a will, vigor and capacity to repair the article in question, to renew it when it is used-up, worn out or out of date, and to increase its quantity, quality, variety. In other words, the use of an article consists of its constant improvement.

There is no virtue in merely being satisfied with anything that one has. To be so is to be intellectually slothful.

There is no value merely in the preservation of anything one has, even a work of art. Whatever praiseworthiness there was in the effort to produce it attaches to the labourer, but there is no value in that. The work of art itself is but the expression of his labour.

Neither is there any value in the renewal of an article. That only leaves matters as they were. The value lies in the advance that may be made from it, in the fact that it provides a stepping-stone to an addition, an improvement, a variation. The value lies in the creative element, the element of originality, in the progress. The value of a work of art is in its usefulness to would-be artists in assisting them to produce works of their own. The value of any product is being able to go one more, or one better. The price of that product is the increase or improvement which a person estimates he will make to it. It is the measure of progress in terms of money.

But this price is qualified by the price of, or progress being made from the average of all products.

Why should the average price affect the price of any specific article ?

An essential element in progress is variation ; indeed, it often appears to be the chief element. There is an advantage in progressing along as many ways as possible, and it is but right that the progress being made along the majority of the lines of human activity and the progress made along any one line of human activity should inter-act upon one another.

In terms of economics, people will seek to manufacture that which pays best, that which sells for the best comparative price. Money will flow from the making of a product that is paying only as well as the former average to the making of one that is

paying better than the former average. The motive, however, is not selfishness, but the search for the greater progress. In so far as the progress from the product sought after raises the average, it will depreciate the price of that one only progressing at the old rate.

The relation of progress or interest and price is well seen in the case of stocks and shares. Their market quotation is the capitalisation or principalisation of the annual interest provided on them ; or, to be more correct, the annual interest is the proportion of the price which is provided each year.

All capital does not provide a regular, annual interest. Some speculative enterprises provide an enormous sum of interest for a year or two and then none at all. The price of a capital investment is the total interest that is anticipated, in terms of money, modified by its relation to the interest paid on the average investment at the time.

The annual interest paid on any stock may rise and the price of that particular stock fall, or the annual interest may fall and the price rise. More often, the price rises as the interest rises and falls as the interest falls.

If the average rate of interest from all investments rises, any investment only paying the old rate will fall in price. If the average rate of interest drops the price of any investment paying the old rate will rise.

For example : 'A' owns £100 worth of stock in a mill and the interest he receives drops below the average rate of interest in the community ; the result is that the value of the stock drops below £100. To raise the price of the stock above £100 it is necessary to raise the rate per cent. above the average paid in the community. But if the prospect of a big future interest outweighs the receipt of a small present interest the stock will not fall. Conversely a small future interest can outweigh a large present one.

In order to increase existing wealth, it is necessary to repair and renew it. In so far as repairing and renewing existing commodities assists in the increase of their quantity, quality and variety, they are beneficial, and the price of a product provides not only the means of increasing upon it, but necessarily of repairing and renewing it.

In the case of a people standing still, or retrogressing, prices will be low, for the only value there is in merely repairing or renewing what one has is in the promise there is thereby of an increase. However dim that promise may be, and it is very dim in the case of a people actually in a condition of retrogression, as long as there is life there is hope. Progress is the immediate purpose of life, and where there is life, human life, there is a chance of progress and consequent interest and price.

Even in neighbouring towns, or even quarters of a town, where the progressive movement differs in pace and prospect of pace, prices differ. In the more progressive town or neighbourhood or quarter, the prices will tend to be higher than in the adjacent less progressive town, neighbourhood or quarter.

But, do not shortages and surpluses of goods affect their price? There are undoubtedly changes in price following upon shortages and surpluses of goods. On a shortage prices rise. Production has to be speeded up to make up the shortage. Prices and interest rise, which interest is destined to be spent in providing the capital necessary to increase production. Or, if there is no shortage, but there is a breakdown in distributing arrangements, prices will rise to provide the capital necessary to improve those arrangements.

On a surplus occurring, prices drop. More goods have been made than are justified, prices and interest drop and production declines.

It is often said that where there is a surplus of

goods the price drops because everybody who is prepared to pay a price that is profitable to the producer is already satisfied or satiated, and being satiated they will give less for any more. A more correct way of putting it would be to say that the market is equivalent to the available money to pay for it, and if there are more goods than required, this amount of money has to go round. But, surely there is a more intelligent reason than that consumers are satiated, or there is some reason why there is only enough cash to buy a sufficiency.

Prices dropping, interest on the capital invested in manufacturing the produce of which there is a surplus drops and the rate at which production is increased, or even for the time being the very quantity produced, may decline.

Similarly, on a shortage, prices rise, not because people will give more for less of what they want, but because it is necessary for producers to have more interest on their capital invested in the production of the straitened commodities, which interest those receiving it ought to put back into capital to increase production.

Likewise, where society raises its rate of progress, increased interest on capital and increased prices are necessary.

All this is an interesting commentary on the popular cry against rising prices. People explode against the rise instead of directing it into proper channels.

But the price does not increase equally with the shortage, nor decrease equally with the surplus. If a monopoly reduces its production by two-thirds, it will not receive for the one-third what it would have received for the whole sufficiency. On a manipulated shortage the public will tend to refuse to pay any increase in price and will go without first; so much so that any manipulation will cause a loss of

trade that will more than make up for the added price secured on those articles that are sold.

The rise in price on a shortage is paid in order to provide the capital necessary to produce a sufficiency. If a firm has the means to provide enough and fails it is not entitled to a rise.

On a genuine shortage, the price will rise and continue high until the required capital is obtained. As it daily comes in, the producers can use it, and they could not use it faster than it will come in.

Further, this is all the public have provided themselves with. It cannot be said that on a shortage of flour the public will have provided themselves enough to pay for a sufficiency of flour. They will have provided enough for what flour there is and for the capital needed to increase production.

Any shortage in one line will tend to reduce production in those lines that will exchange for it. The shortage of flour tends to a less market for flour. But the shortage of flour has meant an increased demand for capital machinery necessary to produce a sufficiency.

It is calamitous that these movements arise from almost sub-conscious motives. People incline blindly to submit to the laws made for their benefit, and, submit though they may, talk against them. Humanity is still almost unaware of its own motives and springs of action.

The purpose of much speculation is to avoid shortages and surpluses. Speculators judge whether a shortage or surplus (with its rise or fall in price) is threatening, buy to hold in the former instance and sell in the latter. Even the rightful speculation during periods of rising prosperity has been of this order. A period of increasing prosperity is a period of greater demands and threatening shortages with consequently rising prices.

Nevertheless, to the extent that their prognostications are correct, do they fail to mature. The speculator who buys goods to hold them, believing a shortage is coming, will to that extent have provided against the shortage. Never buy in the cheapest market or sell in the dearest, was the saying of a famous financier. It is the only way for the speculator to be successful.

But surely if a high price is to provide capital for making more of the article bought, such capital should not be distributed to shareholders for them to invest in other lines of business. This is obviously so unless other people are investing a correspondingly increased amount in the needy industry. If all interest were carefully re-invested the amount required would tend to go where it was needed. Furthermore, if the workers owned the share capital of the firm where they worked, the tendency to invest just what was required would be much stronger.

* * * *

But have not men interfered with the operation of these rules governing prices? They have, and in more than one way.

By their unholy manipulations with currency they have succeeded in falsifying prices. They have issued currency in which they rightly lacked faith, or they have issued more currency than was warranted. By this lowering or multiplication of currency the prices of all things other than currency have risen.

Also, some firms profiteer, or pay higher wages than their normal sales permit, and charge more for their products or services than are warranted. The firm that does this will lose more by its decline in sales than it will gain by its rise in price. It is hurting itself, and that even though it be a complete monopoly. However, people often hurt themselves in attempting to gain an advantage without earning it.

When all business is linked up together into one great economy, to raise the prices of any articles arbitrarily will very manifestly be hurting everyone concerned.

On the other hand, there are members of the public who sometimes get hold of more currency than they have use for and are willing to pay more for things than they are worth, and it is quite possible that a wave of extravagance will coincide with a wave of profiteering.

In such a case, those who gain the wealth so recklessly spent will find it slip through their fingers or will hoard it.

They have no use for it and they will make no use of it.

Some firms charge less than they should. They think that they can thereby gain trade. They appeal to those greedy or indolent people who want more for less, forgetting that they can only charge less than is just for a short time, and that custom thus obtained is fickle and that steady and intelligent customers will be upset by their vagaries.

A rightful competition of price is the liberty to charge the right price ; and the opportunity for any individual to set up in business for himself and to charge the right price for his goods (whatever other people charge) is an essential element in any sound society.

CHAPTER IV

PROFITS

A PERSON is entitled to the use of what he critically appreciates, and he will have the incentive to produce it or what he can exchange for it. If he appreciates more final wealth than capital wealth he is entitled to more.

And the person who critically appreciates the use of any article, capital or final, sets to work to produce it or its equivalent. And the more articles he critically appreciates the more he will make, and the more he must make to supply his wants. Moreover, he must make them in less time in order to have time wherein to use them. To produce more and especially to produce more in less time, demands that his labour be creative.

If he requires a large range of commodities to supply his uses he will seek to assist other people in making their labour more productive by inspiring them with incentives, supplying them with inventions, introducing to them new methods of organisation, so that they will be delighted to supply him with a correspondingly large profit on his labour or spending income.

The ordinary, low paid labourer, has little originality, little creativeness. He is not only satisfied with comparatively few things, but his cottage is devoid of architectural features; tasteless furniture and clothes satisfy him. And his labour calls for very little creativeness, or even intelligence.

But anyone who has a great use for a product will find he will require an article different from that of other people if the article is expensive. He wants,

not only a larger house, but one conforming with his own ideas : he wants furniture different from that of anyone else, and he will need vastly more of the cheaper things. In his case, there is greater originality and creativeness, and his labour will correspond.

Within a business concern, the workers, in the main, are paid in accordance with their creative endeavour. The workman, the foreman, the manager, the superintendent, the president, find their salaries decided thereby. Likewise, the retailer, the local wholesaler and the importer find their turnover and profits vary according to the same element.

It is their productive originality that counts. Can they create improved methods of business, or work those they have to better advantage ? Can they introduce new lines of business or improve those they have ?

And it is these creative individuals who have most use for wealth.

People who have created many uses for wealth may take up a profession that, in its higher reaches, is highly paid ; and such highly paid work is strongly creative. The legal is, or should be, such a profession and, strange to say, its highest reaches are not always paid in accordance with the creative element therein, and which is very considerable. Clients can afford to pay large sums to have difficult questions judged, and it is unfortunate that those who judge should not get the lion's share. They do not get what is their due and what they can use.

It is in the creative element of labour where the real hard work lies. The mental toil of creative labour that is highly paid bears no comparison with the mere drudgery of long hours that is low paid. The man who works twelve hours a day, six days a week, for a pittance per hour may not be a hard worker at all. It is possible that he gets more than

he deserves, while the man who works a third the time and who gets one hundred times as much may be getting less than is his due.

Inventors, artists and business men creating valuable trade names often receive more or less than the share that is their due.

It is not uncommon for a creator of an original work to sell it to another for a small sum or to allow one person or company of persons to use it on paying a fixed royalty for a given number of years. Anyone might as well sell his right to receive the profits or wages of his labour as sell his right to this royalty.

The author of a book may spend months or even years writing it, with no profit immediately attached to his efforts, and the royalties he later receives, if any, are as the profits the creative business man received from his transactions.

Leaders in life's many activities are entitled to enormous profits, for they have to express their leadership in a corresponding display. They will have many and large calls upon their purses, and they must be correspondingly well filled.

It might be thought by some that this treatment of labour's economic position arises from a confusion of wages with profits.

Land demands its rent, capital its interest, and labour its profit, or wage. If the labour is working for itself we customarily call it profit, and not a few publicists mix up interest on capital with profits. If the labour is not working for itself we call its gains a wage. But whether a labourer works for himself or a master, the labour receives certain economic fruits, and we prefer to employ the independent word "profit" instead of the dependent word "wage."

There is a prevalent opinion that there exists a vital and unfortunate difference between masters and men, employers and employed.

The antagonism exhibited by many workers to

their employers is evidence that they feel their own position to be misplaced, if not altogether wrong. This dissatisfaction is very hopeful for the future, and doubtless they will remain increasingly dissatisfied until wages, as a payment for labour, cease to be.

Every individual is entitled to produce whatever he can use or that which will exchange for it, and as the wants of one individual are to-day so many and varied, and as they become still more numerous and varied, so will people become increasingly engaged in making what will exchange for what they need. Not until the profit of every worker, be he president of a great trust or the smallest paid hand, depends on the value of his product from day to day and hour to hour, instead of some imaginary labour value, will the workers be independent and realise they are receiving profits, and not wages.

There is a fear on the part of many workers of the changes involved in all progress. Inventions may throw them out of work and will at least demand of them that they adapt themselves.

Some workers desire the appearance of security that comes from fixity instead of the real security that comes from committing themselves to progressive endeavour. An increased demand precedes or coincides with an increased supply. It is the increased demand or the prospect of it that requires the inventions that are necessary to make the increased supply. Inventions give men the opportunity to make this increased supply, and in less time. A worker may, instead of doing a certain job himself, have to look after a machine that will do it vastly quicker than he ever could, and which in the long run will mean larger profits for the labourers and shorter hours all round.

Some writers suggest that inventions have made a lot of monotonous jobs, such as feeding machines.

Once a job becomes monotonous, merely a mechanical repetition, it is possible to create a machine to perform it. The only advantage of a division of labour is that thereby the work is divided up into its component parts, so that machines can be invented to carry them through. And as machines become more and more efficient the work of manufacture will be but the work of looking after, repairing and improving the machines performing their several tasks. Mankind will be mostly mechanics.

There is prevalent in the world to-day a certain sloppiness of thought, which often, by some strange freak of human infirmity, calls itself Christian, that gives expression to a request for a "fair" wage, or "living wage." As if there were any value in labour! As if everyone did not get a proper return to his labour by the fact that it is a magnificently healthy exercise; as a daily exercise more healthy than the sports we pay to engage in.

The very term "profit" that we use, indicates an addition, something over and above, in excess, and whatever labour gets, whether the labour of leading industrialists or of floor sweepers, is a gift.

What we receive is surely only what we can use, and the use of which we so critically appreciate that we never rest until we have produced it, or what we are not ashamed to offer in exchange for it.

The Christian direction to the rich man who loved wealth was to get rid of it; and to the poor man, having little, was to have even that little given to the wealthy man who could, presumably, use it better.

The rightful profit to labour is well expressed in the parable of the master who employed some men for an hour and some for a day, and gave them all the same profit. Each could use the same.

Many very well intentioned people, not necessarily professing Christianity, are vastly concerned with the question of how to increase wages, and

being only so concerned, drift into an ardent plea in favour of a more equal distribution of wealth. Being apparently unwilling to make the effort necessary to increase wealth, they seek to take what another has apparently got.

The amount by which wages could be increased by a more equal distribution, after supplying the increased capital constantly required and the needs of those engaged in research and experiment, is ridiculously small, as anyone can find out who studies the figures. These would-be reformers succeed not only in not getting even this ridiculously small increase in wages, but, by ignoring the only way in which they can be substantially increased, (that is by the populace so far critically appreciating uses for more wealth that they increase their productivity accordingly) they tend to defeat the very object they have in mind. They make the ghastly error of being more concerned with wealth than the use of it.

CHAPTER V

RIGHT OF USE

EVERY article may nowadays be said to have three prices : (a) the price it is worth to the present owner ; (b) the price it is worth in the market ; (c) the price it is worth to the best user. The price in each case is what the owner or buyer can make by its use, what interest he can add to it, how beneficially he can use it.

If the present owner of a given article is not producing much interest to be expended in additions and improvements to it, his price is correspondingly low. Others may be able to make more use of it ; and it is possible that the one who bought an article in an auction room against the bids of many others, may consider he has secured a bargain, for he may be able to make so great a use of it as to justify an even higher price.

In the most progressive society, the owner of property would be its best user. Anyone not using his property to the best advantage could be bought out by a person willing to give more for it. The purchaser need not give what it is worth to him, but if he will give more than it is worth to the present owner it is his. If, later, he failed to make the interest required to justify his price he would have made a bad bargain.

The owner who has been bought out would have to seek for other property to replace what he had sold. For his backwardness he deserves this inconvenience, though he would have the solace of a profit.

In the case of land and nature generally, the person entitled to use any portion of it is the person

willing to provide the highest rent. And any user of nature would be ousted by one offering more, but in an average case he would have to agree to pay an annual rent for a period equal to that which was required for interest at the average rate to equal the capital invested, say fourteen years, or he would have to pay a sum for the period. Large numbers of leases might be only for seven years, while in the case of building leases the period might have to be for forty-nine years, or even longer. In a building lease it is necessary to judge how long the building will last before it is out of date and needs rebuilding.

It might be that a would-be assignee of a lease would give a substantial sum for the assignment. Such an assignee must also give more for the building on the land, more for the goodwill of the business carried on upon it or the mine beneath it than it is worth to the lessee. If he is so willing he is entitled to the assignment.

There have been many discussions concerning the relative advantages of having property owned and worked by one and the same person, or owned by one person and worked by another. The advantage of the dual position has been that a person working the property could be supplanted by a better worker ; and the advantage of combining ownership and user-ship has been that a user could not be removed by an arbitrary landlord, capitalist or mortgagee.

Both these advantages can be secured by combining ownership with use and giving full opportunity to a better user to buy.

But how are we to tell whether the price offered by a would-be user is higher than the value to the present owner and user ? The value to the present owner is the principalisation of the interest he is providing on it. It is necessary to find out how much interest the present owner is providing. By how much is he steadily increasing his wealth, and how

much of this increase can be allotted to each article he possesses? To find this would require strict book-keeping by each individual. The value or price to him of the total property, movable or immovable, that he owned might be publicly quoted at a parish exchange or bank, and his own books of account could show the price of each article he possessed.

Until such a thorough and detailed system were in general vogue it would be necessary for valuers to estimate the value of an article or property or shares (wanted by another) to the person owning it. It would not be a case of what is its market value, but what is its value to its possessor, and it would be for the would-be owner to give that price plus a profit over to acquire it.

Every person dealing, whether a merchant or one who buys only to hold, is entitled to a profit on a re-sale. He has in fact traded with the commodity or property. And if his next-door neighbour has a greater use for his property the neighbour is entitled to it on paying its value plus a reasonable trading profit, such a profit as the owner could expect to make if he were a most willing seller and the purchaser a similarly willing buyer, and such as is usual with the class of commodity or property in question.

Many dealers, especially in immovable property, mistake an increase in value with a profit. If, during the time they own, the value rises and they sell at the higher value, they have not made a profit. There may be a capital accretion indicative of a shortage in the property, and which ought to be invested in the production of the property to ensure a sufficiency, but this is not a profit. The profit is that which the dealer makes irrespective of a rise in value, and a trading loss is irrespective of a loss in value. The profit may be 2 per cent. net or 25 per cent. gross, but whatever it is it has nothing to do with rising

values. It is very common for a business man to mix up these items. A common method is for him to make a useful profit and then find that his stock has so far depreciated that his profit is seriously reduced. What has actually happened is that a portion of his profit has been transferred to capital to make up the loss in capital due to his depreciated stocks. The better way to make up for any capital depreciation is to make a capital appreciation.

Suffice it to say that the vendor losing his property because another can make a better use of it is entitled to be paid not only such price as represents the use the property is to him, but an average trading profit on such property in addition.

In times past a wise owner has always been willing to sell when offered slightly more for an article than it is worth to him. But there have been many who were not wise ; and when it becomes the rule to be wise, owners will anticipate buyers by quoting their prices.

A common example of the hardship arising from the lack of capacity on the part of progressive individuals to buy out a less progressive owner is when the owner of an energetic firm has to buy house or shop property next door for extension purposes. The next-door neighbour might be the most slothful, even retrogressive person imaginable, but the price he desires will probably bear no comparison with the pitiable misuse to which he puts his property. He may want a fabulous price for it, and the energetic firm may be put to the alternative of being diverted from its purpose or paying a substantial ransom for its liberty to progress. The present owner is governed by greed.

This test of the best user, that of the highest price, is not an infallible test of a person's will, effort and capacity to use property. It is impossible to set up a test that cannot be misapplied. Law is made for

man and not man for law. Man is not made for the purpose of demonstrating any particular law. He cannot fall into the lap of a law and expect to be thereby carried along advantageously and blissfully. Law is a series of narrow paths that he can pursue to his own advantage : if he miss these paths it is to his detriment.

It is to be noted that once ownership rests on use, the tangles in which property, especially realty, is tied, will be unravelled. Moreover an owner of real property (or leasehold) has all the rights of way, light, drainage, fishing, hunting, etc., that will add to the value of his property, without detracting equally from another's.

With ownership resting on use there is no call for those proofs of title and those magical transfers which are the basis of the heavy conveyancing of immovable property, and which have not been very noticeably improved by government registration. Registration has only proved useful in the case of mortgages, and then to protect the mortgagees.

If the best user of property were its owner, his title would be his use. The public quotation of its price would be a declaration of the value it is to him, and by adding a profit the price at which he will sell.

There is no need to amend conveyancing rules to effect this object, except to remove any customary or statutory formalities. As people gain confidence in use as the basis of ownership they will cease to trouble with conveyancing formalities. The purchaser of a house will take possession of it and pay the price, knowing that when he sells, his purchaser will do likewise.

This rule of the right of use would have the effect of superseding the rules of contract that have come into vogue in recent times. A person will have to do the right, not what he contracted to do.

It is admitted that any contract to do evil is invalid,

an admission of the principle that right, not contract, is the law to be enforced. But, unfortunately, men have not sought out that which is right to adopt it. Instead, they have declared a person must do what he has said or written that he will do, though if he says or writes that he will do what is admitted to be wrong he need not do it.

The great religious teachers have warned against the making of promises, especially long distance promises. Words, whether written or spoken, should be the expression of the writer's or speaker's thoughts. Enforcing contracts is reversing the purpose of words: it is turning them into a lever to force a person to act as he writes or talks. At best, it is a magical method of finding out what a person should do.

If two persons enter into a contract to sell and buy a house it has no moral validity. The house belongs to the best user, the person who will give most for it.

If a theatrical manager makes a contract with a singer to take a part in an opera for a season, it would have no binding force in an ideal state. The singer is a user and should supply her quota of the capital to the venture and take her share of the profits and interest. If her contract price is not realised, she cannot rightly claim it, nor is her claim limited by the contract if she has earned more. Likewise if a speculative syndicate rent an estate on a long building lease or buy it outright the members are entitled to share in a reasonable profit. If it is found that the rent they are paying is too much it can be adjusted, though if they have purchased the estate and paid for it and there is a capital loss, the members are the losers.

CHAPTER VI

RESTITUTION

IF anyone neglects to repair and renew his machinery, furniture, clothes, or any other of his property, or to tend his live stock when ill and replace it at death, he will soon have none. They will not remain as they were.

It is most economical to arrange for property to last only until such time as it can be renewed to advantage, when, by virtue of the improvements that have taken place, it has fallen out of date. This is so whether the time occupied be one year or a thousand years. If an article last only one year, annual renewals will take place, each presumably an improvement on the previous. If certain property, say a cathedral, lasts a thousand years, improvements might be made in the thing itself, and others and improved ones built. Other property, as perishable food, has to be renewed almost daily, and there is therefore little hindrance to improvements, in the stocks that may exist.

If one person has food and neglects it, and another eats it, the latter must needs account for it. It would be sharp practice to attempt to take away the old owner's right without any payment. The user has saved it for him, perhaps in spite of him.

Besides which, if the surreptitious user could, without any payment, at once acquire the full ownership of property it would raise innumerable points as to what constituted neglect and what constituted theft.

But if the old owner neglects his property, neglects to account for it, neglects to take its price, another problem arises. In time he loses the right to it.

It would likewise be intolerable for the owner of property that is long lived to have its whole life within which to neglect it.

The progressive and middle course is to lose it by degrees, by a rate equal to the rate of interest ruling at the time.

It is not uncommonly declared that a person can do what he likes with his own. He can do what *he* likes, but should not do what folly suggests to him.

There are many people who deliberately lend their wealth out on mortgage for others to employ, or they invest their wealth in factories and machinery for others to run, or in houses for others to occupy.

To a great extent, these lenders, capitalists, landlords use their property. They supervise, and insist on the repair, renewal and probably the increase of it, and it is because they look after these matters so much better than the borrowers, workers and tenants have attempted to do, that their supervising ownership is tolerated. Only when the borrowers, workers and tenants will do the work of the lenders, capitalists and landlords better, can they claim to be the users and entitled to claim any restitution.

Some of the lenders, capitalists and landlords may, like some of the old-time kings and hereditary aristocracies, when presented by popular claims to government, say that this is confiscation. If they fully realised that the interest on their capital should be spent on that out of which it came, the property on which it is lent or in which it is invested, or alternative capital uses, they would not be anxious about compensation; nor would workers denounce lenders and others as some of them have done, if they realised that they themselves, if owners, would be trustees for use, bound to reinvest the interest on their holdings.

It is not for the borrowers, workers and tenants to be at all concerned about owning what they borrow, work with and occupy.

Lao Txse is declared to have said : " All things spring up without a word spoken, and grow without a claim for their production. They go through their processes without any display of pride in them ; and the results are realised without any assumption of ownership. It is owing to the absence of such assumption that the results and their processes do not disappear."

It is for the borrowers, workers and tenants promptly to pay the interest on the wealth they work with and to repay the principal, but to see to it that both interest and principal are spent on the increase and renewal of that out of which they came.

Once the borrowers, workers and tenants prove by their ideas and suggestions that they are better users than the lenders, capitalists and landlords, and can do the work of these supervisors more efficiently the public confidence will be transferred to them, and the ownership follows as a matter of course.

It is for each borrower to consider himself responsible for the principal he borrowed and the interest on it ; it is for each worker to consider himself responsible for the machine he runs or for a share of the capital in the firm where he works corresponding with his job, and the interest on it ; it is for the tenant to consider himself responsible for the house he occupies and the interest on it ; it is for each of these to act as if he were the owner, and by his very practice prove he can be trusted with the ownership and, indeed, is the best of all possible owners.

But how are these would-be owners to repay the principal, the price of their loan, capital or house ?

Repayments of principal are due to be used in the renewal of that out of which they come. In other words, these repayments should equal the depreciation of the property and should be returned back into the property, to renew it.

The borrower, worker and tenant, taking over responsibility for the renewal of their property, can, by first handing the principal over to the lender, capitalist and landlord, not only renew their property but repay the principal. They hand it over to renew the property they use.

There may be some workers keener on the restitution of property than its use, whereas the restitution can only begin to take place as the workers use the property. They need not trouble about the restitution. If they use what they work with, see to its repair, renewal and increase, they will acquire the ownership. The present owners will, by virtue of the better use to which the workers put the property, find there will be no power in their theoretical ownership.

Some workers, or should we say some vocal workers, have been fond of condemning capitalists. Yet, whatever would humanity have done without men willing to be pegs on which could be hung the responsibility for owning capital. On the whole, they deserve well of humanity, that is unless they try to hold to what they have when other people can use it better.

The ownership of any property depends on utilising the utmost interest on it. It is (a) for users of property to take note of the interest they make and to see that it is spent in increasing the quantity, quality and variety of that property; (b) for lenders, capitalists and landlords to re-invest the interest they gather; (c) for borrowers, workers and tenants to prove they are the better investors, knowing that thereby public confidence will pass to them the ownership of the loans, capital and buildings.

One of the best ways whereby the workers could prove their will, vigor and capacity to use capital wealth, would be for them to make a concerted effort to purchase shares in the firms where they work.

Trade Unions could not be better employed than as societies to assist workers in buying such shares. It is safe to say that after a very short time they would find that what they received—received probably under the name of wages—began to increase and thereby tended to make up the amount they were saving and putting back into the business as share capital, especially if it was additional to the share capital existing. Employers could afford to pay heavy sums to workers with so critical an appreciation of the uses for capital, that such sums were certain to be put back to such uses. Besides which, if the workers did this there would be an added zest and productivity on their part, which would make for more profits, for one cannot gain an added appreciation of capital uses without gaining an added appreciation of other and final uses for wealth.

It is a reformation in the ideas and character that has to precede the restitution of property. Given the reformation, the restitution would proceed at a rate equal to the rate of interest ruling at the time. Thus, the user of one thousand pounds' worth of property would, if interest reigned at the rate of five per cent. per annum, recover during the first year fifty pounds' worth; and so on. In some fourteen years the whole one thousand pounds worth of property would belong to the user.

The many men by their failure to use capital have hardly ever owned any capital. The few men, whether ancient patriarchs, mediæval princes, or modern industrialists, have, by their use of capital, owned it, and when the workers can use it better, restitution will take place.

In the ancient Jewish state, there was a regular jubilee when all property was restored, and as long as such restitution brought the ownership of property more into coincidence with its use, good was accomplished.

A better and more modern precedent for restitution exists in England. To escape from the rules of the old feudal law that hampered the devolution and alienation of property it became customary to make one person the owner to the use of another. The first was the Common Law owner of property, but he had to hold his property for the benefit of the person who was the second or equitable owner.

The withering influence of the modern theory that Parliament alone must make changes in law has long since caused judges to regard their capacity to reason as not their own, except in a very limited degree, so that we cannot look with too much hope to the judges to restore to the workers their lost duties.

But the time may arrive when appeals from the highest court can be carried to the Premier or Executive President, and when, on grounds of a greater equity, he can decide that the present owners hold only to the use of and for the benefit of the users.

By this means, the present owners of property will be relieved of the unnatural and unreasonable trusteeship of that which they do not use. The profits of their labour will be in no way interfered with. They will have the unquestioned right to own all they use. But they will not be able to live out of interest on capital, as if it were earned by the sweat of their brow.

In the ranks of the great capitalists can be found great workers, workers who use all their vigor and capacity in creating wealth. To the extent that any capitalist is a worker he is entitled to the rights of a worker, to the opportunity to give expression to his utmost vigor and capacity and to reap a profit commensurate with his use for wealth.

With the ownership of property in the hands of the individuals who use it, the owner of a house would sell his property when he quit, the owner of a machine in a workshop or a share in the capital of

his firm, when he quit his job. When he took another it would be by purchasing alternative property or capital. Capital would be the instrument of labour.

When the workers acquire the capital of the firms wherein they labour they will find it to their advantage to seek the more personal ownership of the particular machine or office they use. If a given machine were run by half a dozen or a score of persons it might be owned in partnership, but the fewer the partners the better. But any such decentralization of ownership could only be satisfactorily accomplished when accompanied by a closer cooperation amongst the workers and departments of a firm than even exists with a centralized ownership.

But is not some of the wealth that is lent to or used by others really a saving for infirm old age? Some of those people who save enough to live on the interest of their savings during an infirm old age will declare they are saving for old age. If they are saving to leave wealth after they die, they are, to that extent, not saving for old age.

And is not this method of providing for old age a selfish one? Those adopting it are giving no thought to other people's infirm old age. If they did, they would join an insurance pool and pay into it, allowing others who had belonged to it for years and who were now old and infirm to draw from what they were paying in, and trusting themselves to the next generation of subscribers to supply their needs.

In other words, the unselfish way of providing for old age is to buy an annuity by subscribing for one out of the profits of one's labour.

Besides lenders, capitalists and landlords, there are those who, by not using what they own, would in an ideal state find they were losing it. The person who leaves his money in the bank except as a reserve for currency purposes, or for some future object that justifies its preservation, deserves steadily to lose it,

and that whether the banker tries to invest it for him or not. Most people leaving credit in the bank or keeping it themselves unused are in the position of the owner of a house who does not repair, renew and increase it.

Also the person who sells goods and does not get paid for them will tend to lose by this rule of restitution. The debt steadily diminishes. If a person is foolish enough to sell goods and defer the payment he invites the application of this rule.

Does this rule run in favour of official governments? They have plenty of debts. It will depend on whether they have property that represents the debts.

Thus, school teachers employed in government schools might apply this rule of restitution in their favour and thereby become the owners of the schools. Or, governments might capitalise these institutions, and with the capital pay off some of their debts.

Likewise with the Post Office, and even the army and navy; they can be capitalised and the workers in the first and the soldiers and sailors in the second and third, can claim the right to use this rule. It is to be feared that for a long while the income of the second and third will have to be secured by taxation.

Some might object to the consideration of the church as an interest bearing industry. But as it is, the Church is a bankrupt industry.

It need not be. If every individual was as particular about paying for a seat at church as he is about paying for his armchair at home, pew rents might form the income of a church, an income sufficient for repairs, depreciation, interest, profits and rent. The persons to own the capital invested in a church are the worshippers, for it is they who use the church; the priests, preachers and pastors being their servants.

Where governments have debts not represented by

property this rule of restitution does not run. Much of what governments have spent has gone up in smoke. Such debts ought to be repaid in full, together with interest thereon, for, if not, the wealth represented by those debts might never be brought into existence again, and humanity be that much the poorer.

Such debts should, according to our rule, be repaid at a pace equal to the rate of interest ruling at the time. The first year the repayment of debt would equal the interest on the debt, the second year the interest itself would be less, for there would be less owing, and the repayment would be larger.

If such debts are not repaid, with every year of non-repayment, our rule would call for the writing off of a part. A failure to make proper repayment is, in point of fact, a writing off of a portion of such debt.

It is next to impossible to repay as quickly as this the war debts that the nations of the world have burdened themselves with. But blood war is not only not an economic proposition but is bound to bring disaster in its train. And, until blood war ceases, we shall have these long continued repayments of debts, which at best chain our limbs for a couple of generations.

CHAPTER VII

CURRENCY

WHEN a person parts with goods and does not at the time receive goods in return he does not lose the capacity to receive them later. He can, in the meantime, hold some symbol of his outstanding capacity to buy, outstanding credit balance.

It might be said that if interest equals the increasing use of property it is impossible for a person to have a greater use for wealth than that which he possesses. But the use of some people, e.g., a merchant, in the goods he buys and sells, is only in distributing them, and he must needs often have more or less than he can, at a particular moment, so use.

An individual may sell goods he can fully use and yet most carefully retain for a time the will, vigor and capacity to use them. The owner of an automobile might sell it and later buy another, though more probably he would buy another first, in which case the person from whom he bought or someone else was normally short of a car, the car he had to dispose of.

An individual may save up to purchase an article. This saving up will probably be concurrent with his training in the appreciation of the article, and he will put his savings in a bank which may allow it to be spent in realisable property. When he has enough he will draw his savings out and purchase what he needs.

In times past it was common to symbolise credit balances by means of gold, but it became increasingly difficult to find enough gold or other precious metal to symbolise all existing credit balances, neither was

it felt to be necessary to do so. Promises to pay gold were accepted, and governments and banks frequently issued more paper money than they had gold in their vaults.

It might be that this paper money, while it exceeded the amount of gold, did not exceed the amount of the credit balances. But unfortunately, it was not only possible, but calamitously easy to issue more paper money than was demanded by the credit balances. It was only necessary to set the printing presses going to turn it out by the mile.

Under such circumstances the gold was far better than the paper, for it cost as much to procure as did the outstanding credit balance itself, and it was less than worth while to procure more than enough.

Gold used for currency had no value in itself. It could not be used for purposes other than currency without reducing the price of gold, for there was normally already sufficient on the market for other purposes. Its use in currency was that it represented credit balances and could not very well exceed those balances. As long as people had confidence that paper currency would not exceed the gold to any considerable extent they knew it would not exceed the outstanding credit balances, and the paper retained the value of the gold. But once the paper not only exceeded that gold, but also exceeded the credit balances it ceased to be accepted at its face value.

Many dreamers have perceived that gold and currency have not to be equal ; but, unfortunately, they have not also perceived that currency had not to be larger than the credit balances of individuals added together. Some have suggested indefinite extensions of paper money or international fiat paper money ; all one desires ; and if not useful as money might make excellent pipe lighters.

However, people individually are adopting a method of symbolising currency that does not involve

government bills and notes. It consists of keeping accounts at a bank and having all receipts and payments posted therein.

The bank is informed of these payments and receipts by means of cheques that are made out by those making payments and are put into the bank by the recipients. And as long as those having these bank accounts never misuse them—that is, never overdraw unless they can without difficulty and on short notice repay—good alone results.

One of the difficulties still existing is that banking accounts are not public, and the balances are not publicly quoted and adjusted with each entry in the accounts. One accepts a person's cheque not knowing how much he has in the bank nor how much overdraft the bank will allow him. When individuals publicly daily quote their credit or debit balance and their limit, this difficulty will be largely removed, but when that comes to pass they will cease to give and receive cheques and be satisfied with the adjustment of the public quotation.

To pay and receive money, even by cheque, is a crudity abhorrent to sensitive individuals. But for those who are accustomed to using government coins and notes it is a great advance, and it is a misfortune that the workers are still largely in barbaric dependence upon an official government institution. For them to substitute their private cheques would be a substantial advance, and if it is too much trouble to sign their names to cheques for small amounts, they could initial their private cards and state the amount thereon, and for petty change use tokens stamped with their names, and purchased from a bank.

But, will people agree to make the further advance of publishing details of their banking alongside their turnover and the value of their property, and allow the public to govern it as they govern the quotation of stocks and shares ?

Because the public have not yet risen to the plane where they could respect and make use of such information, individuals are apt to preserve the amount of their balance or otherwise at the bank and the value of their fortune, or lack of it, in strict secrecy. It would be a squandering of the truth to let it out.

Nevertheless, there are even at present means of finding out the financial position of anyone, and the public can generally feel the measure of a man.

The method of symbolising currency by means of book-keeping exists between the departments of a firm, and between the branches of a multiple combine. The dealings between these departments and branches are represented solely by means of book-keeping.

When the workers of each department of a firm assume responsibility for it and become the owners, it would be unfortunate if they returned to the comparatively barbarous system of currency that is still in vogue between separate firms. It would be progress in one direction and retrogression in another.

With the publication of the value of each person's property and his credit or debit balance and limit, he would have to look well to his own integrity and character, for once any doubt was cast upon the former and any blemish upon the latter his public quotation would suffer, for it indicated a lessening of his will, vigor and capacity, and correspondingly less use for what he possessed.

Obviously, if currency is the surplus of gifts over receipts, indebtedness ought to equal currency. If there are a number of creditors totalling a given amount there will be, or ought to be, so many debtors owing the same amount. Overdrafts at a bank should never be more than the cash in the bank, and such loans should be essentially temporary. The man who wanted a temporary overdraft equates the

man who has a temporary surplus, and just as the latter may at any time want his money, so may the former at any time want to pay off.

The person who sells goods and does not need goods in exchange is balanced by the receiver of these goods who, while he may have paid for them, has had to borrow to do so, borrow, presumably, from the seller, through a bank.

But currency is not book debts. In an ideal state of society every buyer will pay on delivery, or as a matter of convenience, perhaps pay every week. He will give credit negotiable at par.

But if we are to turn credits into currency, we may have to reduce credits in order to keep our currency within bounds. Great care will have to be taken that no more overdraft is allowed an individual than is justified.

We have become so accustomed to people continuously overdrawing their accounts, and mortgaging their property, that we look upon it as a natural condition instead of a sore upon the community.

An overdraft is not a means whereby a person can borrow a sum to be repaid at some distant date. It is a means whereby he can buy when he lacks the bank balance, knowing that he owns stocks or properties more than sufficient to repay the overdraft, which stocks or properties are saleable and can be sold at very short notice. His account should not be more overdrawn than it is the reverse. The man who has a balance this month may have an overdraft of the same amount next month, provided he will again have a balance the following month. Nothing justifies the enforced reduction of an overdraft more than the retention of it.

In order to bridge possible gulfs between paying out and taking in, it would be necessary, in practice, to have a reserve of gold, which as trade increased

might increase, but which would decrease in comparison with the volume of trade. Gold is to make up for the lack of perfection in our currency arrangements, and as they become more perfect, so the proportion of gold can decrease.

Some publicists are much concerned with possible shortages of money, shortages of gold and coinage. If there is an opportunity for trade to expand and no adequate currency arrangements made, the result would be that the trade could not expand. But an expansion of trade does not necessarily call for a corresponding increase of gold and coinage. Some slight increase might be necessary, but an increase in banking facilities would be a vastly more necessary and a vastly more advantageous way of meeting the need.

During the last few generations, there have been regular periods of artificial prosperity and depression; and not until the artificial prosperity, caused largely by unjustifiable borrowings and lendings ceases, will its reacting depression cease.

If an individual lives beyond his income he will have to economise and bring his expenditure below his income for a time in order to pay his debts. That is what takes place, on a large scale, in the business world. Many business men and firms borrow for a short or long term; countless articles are sold on a deferred payment or on an instalment plan, and countless more are made with the hope of selling but without any certain prospect of doing so. They constitute seven fat years, and then come the seven lean years of reckoning.

Under present circumstances large borrowings are almost necessary. Interest on capital is not earmarked to be put back into that out of which it came, and when any but small additions to capital are needed, outside wealth is often sought; and what possessions borrowers already have are often looked

upon as security for it. It is a very unwise procedure, for the person who lends on mortgage does not seek to appreciate its use. He seeks the security of another's use. And money obtained by that means is oftentimes spent recklessly.

This necessity for borrowing brings no check against over-borrowing, no check against selling without being paid : and it is this over-borrowing, this selling without payment that engenders artificial prosperity and equivalent depression.

There are other causes as well. Human extravagance can exist without borrowing. People can be extravagant on their own money as well as that of other people. Capitalists can invest their own capital in concerns that are a gamble, workers can waste their earned wages, and this tends to engender an artificial prosperity and a consequent depression. With ideal methods, it would still be possible for periods of optimism and pessimism to succeed each other, when more and then less credit than justified was granted. Perfect methods are useless without perfect people to run them.

It is impossible to get rid of our periodical depressions without also getting rid of our periods of artificial and feverish prosperity. The one are the counterpart of the other.

There are other symptoms incidental to these periods that appear to add somewhat to the distress of depressions. During times of prosperity, however artificial, the workers draw and often spend their wages, their share of the produce made. They do not wait for the goods they make to be sold and paid for before taking out their share.

It is unfortunate that any manufacturing should be done without a certain market for the disposal of the goods. Nothing is rightly made until definitely ordered, and if customers do not look ahead and order ahead, and make the necessary preparations to pay on delivery, it is their own fault.

Even for the anticipation of markets that exists, the workers are partly to blame. It is easier to find men to employ than markets wherein to sell, except when on the crest of a wave of artificial prosperity. Each worker does not first seek to make or find a market and then supply it.

Sometimes, as after the Great War, in Britain a prolonged depression might not correspond with a period of artificial prosperity. Other causes operated in that case. One of the main was that so many British manufacturers had fallen out of date. Another was that Britain, depending on a larger proportion of foreign trade than most other countries, felt the political and economic disturbances throughout the world more than those other countries.

Apart from the reaction to unsound credit conditions which engender artificial prosperity, there is but one final cure to all trade depressions, the increase of markets, and they are brought about by people (producers and consumers alike) so far critically appreciating more commodities that they set about strenuously to produce them or what will exchange for them. It is this urge that sets industry ablaze.

During a depression proximately consequent upon a period of artificial prosperity it is possible even in such a case to cure the ill by increasing markets, and that by the very people who are out of work, preferably joined by those in work, critically appreciating more commodities and seeking to make them, indeed, not resting until they are made. Whatever those commodities may be, they are but extracts from nature, smelted, moulded, machined; or dug, sown and harvested; or operated upon in some other manner to produce them.

In the worst of depressions, the nature is available, available even under conditions of private ownership of land, landlords being only too pleased as a rule to allow the land to be worked for a royalty or rent.

Banking facilities are available, or can be created. There are the unemployed to provide the labour. But the market is lacking, that keen critical appreciation of commodities that urges men strenuously to work is partially absent. The depression drags on until an artificial prosperity sweeps over it, or until, slowly and in spite of the general disturbance, loss and waste, increased markets are created.

CHAPTER VIII

INSURANCE

THERE are many who neglect to make sufficient provision for infirm old age, and those who do so provide, commonly do it by saving up capital and living on the interest. As already suggested, the person who does this is not only saving for old age, but saving capital as well, and to divide these two operations would require that he purchase an annuity for his old age and save up the capital he needed. It would cost no more and might be only a matter of book-keeping, but the division is important.

If all interest were devoted to its proper purpose there would be none for annuitants. The sums being paid into the insurance pool for infirm old age at any given time would equal those paid out to subscribers, less working expenses. It would be only necessary to keep a certain, small reserve to meet unexpected drains upon the pool.

There is a risk of sickness that has to be provided against, and in a thorough manner. Some make a niggardly provision for a temporary illness, but little or none for a permanent disablement.

Both these risks can be provided against by paying premiums into a pool to be drawn from by the sufferers.

One difficulty in the establishment of such a scheme as outlined above is in bridging the gulf between its commencement and the time when it could be freely drawn upon. An old and infirm person who lives on the interest from his investments might discover that he had to re-invest his interest

in capital ventures, and yet find that the arrangements for providing him with a pension were far from adequate.

The best compromise is for him to re-invest his interest and to sell such a portion of his capital investments each year as will equal in amount the interest he re-invested. But when the ideas enunciated in these chapters become prevalent, such a one will have difficulty in selling his capital, even to a worker changing his job, unless he re-invested the purchase price in some other capital purchase. The sooner, therefore, he divided what he had saved for old age from what he had saved for capital uses, the better.

Any transference of capital to final uses is abhorrent, unless the capital, as such, is no longer needed, or unless the people, instead of being progressive, are retrogressive ; but until the young and energetic members of society pour premiums into an old age and infirm fund sufficient to provide the old and infirm with all they can use, such an abhorrent practice will take place.

In many countries there is a workmen's compensation law providing against accidents, but sufferers may have to bring their accident within a formula such as that it arose "out of and in the course of his employment." This leads to endless disputes. A full insurance against all accidents would be vastly more efficient.

In the case of property, insurance against fire and theft are common, but there is an opportunity for a big increase of business along this line. All property is intended to be fully insured. It should be insured for the amount necessary to replace it, and the premiums paid can be adjusted from time to time to meet a rise or fall in the cost of replacement. If at the time of the damage, it was insured for more than its cost, a rebate on the premium is due to the owner ; if insured for less he can add to the premium.

It is not possible to insure against a drop in value. Insurance can only be against the cost of replacing property.

It has not always been the practice of men to insure against misfortunes the causes of which are not known. But surely, if an earthquake brings down a factory, the owner ought to receive the equivalent of it and, by insurance, to have provided that equivalent, just as when a fire of unknown origin destroys his private dwelling-house.

Out of what funds should insurance premiums be paid? The insurance of capital property is a capital expense to be paid for out of the fund set aside for the renewal of such property. The insurance against old age and sickness and final property should be provided out of the profits of one's labour.

* * * *

To-day, if a sufferer feels he can blame anyone for his loss, or if an insurance company's officers think they know the person whose act had immediately preceded any particular damage, an action for damages will probably be brought against him.

Thus, if 'A' knocks 'B' down and injures him seriously, or if 'A' damages 'B's' property, 'B' will think himself justified in bringing an action for damages. It is the old law of an eye for an eye and a tooth for a tooth. If a person ill-treats you, ill-treat him. Such is the common and accepted practice. It may be said that an eye for an eye and a tooth for a tooth means that if 'A' knocks 'B' down 'B' can knock 'A' down, and that it is an immense step forward when 'B' is satisfied with monetary damages instead. That is what Christ called "straining at a gnat and swallowing a camel."

There is one element of virtue in such actions. In an ideal condition of society, when everyone's value is publicly quoted, the person who damages another or his property would be showing himself up as

irresponsible, and to the extent that his action proved his irresponsibility, his public quotation would drop. He is, to that extent, a less satisfactory guardian of the property he holds.

It is for a person to insure against any injury to his health or property. If he does not insure he accepts the liability himself.

CHAPTER IX

COST OF INFANCY

To bring up a family of children requires the labour of the mother to take care of them, a furnished house to shelter them, ample clothes to wear and food to support them, a school to educate them, a garden or park to play in, a car to ride in, etc., etc.

It is common for a woman to risk her own existence and her children's upbringing, support and education upon the single thread of her husband's salary, and which may fail if ill-health or even ill-temper overtake him. If he fails to provide for her and her children, or if she is a widow, or if her child is begotten out of wedlock there is virtually no provision.

Some of this dependence would be overcome if all husbands arranged to have transferred into their wives' banking accounts a sufficient and just proportion of the profits of their labour to supply all the family needs. This would relieve wives from the humiliation of asking their husbands for money.

But much economic dependence of wives would still remain, as would the problem of dealing with unmarried mothers.

These difficulties would be largely removed if all the wealth that went to support children and their mothers was first put into a common fund, when each mother could draw out in accordance with the number and needs of her children and her own will, effort and capacity to bring them up. It would be a salary to a mother in return for her labour as mother, labour as strenuous and that can be as skilled as any other, and as deserving of its economic profit. What

a woman earned apart from this would be hers to be devoted to the purpose for which it was made.

The responsibility for bringing beneficial changes in their condition is, primarily, upon women themselves. It is their dependence upon men that is the root of the trouble. It is only in so far as they have the will, make the effort and acquire the capacity to be independent that they will gain independence. To give them independence before that would do harm instead of good.

If the above suggestions were put into practice, there would still remain much feminine dependence. As long as men lay aside sums to be spent in the support of their wives and children, there remains an element of dependence.

Besides which, there would still be many inequalities. Bachelors and spinsters and men with less than the average number of children would not be subscribing as was their due, while married men with more than an average number of children would be subscribing more than was their due.

To remove this dependence and these inequalities, it is necessary to seek for another basis for these subscriptions, a basis other than the support of children and their mothers. Furthermore, there would be less incentive to produce for the support of children in general than there is to produce for one's own. There is not the same personal appeal about the needs of a juvenile mass as there is about the needs of the eager eyes and hungry mouths of the children who dangle their little legs under one's own table. If this problem is to be solved, some motive other than the support of children in general is essential.

Every child, male or female, costs a large sum to rear ; and, if the labour of the mother was reckoned in, the sum would be very large. The child, on attaining adulthood, is in a position to undertake the payment of the cost of its upbringing, maintenance

and education, together with interest thereon, and a sum for insurance against the chance of dying before attaining adulthood or before the full payment of one's just dues.

To provide for the perpetuation and increase of humanity, not only the costs of infancy, but interest thereon must be paid. It is for each individual to provide enough to renew and add to the cost of his own infancy ; and such sum would be equal to that which each person would pay if each contributed his share to the support of contemporary children and their mothers.

This would mean that each adult would, out of the profits of his labour, set aside each week or each month such a sum as would during the course of an average working lifetime, repay to society the cost of his upbringing, maintenance and education, before he had attained the age and ability fully to earn his own living. These weekly or monthly sums so set aside would be paid into a common fund, out of which the cost of bringing up, maintaining and educating contemporary children would be paid.

This fund must not only provide enough to bring up, maintain and educate children, but must pay the mothers a full profit for their labour and care.

There is already a clumsy move in this direction. Political entities tax the income of individuals and spend the proceeds (perhaps after they have been thrown into hotchpot with other taxes) in the education of children. Sundry other advantages are being added to education ; some play, and a little food and clothing.

But should sums provided to renew and increase the means of supporting infancy belong to the mothers individually, for each to spend as she thinks most advantageous ?

For modern governments to hand over to mothers the taxes collected for educational purposes would be

to hand it over to some who lacked the will to spend it well. And as long as we have our present system, or lack of system of currency, it will always be easy to defraud. Nevertheless, it is a question whether, even now, greater benefit would not be derived from handing over taxes first to the mothers, for them to purchase the education of their children. It provides a vastly more varied customer than a centralised government.

But, does this take into sufficient regard the position of the father? It is the woman who bears the children, brings them up, sees to their food and clothing, and who is best fitted to decide their education. In this work of bringing up, maintenance and education, a woman can succeed without a man; but it would go hard with a man left without a woman. In the home, the mother can be the materfamilias, the mistress of the household. There she rightly holds the position her husband holds at his office or workshop. Her husband has no more right to interfere with her in the home than she has to interfere with him at the office or workshop.

In some countries women hold a position very inferior to that of men. It is primarily their own fault. They get what they ask for; and it is necessary for them to be intellectually, morally, physically fitted to undertake responsibilities before they assume them.

If they so will, they can see to it that they are, in these vital matters, on an equality with men; that their intellect, their morale, their physical efficiency will stand comparison with that of men, that they are economically independent, owning the houses they occupy and the furniture therein, charging their husbands for room and board.

CHAPTER X

INHERITANCE

ON the death of its owner, wealth is left stranded, and it has been customary to arrange for it to pass to the descendants of the deceased, or to those to whom he may have willed it.

It may be argued that this has mostly amounted to a disposition of wealth in accordance with the chance of birth into a particular family. Ostensibly this is so, and there have been some heirs and beneficiaries who, by their misuse of wealth, imply this was their only qualification ; just as there have been kings who, by their conduct, have shown that their only qualification for their job was their birth.

But most heirs and beneficiaries are brought up to use that which they inherit. They are trained to use it, as heirs to thrones and aristocratic positions are trained to use what they come into. Not until another disposition of wealth gives a better use will it be of advantage to change.

We are steadily getting rid of the hereditary principle in politics, but there has been little effort to get rid of it in economics ; though, in these days, we are apt to be prejudiced against a person for being the son of a particular father rather than prejudiced in his favour thereby.

Just whether the result of throwing politics open to all has proved an unqualified blessing may be doubted. That it has been of some benefit would be generally admitted. The success, if any, depends on whether there has been a more extensive will, effort and capacity on the part of the public, and whether the appointed or elected leaders have been abler and

more energetic individuals than those selected by hereditary means.

The same considerations apply to economics. We have been accustomed to our trained descendants of deceased owners of property. Can we improve on them? The mere throwing open of opportunity to all may be followed by license instead of progress, and it were well to avoid the license that has followed so many political changes.

Assuming the public are ready for an improved use of property left by deceased owners or by those retiring from business, to whom should it go? Presumably, to those who will give most for it; to those who become owners by right of use; to the highest bidders, as we say. And to whom should the proceeds of sale go? Presumably, to those arriving at manhood or womanhood; and given to them in accordance with their individual will, vigor and capacity to use it. It is they who take the places of the users who have died or retired.

In many countries, twenty-one years of age is looked upon as the time when a person becomes an adult. But many individuals do not attain adulthood till later and there are some who mature earlier.

Besides, the amount of wealth which each individual can put to the best use varies, though if everyone were brought up to expect it and were trained to its use, the variation might be less than anticipated.

By what means are we to test the worthiness of youthful aspirants to receive from out of this testamentary clearing house? We have suggested that each person could advantageously have their wealth publicly quoted; and, like the stocks and shares of a modern company, this quotation would be liable to rise or fall with the interest on it and the opportunity for future interest.

With the prospect of a start in business, each child

at birth could have the price of its prospect quoted. The amount would be very small, but with the child's advance in intelligence, morale and physical efficiency this prospect and quotation would improve.

It may not be difficult to quote the economic value of the average child, but how are the public, even the public of a parish where a child lives, to know whether he varies from the average? The judgment of the doctor, the schoolmaster, the play superintendent could be of use to the public in arriving at a just decision. The mother and father of a child could be the best judges, if only they were impartial.

This quotation would steadily rise until a child attained manhood or womanhood, and the time to cash it would be when it reached its height and was about to fall. An individual who neglected to start in business until later than he ought to have done would find that his delay had told against him: likewise, the individual who started prematurely.

This quotation might be used for purposes other than deciding the amount he was to receive by inheritance. It is right for an individual child to have as high a quotation as possible, and if, through the ignorance or neglect of a mother, a child was falling behind, and if, by putting it under the care of another lady, its quotation would rise, such a transfer to a foster mother could be made.

A mother is only the proper person to have charge of her children when she is, in fact, the best servant of them. Her right to her children consists in the opportunity that comes to her by virtue of her motherhood of being the best possible servant of them. If she does not take advantage of the opportunity the right goes. But it is to be hoped such instances would be very few.

The amounts coming to girls by inheritance would ordinarily be spent in a house and furniture, in preparation for their marriage. Setting up a household

is as much setting up in business as setting up a store or shop.

Furthermore, if anyone fails in business, has he not a call upon the inheritance fund for the means to make another start? If so, the measure of what he obtains would equal the measure of his will, vigor and capacity. Some men have begun life by failing, and many by nearly doing so, and afterwards they have made substantial successes. But many bankrupts have been unworthy, and care would have to be exercised lest they raided instead of used the inheritance fund. But to the extent that each can use it best is he or she entitled to it, whether the sum be great or small.

It is worth noting that in the long run in modern times it has been the better user of wealth who obtained it. Wasteful heirs tend to lose their wealth. Impecunious but keen business men tend to gain wealth. In spite of our faulty methods the right in the long run prevails; but to eliminate the waste involved in our present processes of hindering the would-be skilful user from gaining wealth and giving opportunity to the ne'er-do-wells to lose it is the obvious aim.

Furthermore, we do admit that property can be rightly diverted from the descendants of owners of wealth or from those to whom it may be willed. Taxes on such property are common, and their justification lies in the possibility of the government officials putting the wealth so acquired to a greater use than would the taxpayers, but it is an anomaly that death duties that are mainly drawn from capital should be so often expended in final wealth.

One obvious method for bringing about a testamentary clearing house is for testators, or those retiring from business, to leave their wealth to the best users of it, a method a few have partially adopted, and it is always necessary to remember that it requires

a greater number of people with the will, vigor and capacity to use property, for there to be a larger number of useful beneficiaries.

Another method of bringing about the rightful distribution of wealth left by deceased persons is for the official government to pay taxes received from inherited property into the banks and for the local bank managers to make grants to young men and women setting up in business.

It would be a thankless task for the bank managers, with the only hope that it might be temporary. If the public progressed speedily they would soon take the matter into their own hands and decide the value of each person's expectancy.

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