



THE CAUSEWAY OF CAPITAL AND LABOUR

S. E. BRENT

THIS book is written with a view to securing peace in the industrial world. The author makes a penetrating analysis into the claims of the employer and employee, and shows that the method he advocates has already passed the test of experience.

Social Aspects of Industrial Problems

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partment of Social Studies,
Bedford College for
Women, University of
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CONTENTS.—Human Value
in Economics—Organisation
of Industry: (a) Capital, (b)
Labour—Unemployment—
Women in Industry—Gov-
ernment and Industry.

This book attempts to dis-
cuss certain important indus-
trial problems in the light of
a social standard. It does
not try to exhaust all that
might be said on each, but
rather traces recent develop-
ments and examines the
probable social consequences
of different policies.

**THE CAUSEWAY OF CAPITAL AND
LABOUR**

THE CAUSEWAY OF CAPITAL AND LABOUR

comprising

UNIVERSAL MINIMUM WAGES FOR EVERY
WORKER BASED ON THE COST OF LIVING

UNIVERSAL INDUSTRIAL PARTNERSHIPS

UNIVERSAL OLD-AGE PENSION
AND SICK PAY

CO-OPERATION OF WORKERS AMONGST
THEMSELVES WHERE POSSIBLE

BY

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PREFACE

SOME years ago it occurred to the writer that there must be some way of securing industrial peace. After studying the works of some leading economists, so far as they dealt with matters concerning capitalists and workers, he was convinced that the problem to be solved was not one for economists to deal with : they consider only the past and present facts of life. When, however, new schemes are presented to them, such for instance as the nationalization of land and industries, Socialism, Syndicalism, Communism, etc., from their wide experience of the natural laws brought into play in the vast field of economics, they demonstrate the problems brought under their notice. It does not appear to be within their province to suggest new schemes. In the natural order of things, Industrial problems are matters for employers of labour to study and experiment with. For many years, individual employers have instituted different methods of remunerating their workers, with a view of inducing them to work more efficiently. Industrial peace can never be secured by the actions of

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individual employers. Whatever methods are applied, must be such, that so far as is humanly possible, no class of worker will be placed at a disadvantage to any other class, so far as *methods* of remuneration are concerned. Employers have not got the time to devote to the larger problem, and their personal self-interests tend to unfit them for doing so.

It occurred to the writer that in order to understand the position himself, he might at least endeavour to treat the matter as a phase of work in his own calling of life. The proper division of newly created wealth may quite reasonably be regarded as a problem in the higher branches of accountancy, where, for instance, an accountant with a full knowledge of the accounts he has examined, is called upon to advise as to policy. This is the plan he ultimately adopted. It is therefore clear that this review is not in any way a treatise on economics, but must be looked upon merely as an accountant's report on the question, which he now places before the public, because his conclusions appear to be sound. Whether the view he has taken of the subject is worthy or otherwise, his readers must judge for themselves.

The writer is painfully aware of his own lack of literary art and scientific method: he has by force of circumstances had to find ways of his own, but trusts that he has made himself intelligible. He does not claim that the method he

recommends is the only way to bring about better social conditions. He claims that it is built up on measures which have already passed the test of experience—that it is a complete organization in which all the parts will run smoothly together. For the above reasons, it will not be subject to those risks, which are liable to beset any piecemeal innovations; no matter how desirable they may appear to be.

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THE CAUSEWAY OF CAPITAL AND LABOUR

CHAPTER I

INTRODUCTORY

FOR the purpose of establishing industrial reforms which will stand the test of time required of them, we must look into the past for inspiration. No new policy in which the past is ignored, can be looked upon as sound. All the facts of our present cultivated state have been developed gradually from some earlier forms of life. These early forms of life held, potentially, all that is highest in man to-day. What the great scheme portends no one knows. It is instinctive in man, even in primitive man, to believe that something better awaits him : a review of our development encourages this view : it gives us hope, and a strong desire to assist in that development according to our interpretation of such of the plans as have so far been unfolded to us. Further, our long backward trail, earlier stages of which are lost in the distance of time, give a sure promise that in a far-distant future, mankind under evolu-

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tionary development, will have reached such a comparative state of perfection that he will be competent to undertake duties the nature of which it is impossible at the present time with our limited vision to comprehend. It is inconceivable that the natural laws under which we have advanced should become unworkable before the process is completed. The necessity of living, amongst altering conditions of life and many surrounding difficulties, has caused mankind in the course of ages to be considerably altered. Mr. H. G. Wells in his *Outlines of History* gives a voluminous and most comprehensive idea of mankind's upward march. Professor Sigm. Freud in his work, *Psycho Analysis*, p. 17, Lecture 1, authorized English translation, throws further light on the subject, thus :

“ We believe that civilization has been built up under the pressure of the struggle for existence by sacrifices in gratification of the primitive impulses, and that it is to a great extent ever being recreated as each individual successively joining the community repeats the sacrifice of his instinctive pleasures for the public good.”

Probably some of Professor Freud's readers, in like manner to ourselves, may have found his book too technical in places for a full comprehension of his theme : but there can be no doubt that the whole work throws a wonderful sidelight on a process of man's evolutionary development.

It may be thought that we are straying unduly

from our subject ; such, however, is not the case. In a proposition dealing with labour troubles that have reached such an acute and complicated stage, it is necessary to set out as clearly as possible some scientific reasons for justifying our methods and proposals, otherwise they might be put aside as " Utopian."

To come back to our subject, it will be gathered from the above sketch of our development that each advantage gained from the individual has been so gained by some superior force or overpowering circumstances. In our industrial life, where, partly owing to customs that have outlived their usefulness, classes are opposed to each other, every little advantage has to be fought for. There is, however, amongst all classes an appreciation of those things which are considered to be just, according to the high democratic principles laid down by the Founder of our Faith. A proposed innovation is always relative to some past measure, unless an entirely new situation is to be dealt with. If the innovation appears to distribute justice better than a former method, it may be said to have passed the democratic test. In other respects it must accord with economic laws, otherwise the desired results will not be realized. From all the aforementioned considerations it is not difficult to discern a principle which governs man's development. Apparently, the evolutionary process had no beginning and will have no

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end. Therefore we must view the matter from a central point and cast our thoughts backwards and forwards. *Man's progress is the result of that evolutionary process where things grow naturally out of that which went before ; things that have served their useful purposes pass out, those that are in operation live for their period and bear fruit before they also pass out, and are replaced by that which they have produced.* The things which prevent the above principle from working smoothly invariably cause trouble. When a large section of the public begins to recognize that any particular law, regulation or custom, acts prejudicially towards those whose lives are affected by it, it is time for the State to take active steps to make proper adjustments. The present system of sole-fixed wages is our particular case in view. Nothing should be swept away, and no new measure adopted in its place, until a majority of the people have sanctioned the alterations. This is practically the course followed by Parliament, as shown by the large number of Statutes and Amendment Acts enacted during (say) the last one hundred years.

Many Socialists seem to entertain the idea that they have only to get a majority into Parliament to bring about the Socialism of their ideals. We must at once state that this opinion is not shared by leading Socialists of the day. Thus, Mr. J. Ramsay Macdonald (lately Prime Minister of

Great Britain), in his book, *Socialism and Government*, "Socialism is a view of what Society is to be when it has completed a further stage of its existence." The space between the "is" and "is-to-be" must be traversed, and Mr. Thomas Kirkup, a well-known authority on Socialism, in his book *An Enquiry into Socialism*, says :

"The history of France and of Europe has been an impressive illustration of the momentous truths, that great changes cannot rightly be enforced or improvised. They can be well and duly made when the minds and hearts of men are prepared for them."

Our present state of society, with its classes and social conditions, is the product of the varying customs of countless generations and cannot be brought to a sudden standstill and another state of affairs substituted without incurring the risk of dangerous upheavals. But as the time of life of a nation advances, the stumbling-blocks that come in the way of progress may be removed by drawing the attention of the public mind to them, in the first instance, and gaining the public approval to the means by which they may be removed.

CHAPTER 2

THE PROBLEM

WE have now come to a place where the problem of dealing with the labour troubles may be opened up. The thoughts of the most able men may find expression in the public literature of the day, in Parliament, and other assemblies. Amongst these men are those who devote the best part of their energies to improve the welfare of their fellow-men. When we come to think of it, it is remarkable that the labour troubles are increasing, instead of diminishing. These considerations first brought home to us the fact that an ordinary man would be bold indeed to entertain the idea that by exploring the area, which had already been so ably and so fully exploited, he could discover a remedy for the labour troubles. Clearly we must cast our net wider. The inability to find a method of averting the labour trouble is an indication that the cause of the trouble is complex, and therefore cannot be overcome by altering any one single measure.

If we refer to the principle which, we contended, governs our progress, we find two things

that are always taking place, the "passing out" and the "coming in." When a measure of considerable importance to the community is established, a critical atmosphere is immediately created. But out of this atmosphere thoughts of further reforms are formed. When the reform resulting from the crystallization of these "reform-thoughts" is subject to confirmation by Parliament, and meets with the approval of a majority of the House, it becomes law. In cases that do not require the sanction of Parliament, if the reform meet with approval it is gradually adopted by all concerned until it becomes an established custom. In the course of time and in similar manner other reforms are established. In this way all single measures have been carried out without any disturbance in the social life of the country. Where the desire for reforms cannot be satisfied by the amendment of any single measure, a deadlock is reached, the "coming in" and "passing out" in the evolutionary process is blocked. This is what has happened with regard to the Sole-fixed Wages System. This system is practically the same as it was a century ago, except that Arbitration Courts have power to fix minimum rates of wages. The Sole-fixed Wages System cannot be carried further, except to bring minimum wages to its logical conclusion, which we have provided for in our method, by providing for a ratio between the minimum rates of wages

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for all classes of work, such minimum ratio adequately to cover the cost of living.

In order to understand more clearly what has happened since the deadlock was reached, we will endeavour to follow the course that the minds of those who were interested would follow, without, perhaps, any conscious knowledge that any regular course was being followed.

When people became aware that they could not improve their position by amending the Sole-fixed Wages System, their "reform-thoughts" commenced to soar to a greater extent into the realms of Imagination, Speculation and Experiment, thus taking them out of touch with existing conditions. This is one of the methods that the mind adopts. Every one knows that some discoveries have resulted primarily from imagination.

The reform-thoughts that entered more fully into the regions of Speculation are responsible for the theories of Socialism, Communism, Nationalization of industries, Syndicalism, etc. Because there was no apparent way of improving their positions by amending the Wages System, people commenced to form theories of what they considered social conditions should be. In this way ideals were formed, but human nature is such, that in dealing with social problems, any attempt to adopt ideals which are still in an experimental stage will set up revolutionary tendencies. When an ideal has once become fixed in the minds of

people in the manner stated above, a further process of the mind takes place. Instead of the existing measure being altered to meet a new desire for reform, the ideal itself is fashioned to meet the original conditions ; it undergoes a course of being reconstructed and eliminated. This process is subject to certain tests ; these tests differ according to the nature of the ideal. One test is common to all of them, they must conform to the economic laws which govern them, to ensure the realization of the reform. These tests are applied by a process of the mind, in much the same way that a mechanic applies his instrument of measure to his work.

The result of this process, if properly carried out, will bring to ultimate realization all that the crude ideal was capable of producing in support of the original conditions, which may, of course, be very little, or may on the other hand be of great benefit to mankind. The foregoing examination shows the machinery at work in that place which Mr. J. Ramsay Macdonald has emphasized by referring to it as "the space between the 'is' and the 'is-to-be'" already quoted.

It shows that all which is applicable in an ideal to the purpose in view may be ultimately realized. It shows that the plans of Providence cannot be permanently set aside. If through want of insight, or any other cause, the natural channel of

man's development becomes blocked, it will flow in the manner indicated above, during which period people are bound to suffer in some manner; by industrial strife, dislocation of trade, perhaps revolutions; and war which might entail the overthrow of the nation; civilization might be thrown back to a point from which the lesson would have to be learnt over again. One thing only is sure, the plans will ultimately be carried out. If we look backwards, we cannot doubt this.

The criticisms of Socialism have all been destructive. It would probably have made a vast difference, if the more able critics had recognized that these were the ideals of a great people and had used their talents, to alter them, so that they could accomplish as far as possible that which they were required to accomplish. Unfortunately, very little constructive criticism is applied to any social problems unless some great national calamity occurs; even then there may be criticisms that are not helpful.

THE COMPLEX DIFFICULTY

The following is the way we met the complex difficulty.

At the point in our figure where the reform-thoughts commenced to travel more fully into the area of Imagination and Speculation, we examined carefully the movements in the old-time

wages system. In the evolutionary process already mentioned, we noticed that all measures live for their period and bear fruit before they pass out. It was this fruit, the growths from the old measure, that we studied. In our Preface, we drew attention to the fact that employers had instituted different methods of remunerating employees. All these methods are offshoots from the old wages system. We theoretically extended all these offshoots and also other measures, so far, of course, as they came under our notice, to their logical conclusions. It will be noticed later, that none of these extensions are *solely* capable of satisfying the aspirations of workers. Out of those extensions which appeared to us to be satisfactory, and which were capable of being worked in complete harmony with each other, we produced a combined system that will distribute the products of industry in such a manner as should satisfy the advanced views of employers and employees. It will work in harmony with economic laws, give employers as a whole a larger scope for their capital, and give employees a similar remuneration to that which they would get if working amongst themselves in co-operation. The system can be adopted so that there will be no disturbance in the social life of the country. At the time of its initiation, the ordinary citizen would not from outward appearances be aware that any alteration had taken place.

CHAPTER 3

CAPITAL *v.* LABOUR

THE problem we are discussing is usually referred to as CAPITAL *v.* LABOUR. Before we proceed further, it will be as well to define the parties who enter into the problem.

CAPITAL.—We may here briefly state that a capitalist is a person who utilizes wealth for the purpose of making profit—this subject will be more fully examined in the Chapter dealing with the proposed Rights of Capitalists and Workers in an industrial partnership.

LABOUR.—*Who is Labour?* All who receive remuneration for their own personal efforts are units of labour. This wide interpretation, however, gives such a vague idea of the various bodies of workers who enter into the problem that some classification becomes necessary. For the purpose we have in view, we may divide the units of labour into three groups :

The first consists of the stipend class. It is thus described by Professor Francis A. Walker in *A Brief Political Economy*, para. 295 :

“ I apply the term Stipend Class to all those persons

who are employed, not as a means to increase the income of their employers, but for the purposes of comfort, of leisure, of luxury, of dignity, or for the cultivation of intellectual faculties or moral graces. This class embraces many of the highest and many of the lowest of society. At one end of the scale we have the menial servant, at the other the minister of religion, the teacher of science, and the artist. To this class belong the soldier, the public official, the man of letters, the lawyer and the physician."

This group does not come directly within the scope of our inquiry. It will be seen later on that the remuneration of No. 3 Group will be raised beyond the point that sole-fixed wages are capable of giving. This will have the effect of attracting more labour to it. Those who provide the remuneration for the stipend class workers will either have to increase their emoluments, put up with inferior workmen, or allow the positions to become unoccupied.

Group 2 consists of those who combine the classifications of capitalists and workers, namely, *entrepreneurs*, captains of industry—such as the individual merchant, shopkeeper, manufacturer, farmer, etc.

The remuneration of the *entrepreneur* is of a twofold nature, viz., remuneration for his capital and remuneration for his work in conducting his business. It is obvious that his interests as a capitalist do not clash with his interests as a worker (unit of labour). We may therefore dismiss this

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group from our problem in the meantime, although it will afterwards become an important element in the proposed universal industrial partnership.

Group 3 consists of all the units of labour who are employed by capitalists, or *entrepreneurs*, other than those already referred to, but including the *entrepreneurs* in their capacity of units of labour as already explained.

There is a good deal of misunderstanding as to who constitutes Labour in this group. All employees, from the manager of the "fat" company to the lowest-paid worker in this group, are units of labour in the problem of Capital *v.* Labour; the same natural laws govern the remuneration of these workers; they possess the same natural desires to advance their own personal interests.

Those who feel the pinches most, and are numerically strong enough, will struggle hardest to advance their personal interests, and will resort to strikes. It is hardly likely that the managers of the "fat" companies will ever go out on strike; they are too far removed from the centre of the trouble, but there is a tendency for their salaries to be reduced, as educational facilities increase the supply of men capable of taking their places. It is important to them also, that a better system of remuneration should be adopted.

There are many classes in this group corre-

sponding to the various occupations. It is a fallacy to suppose that workers can be divided into those who contribute physical and those who contribute mental work. No work is either solely physical or solely mental. There is no gap between that which is most physical and that which is most mental, but a gradual difference in the combination of the qualities, corresponding to the great variety of work. All mental work entails some physical energy, and all physical work is directed by some qualities of the mind. Trained physical work results from trained qualities of the mind—the mind and the body act in unison.

CHAPTER 4

WAGES

It is of the highest importance to consider what part the State should take in the remuneration of workers. When the State provided Arbitration Courts, it adopted a long and arduous task. It established a principle which involves more complications and far-reaching policies than would at first appear. It inaugurated a system which, wherever applied, takes the *basis* of wages entirely away from the old method of allowing the laws of "supply and demand" exclusively to determine the price of wages. The State, having once taken a hand in the methods of remuneration, must in all fairness carry out the principle with justice to all workers, so that no workers be placed at a disadvantage to other workers, or else cut itself adrift from the whole policy. It is not sufficient to take up the attitude that Arbitration Courts are there for any workers to take advantage of, since so many workers are in such weak positions that they cannot successfully bring their grievances before the Courts.

The so-called arbitration at the present time is

merely a compromise between some employers and some numerically strong bodies of workers. If in any particular case the Award of an Arbitration Court merely affected the parties to the dispute, the present system would not be so faulty, but the rise in the price of the product caused by increased wages in one industry is detrimental to all workers outside of that industry and to other members of the community who purchase the product of the first-named industry or purchase the products of any other industry which in the course of its own production uses the product of the first-named industry. Arbitration has been in use for many years. The late Professor W. S. Jevons, in a lecture given by him on 5th April, 1870 (see *Methods of Social Reform and other Papers* by this writer) made the following statement: "Anyone will admit that conciliation is better than open strife, but it does not follow that what brings peace affords a sound and thorough settlement." The experience of over half a century has shown this to be correct. But arbitration has not only been better than open strife, it has borne fruit in other directions. There are developments the natural continuation of which would ultimately bring about better methods for the State to adopt, methods which in the interests of industrial peace cannot be adopted too soon.

The system of minimum wages (the offshoot

of arbitration) is now a recognized fact. Every class of worker will in course of time be emboldened enough to appeal to the courts, until all classes of workers have been adjudicated upon, some of them perhaps many times. When this is accomplished, it will become evident that the remuneration of every class of worker should bear some fixed ratio to that of all the other classes. This is the logical conclusion of minimum wages. It will be observed that even this reform will check the paralysing force of strikes. It would be folly for the workers in one industry to strike for higher wages, because if their wages were fictitiously raised, by which we mean that if their wages were raised by other means than by the scarcity of men to fill the particular positions, etc., then the workers in every other class must have their salaries and wages raised in order to maintain the fixed ratio.

In order that our scheme may be better understood we are making suggestions for organization as we go along. We are aware that many difficulties must be contended with, which will involve an immense amount of work, but these things are small compared to the great semi-civil organizations connected with the Great War. Let us also state here that although the proper adjustment of minimum wages will be a great step forward, it will not give permanent satisfaction or cause work to be economical, neither will it raise

the workers themselves to that higher plane in society which compulsory education and their own endeavours have fitted them for. Later on in this review it will be seen that we have suggested terms of an industrial partnership which will cover the above defects.

Miss Beatrice Potter (Mrs. Sidney Webb), in her book, *The Co-operative Movement*, made a suggestion which is worth looking into, viz., "A State within a State."

We suggest that it would be a good plan to create an Industrial Senate, responsible to Parliament, with full powers to appoint officers, make industrial laws, and establish Industrial Courts, where all industrial questions could be threshed out. Although apparently the Arbitration Courts as at present constituted should be abolished, there is that attached to them which would be of much use in providing new machinery for the more progressive method. The machinery of these courts consists, not only of law officers, but of large staffs representing employers and employees. These various officers would provide many men eminently fitted for the larger requirements of the Industrial Senate and Courts.

MINIMUM WAGES

In considering the basis of wages, there are certain aims to be kept in view. Universal methods of remuneration should be established

from which there must be no deviation that will interfere with the universality of the system or will leave it possible for anyone to pay less than the basic wage decided upon by the courts for the particular class of work, and no one should be allowed to employ any worker unless the class of work had been adjudicated upon by the court.

HIGHER REMUNERATION

When men display higher abilities over and above those which entitle them to minimum wages, their services are sought after. It would pay employers to give them more than the minimum rate of wages in order to retain their services. It is clear also that if the workers obtained a percentage of the profits it would be to their advantage also to have the remuneration of these men increased. It is evident that, from minimum wages upwards, the price of wages is governed by the law of supply and demand.

Some of the main points to be kept in view in the framing of a successful scheme are :

1. A general method of remuneration so arranged that the greatest possible number of people have the individual desire to work economically.
2. The preservation of the high abilities of *entrepreneurs*.
3. Scope for workers to display *entrepreneur*

abilities. This can be effected by taking them into partnership.

4. Encouragement for workers to work in co-operation amongst themselves. For reasons, see p. 95, Chapter 11.

5. Provision for sickness and old age. This matter is examined in a later chapter. The State has already put its hand to the plough in this matter and so is in duty bound to carry it out to its obvious conclusion. It must be made universal—not many people would be found who would refuse to take a pension when it becomes a universal right and so is taken out of the area of benevolence and philanthropy. We must, however, state that universal pensions cannot be made without providing for the *compulsory* payment of the necessary premiums to establish the fund out of which the pensions are to be paid. We have arranged for a uniform method of carrying out this idea.

CHAPTER 5

A METHOD OF ARRIVING AT MINIMUM WAGES.

In order to arrive at a true proportion for minimum wages in all classes of work, we suggest that a system of points be adopted somewhat as follows :

" A " COST OF LIVING	£ s. d.	Based on the estimated cost of feeding, clothing, and housing a family of husband and wife and <i>x</i> children. If thought necessary, unmarried persons, and families without children or where the number of children is below <i>x</i> , to be proportionately taxed and the money paid to the State. The money so appropriated could be used for some benefit for the workers, say to swell the Fund for State Pensions and sick-pay. The cost of
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£ s. d.

living should be appropriate to the time of life of the nation. Compulsory education has created self-respect—a most valuable asset to the community; by establishing self-respect, some of the things which might formerly have been looked upon as luxuries have now become absolute necessities. The cost of living fluctuates. Probably it would not be so liable to fluctuation if the price of wages were steady. In any case it presents no great difficulty. The fluctuations are more or less accurately estimated. As time goes on, more accuracy will be acquired. At stated periods, fluctuations could be publicly announced and the price of wages adjusted at any specified date.

“ B ” COMPENSATION

For risk of life involved in the particular occupation.

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	£ s. d.
"C" COMPENSATION	For disagreeableness of occupation.
"D" COMPENSATION	For time and money expended in acquiring the art or skill necessary for carrying out the particular work.
"E" COMPENSATION	For expenses to be incurred in maintaining the dignity of the position.
"F" COMPENSATION	For people employed in the "Stipend" Class (if necessary).
"G" COMPENSATION	
Any other compensations	
TOTAL MINIMUM WAGES	
	<u>£ : :</u>

It will be seen from the above, that we have only reduced to law and order, that which takes place more or less irregularly under the *laissez-faire* system, or, shall we say, lack of system. Under *laissez-faire* the equipoise of justice is liable to be disturbed by any overpowering force of circumstance.

We shall show later on that the total amount of minimum wages, plus the amount gained under the law of supply and demand for extra abilities, forms a correct basis for an industrial partnership.

A Method of Arriving at Minimum Wages 25

Hitherto Arbitration Courts have been called upon to fix minimum wages of ordinary workers—the Industrial Courts under our scheme would have to fix the remuneration of *entrepreneurs* in their capacities as units of labour. Many concerns in these days are conducted by salaried managers. These salaries would afford excellent data for the guidance of the courts.

The Industrial Senate, either directly or indirectly through their officers, will have to consider and approve of the industrial partnership, the State pensions, and also to decide what classes of workers should be included in the Stipend Class.

CHAPTER 6

METHODS OF REMUNERATION

Co-operation of Workers amongst themselves.—

This is the highest method of remunerating workers where they possess the natural qualifications and abilities to conduct their own operations and can also arrange for their financial requirements.

NATIONALIZATION OF LAND AND INDUSTRIES

These theories may be said to represent "Socialistic Ideals." We have seen that these ideals are still in the regions of Imagination and Speculation—they cannot be accurately described whilst they are still in the workshops of peoples' minds.

The obstacles that militate against their success have been described by various writers.

Under Nationalization, Government officials would be responsible for the control of all business ; human nature is such that this would lead to many evil practices . . . favouritism, disappointments, heartburnings, bitterness, despair, in fact all the evils that Socialists are anxious to

avoid. From the management downwards, the incentive to work would be of a low order, consequently the nation would no longer be able to compete in the world's markets.

So long as Socialists are true to their ideals, as they undoubtedly are at the present time, the process of reconstruction and elimination must be proceeded with. The abilities of the captains of industry must be retained, competition provided for, and the incentive to work increased instead of being reduced. It will be noticed that in our proposed method, we have recognized that a proper division of wealth cannot be provided for without some State intervention and control. We have, however, taken advantage of the forces in human nature towards giving a proper division of newly created wealth; in consequence of this, an extra impetus will be given to production. If our method be looked upon as a logical result of socialistic ideals after they have passed through natural processes, Socialists will not be slow to class it as scientific Socialism.

It is a physical impossibility to have perfect laws and customs to govern society; there cannot be a perfect social system at any particular time. If we had the impossible, viz., a perfect social State to-day, it would be imperfect to-morrow. Under evolutionary laws things are always on the move, and some people have more advanced views than others. Although the difference as

viewed from day to day may be imperceptible, it is none the less sure. The question naturally arises, what is scientific Socialism? It has been said that every one is a Socialist at heart. This is undoubtedly true of every worthy citizen; in the last analysis it is true of every one. The laws of a country are made for the protection of every individual: all the individuals, including the most notorious law-breakers, claim this protection.

In order to preserve uniformity of thought, we offer the following definition in the form of our previous illustrations. Scientific Socialism is a state of society where all laws and customs, or any parts of them, are allowed to pass out, when they have served their useful purposes; and where all reforms resulting from the crystallization of the reform-thoughts are not allowed to become overdue. It seems to us this is all that those who have the welfare of mankind at heart can endeavour to bring about. It appears also this is just what they do. It is a waste of time to work at the "fair fields in the far distance" with a view to their cultivation, but, as necessity arises, the boundary fences should be moved forward until those far fields are reached as boundary fences are moved forward; other far fields are then opened up, and so on *ad infinitum*.

People's ideas about reforms differ considerably; this involves much discussion in which the element of "give-and-take" is necessary. In the

ordinary course of events, and amongst reasonable people, there should be nothing to cause the acute dissatisfaction that is in evidence to-day. The deadlock referred to in an earlier chapter is caused by circumstances that are quite unusual and out of the *ordinary*. The deadlock is pregnant with evil forces that may overthrow civilization as we know it to-day. It is significant that the cause of the deadlock is accidental and is not the result of any premeditated action : this redeeming feature should cause men to sink their differences and to work in harmony together to overcome the cause of the trouble.

Co-operation in Distribution is faulty. Our commercial usages presuppose two kinds of profits, viz., profits out of production and profits out of distribution. The workers in the distributive branches do not benefit in proportion to their economic efforts, but only on what they purchase from the distributing stores. Those whose business it is to produce may also purchase from co-operative stores. Therefore, assuming that there be extra profits resulting from co-operation, they can obtain two kinds of profit : one out of production, the other out of distribution ; whilst the workers in distribution only save money on what they consume. Under the system we are advocating, all classes are placed on the same footing.

Wages.—We have gathered the following principally from Professor David F. Schloss' book,

Methods of Industrial Remuneration, and have endeavoured to verify the facts from various other sources. The two most important methods of remuneration are time-wages and piece-wages. All the other forms, with the exceptions of Contract Work and Co-operation, may be treated as offshoots of piece-wages. Professor Schloss (Chapter I) classifies the different kinds of wages as follows : time-wage ; piece-wage ; task-wage ; progressive-wage ; collective-piece-wage ; contract work ; co-operative work.

A time-wage is the payment to the worker for performing work without any special understanding as to the total amount of work to be done in a given time. There is, however, some tacit understanding as to the total amount of work that a man is expected to do, and where men are employed at one particular kind of work for a considerable time a customary standard is established. Where this standard is an expressed condition of the work, the time-wage is said to be fixed on a piece-work basis. The workman who does not come up to this standard is promptly dismissed.

Piece-wages.—The object of piece-wages is to induce workers to do a greater amount of work in a given time. There is no special understanding as to the time it will take to perform the work : it is obviously to the workers' advantage to work as expeditiously as possible, since

the harder they work the more money they make in a given time. Piece-work and piece-wages are based on the customary standards of time-work and time-wages : thus, if it be the customary standard of work under time-wages for a man to make four articles in one hour and the time-wages be fixed at 1s. per hour, then the price for making one such article by piece-work would be fixed at 3d. A man employed by piece-work under these conditions could considerably increase his daily wages by displaying extra efforts and ability. Theoretically, these two methods—time-work and piece-work—appear to be capable of giving much satisfaction to employers and employees. In practice, however, they have been responsible for constant trouble. The margin between the efforts of the workers under time-wages, and the extra efforts called forth under piece-wages, has become the battlefield of thousands of fights between Capital and Labour. Thus:

“When employers and employees are at variance in regard to the remuneration of workmen, the discussion takes the form of a dispute, not as to how much per hour shall be paid, but as to ‘numbers’ ; i.e. as to the number of articles that must be made in one hour in order to entitle the operative to the *minimum* (nominal) rate of pay per hour” (*idem*, p. 26).

The method of piece-work has been in use for many centuries, but it is only since the advent of the great manufacturing era that it has been generally adopted. In manufacturing industries

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especially it is used in some form wherever the nature of the work makes it possible. Thus :

“ Although many of our workmen prefer working on time-wage, yet that method of industrial remuneration is adopted in this country only in a minority of cases ” (*idem*, p. 16).

Piece-wages were brought into general use by employers recognizing that their employees were capable of working at a greater speed under conditions that increased their remuneration in proportion to an increase in the amount of work done in a given time. By this method employers reap the benefit of a larger turn-over in a given time without being put to the cost of erecting additional machinery, etc., while the actual cost of the increased work corresponds to the cost of the work under time-wages. This is the legitimate profit of employers ; but, unfortunately, circumstances arise which impel employers to deprive the workmen of a portion of that which is due to them for the extra work they have been induced to perform under the piece-wage agreement.

When men are first taken off time-wages and put on piece-wages, it is invariably found that the speed is greatly accelerated. The workers make so much more money, that employers at once come to the conclusion that their employees had unduly sauntered over their work when under time-wages. They note that whilst the employees

are reaping the harvest of their extra exertions, employers close up to the no-profit margin can barely make two ends meet. In consequence of this, employers take every opportunity to raise the standard of work and many devices are improvised to give effect to this. In time-work it often happens that exceptionally fast workers are pitted against the others. "Chasers," "bellhorses," and "runners" are employed to hustle things along and well-paid foremen are put on to bully the men into further activities. When the time comes for renewing a piece-work agreement the standard of work is raised by the employer *according to previous experience*. This is accomplished by reducing the price paid per piece. In this way trouble between trade unions and employers is brought about.

On the other hand, trade unions, acting under the firm conviction that workers render services for which they are greatly underpaid, use efforts to reduce the standard of work; in all cases of time-work, workers are encouraged to "go slow" wherever possible. This movement, however, must not be over-estimated. A large number of industrial workers are true artists; it is in keeping with their natural inclinations to turn out good work and to do it expeditiously. It is irksome to them to have their energies checked.

Task-wage.—The standard of task-work is fixed by the employer. The employee is paid on

a time-wage basis, subject to the condition that if he fail to complete the full complement of work in the time allowed, a corresponding deduction is made from his task-wage. Thus :

“The adoption of the method of task-wage sometimes takes place thus. The employer gives the worker a novel article to make on piece-wage. The man, working as fast as he can, turns out on the average x articles per hour. . . . When his measure has been taken in this manner, he is put on time-wage, with the obligation of producing not less than x articles per hour, i.e. on task-wage” (*idem*).

There is no hope for industrial peace from such methods.

Progressive wages.—There are many forms of progressive wages, some of which approximate to the higher form of piece-wages, thus :

“The common characteristics of all forms of progressive wages is that in every case, a fixed or minimum wage is supplemented by a premium paid in respect of efficiency” (*ibid.*, Chapter VI).

In his criticism of profit-sharing, Chapter XXII, Professor Schloss recommends the method of “gain-sharing” and considers it likely to be satisfactory to employees. We do not in any way share this opinion. Gain-sharing comes under the heading of progressive wages, and we quote Professor Schloss’ principal illustration.

“In order still further to elucidate the practical bearings of the method of Gain-sharing, it has seemed proper to set forth at length the detailed observations made in a paper on ‘The Premium Plan of Payment for Labour,’

by Mr. F. A. Halsey, read before the American Society of Mechanical Engineers in June, 1891 (printed in the [American] *Railway Review*, July 11th, 1891): 'The time required to do a piece of work is determined from previous experience, and the workman, in addition to his usual daily wages, is offered a premium for every hour by which he reduces that time on future work, the amount of the premium being less than the amount of his wages. Making the hourly premium less than the hourly wages is the foundation-stone on which rest all the merits of the system, since by it, if an hour is saved on a given product, the cost of the work is less, and the earnings of the worker are greater than if the hour is not saved, the workman being in effect paid for saving time. Assume a case in detail: Under the old plan a piece of work requires ten hours for its production, and the wages paid is 30 cents per hour. Under the new plan a premium of 15 cents is offered the workman for each hour he saves over the ten previously required. If the output be doubled, the wages paid per piece will be reduced 25 per cent., but the workman's earnings per hour will be increased 50 per cent. Were the premium less than 15 cents per hour, the reduction in cost for each hour saved would be greater, and the workman's earnings less. On the other hand, the workman would have a smaller incentive, and the time would not be reduced so much.

“ ‘ Any attempt, however, on the part of the employer to be greedy and squeeze the lemon too dry will defeat its own object, since, if a trifling premium be offered, the workman will not consider it worth while to exert himself for so small an award. . . . The broad-minded employer will not fail to recognize that his own gain from the system comes largely from the increased production from a given plant. . . . The advantages from this source are so great as to render unnecessary any refined hair-splitting as to the rate of the premiums. . . . ’ ”

The standard of the time-work in gain-sharing is based on past experience. This standard has passed the test of trade unions on the one side and employers on the other. It is acknowledged by both parties to be a proper standard of work for the ruling rate of payment at the time when the agreement to work was entered into.

We noticed in our examination of piece-work that time-wages and piece-wages were based on the same standard of remuneration.

If a man working under piece-wages did twice as much work in a day as a man who worked under and up to the standard of work for time-wages, he would earn double the amount of money in one day that the latter would earn. But if a man working under the method of gain-sharing, in accordance with Mr. Halsey's illustration, did twice as much work in a day as a man who worked up to the standard of work for time-wages, he would receive only half as much pay again as the latter. If in gain-sharing, under a recognized standard of time-work, a man be expected to make ten articles in one day, and the rate of wages be fixed at 10s. per day, then the proper remuneration for making one article would be 1s. Is it equitable that a man who makes twenty articles should receive only 9d. each for making them, or in other words 1s. each for making the first ten articles and 6d. each for the remaining ten? The other costs in production are the same

in both cases. The employer is not contented to make the extra profits "from the increased production from a given plant," but he sweats his workers to the extent of 50 per cent. of the wages, due to them under the standard of remuneration, for the extra work done by laborious efforts: moreover, to the extent that he sweats his workers out of their laborious efforts, he enters into unfair competition with the other employers in his line of business, who pay wages at the standard rate, in respect to every article they produce. It is useless to argue that the sweated employees enter into the agreement with their eyes open and that they can take it or leave it. They require the money and agree to the terms because they cannot do better for themselves. No one who gives the matter intelligent thought can seriously entertain the idea that the exercise of such methods will tend to bring about a more permanent state of industrial peace.

If any employer under the industrial partnership finds that owing to the nature of his business he cannot make profits without employing some of the methods aforesaid, then by all means let him do so; but under our system this must be subject to the conditions of the partnership that he cannot pay less than the scale of wages laid down under the direction of the Industrial Senate, and he must also pay a share of whatever profits are made.

CHAPTER 7

PROFIT-SHARING

“When we come to think about the matter it is plain that industrial partnerships are founded on the purest principles of human nature—self-interest.”—W. STANLEY JEVONS.

BEFORE we commence this chapter, let us state that the facts have been largely gathered from Professor P. Gilman's book, *Profit-sharing between Employer and Employee*.

Profit-sharing will advance the interests of both Capital and Labour : it will call forth the great abilities of the *entrepreneur* and open up opportunities for the investment of his capital. It will give scope to Labour's worthy ambitions and will equitably reward the workers for the ability and energy they display, *provided* that the method be carried out on a proper scale. It will be acceptable to Socialists and Syndicalists, because it is in the direction of their ultimate goal. It is capable of producing harmony at this stage, because it will not come in conflict with anyone's interests.

There are many publications on profit-sharing.

Profit-sharing between Employer and Employee, by Professor N. P. Gilman, of West Newton, Mass., U.S.A., published in 1892, contains a history of many forms of profit-sharing from years long past to the date of the publication of his book. This writer carefully collected evidence from those who were personally interested in the movement, thus : " Whatever the result has been, I have allowed the experimenters to make their comments as being the most competent witnesses " (p. 414). As many of these men have since gone the way of all flesh, no one can now get evidence at first hand from those authentic sources. Professor Gilman's book will then, if for no other reason, always be looked upon as a standard work; but apart from its historic merits, the "Argument for Profit-Sharing" (Chapter X) is able and conclusive, and is, of course, written with a comprehensive knowledge of actual facts. The appeal on behalf of profit-sharing by Mr. Charles Babbage, the eminent mathematician, in the *Economy of Manufacturers*, published in 1832; *Profit-sharing between Capital and Labour*, by Sedley Taylor; the lecture on Industrial Partnership, by W. S. Jevons, already referred to, and the writings of J. S. Mill; Henry Fawcett, and other economists of the same period, will always be read with much interest as forming parts of the early history of profit-sharing. There is also an abundance of literature by distinguished men in France

and other parts of Europe, also in America.

It is many years since profit-sharing, as applicable to modern conditions of industry, first received the attention of scientific and business men. Mr. Charles Babbage is looked upon as the author of profit-sharing; he was the first man of note to expound the principle in England. M. Turgot, a distinguished Frenchman in the eighteenth century, urged the adoption of the principle.

Henry Briggs, Son & Co., Whitwood Collieries, Yorkshire, England, adopted a complete form of profit-sharing in July, 1865, and many business firms in England have since tried various forms of profit-sharing with more or less success. Profit-sharing has also been practised on the Continent of Europe and in America: but France holds the position of honour, for it was France who gave birth to the famous Edme-Jean Leclaire, founder of Maison Leclaire: he is rightly acknowledged to be the father of profit-sharing. Owing to his wise direction and forethought, Maison Leclaire still flourishes. This was true before the Great War; we trust that it remains true.

The usual, though not invariable, method, adopted in profit-sharing is to give a fixed time-wage, at the rate ruling in the particular district, in the first instance, and to allow the workers a fixed share of the profits, payable at certain fixed periods, to be divided amongst them in propor-

tion to their respective time-wages. The many applications of profit-sharing show that employers are fully compensated for adopting this method. There is also evidence to show that the more liberally the workers have been treated in the matter of profits, the greater have been the profits which employers received. There have, however, been exceptions. Whilst many employers of good standing adopted profit-sharing for the purpose of increasing their profits, to avoid strikes, and perhaps partly from philanthropic motives, there are cases where it is evident that some resorted to profit-sharing with the intention of placing an unsound business on a good footing. We need hardly point out that this is expecting too much from profit-sharing, or any other system. Employees, as a rule, have a fairly accurate knowledge as to whether profits or losses may be expected : if they could see no prospect of profits being made, their highest abilities would not be displayed. It is not sufficient that a large share of profit be promised to the workers : they must be satisfied that there is a reasonable prospect of the profits being made.

All the applications of profit-sharing have been introduced by employers. The systems have been organized with a distinct object of benefiting themselves in some form : either to increase their profits, or to bind their employees to work for them, or for both purposes. Thus, Professor

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Gilman on the Compagnie d'Assurances G n rales, Paris, *idem*, p. 159 :

“This life, fire and marine insurance company formerly suffered much from the competition of newly-formed companies, which drew away its best men by the promise of a higher salary. In 1850 M. de Courcy proposed a scheme for the establishment of a Provident Fund, which should have the effect of retaining in the service of the company all its employees whom it desired to keep.”

Although many of the applications of profit-sharing have been highly successful as compared with a fixed-wages system, it is doubtful whether in any case the terms granted to the workers have been liberal enough to bring forth their highest activities. We will endeavour to examine these activities.

The late Professor Cairns pointed out the economic defects of slave labour, in a work entitled *Slave Power*. The reward to a slave of food and shelter, if it can be called a reward, fails to bring into action a sufficient display of energy and ability to enable the system of slavery to compete successfully with that of free labour, except when the work can be carried on in areas small enough to be under the eye and the lash of the overseer; even then it is extremely doubtful if the work is economical. Every method of remuneration brings into action a standard of work which closely corresponds to the particular method adopted. The lowest standard is that produced

under the worst form of slavery. It was though at one time that this low standard resulted from the inferior intelligence of the slaves. But after slavery was abolished in the Southern States of America and educational facilities were given to the negroes, it was found that they possessed a somewhat high degree of intelligence, which goes to show that uneconomic slave labour results from the conditions of slavery and not from the natural inferior intelligence of the slaves. The numerous applications of profit-sharing have abundantly proved that the present wages system, which provides only a fixed reward, fails to bring into action energies and abilities from the workers, to enable it to compete successfully with a full profit-sharing system.

When men invariably act in the same manner, under similar given circumstances, we can perceive natural law. In viewing the facts brought under notice by Professor Cairns, together with the facts of sole-fixed wages and of profit-sharing, we find that men's economic efforts invariably follow a definite line, and closely correspond to the remuneration and nature of the inducements held out to them : we therefore become conscious of a natural law governing economic effort. It may be thought that we are giving undue prominence to that which is perfectly obvious to every one. It is, however, of considerable importance in our inquiry. By viewing this natural law, we become

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aware of the influence that people's minds display over their own economic efforts. We find that the *method* of remuneration strikes a key-note that attunes men's minds to their work.

Every one knows that a large reward will tempt a man to do work better than a small one. But a reward which increases in response to every effort will produce better results than a fixed reward, even if the latter give promise of being considerably larger. The advantages of the extension of a reward depending upon results are constantly before the mind of an individual. The knowledge of his personal interest impels him to work zealously in co-operation with his employer and fellow-employees ; to exercise forethought, and avoid every little waste. It is the aggregation of these things, small in themselves, that is responsible for the large increase in profits in all cases of profit-sharing. Although under profit-sharing there is a natural inclination to work more strenuously, yet it is not the extra laborious efforts, but the economy, care and forethought resulting from the realization of personal interest, that produce the high results. This action may be seen plainly in the activities and restless energies of *entrepreneurs*, who often rebuke their employees for not exerting themselves in a similar manner, apparently unmindful that the real incentive, viz., a reward, ever responding and extending to increasing efforts, is the cause of their own activities,

and that this inducement is absent with their employees. Man is so constituted that his highest activities cannot be sustained in the absence of the proper incentive. As a rule, only one man—at most a few—in every business possesses this incentive; even this limited application produces noticeable results; but when it is extended to all the workers, there is a marked increase in the profits. When we see men working in their various occupations, it is difficult to realize, and also for the workers themselves to realize, that their work could be brought to such a further state of efficiency as would compensate an employer for granting the employees a share in the profits, but it is the little unseen things, and not the bigger obvious things, which are altered. This difference is indicated by the expressions of men when working. Take, for instance, the following, which may be heard daily:

“The firm can well afford it.”

“A few more . . . won't break the firm.”

“What do you chaps want to graft like that for, you won't get any more pay.”

The following under profit-sharing, with others, were supplied to Professor Gilman:

“This is so much bonus saved.”

“Hold on there! Don't break any more stones—that one cost us eight francs.”

“Do you think I am going to carry you on my back.”

It is plain that under the Sole-fixed Wages System the current of thoughts and impulses of the men does not flow in the same direction as that of the employer. But when profit-sharing is adopted, all interests and energies are directed into the same channel and sweep along the course that leads to success with unabated force.

MAISON LECLAIRE

Edme-Jean Leclaire, already referred to, was a painter and house-decorator in Paris and the son of a shoemaker in Aisy-sur-Armançon, a small village about 100 miles distant from Paris. He was born 14th May, 1801. Early in life, Leclaire took charge of his own destiny. At the age of 17 he made his way to Paris, arriving there without money and without friends to go to. By chance he became apprenticed to a house-painter. His history—a romance in real life—might well be studied by those about to enter upon their life's career. His diligence and good conduct under the harsh treatment of his apprenticeship; his self-education and mastery of knowledge of men and business affairs; the manner in which he overcame every difficulty, by forbearance, courtesy, personality, and at times by somewhat humorous strategy; his persistent and successful efforts to promote the welfare and happiness of his employees; his great honesty of purpose, strength of will, but withal true humility of mind,

(Edme-Jean-Lecaire)

Known as maison Lecaire

single him out as an example well worthy of emulation ; whilst the adroit tactics he sometimes employed to carry out his plans, his ideal married life, resulting from his early marriage with a most excellent woman, the reverence and honour in which he was held to the close of his life, add much interest to the story of the career of this remarkable man. M. Leclaire died on the 13th July, 1872, in his seventy-second year. His personal estate was worth 1,200,000 francs, and Maison Leclaire stands to-day, not only as a monument to the life and work of an able, noble-minded man, but as a convincing witness to the utility and advantages of profit-sharing. For some years prior to 1840, Leclaire had entertained the idea of allowing some of his workmen to participate in his profits. In June of that year, he explained his plans to them, but, to quote his own words, " This proposition was not relished as I had room to expect : the men's minds were not ready for it : it was too soon " (*idem*). As showing some of the minor difficulties he had to contend with, it is interesting to note that the laws of France at that time did not permit him to assemble his men, so that he could ventilate his views and discuss any subject with them: so he resorted to the plan of issuing circulars to his workmen or of pasting his written views up in conspicuous places where they could not fail to see them. It was typical of the man that he never

once relinquished his profit-sharing project, thus:

“ After these two or three years of preparation, Leclair finally issued ‘ A Word to our Workmen ’ on the 15th February, 1842, which definitely pledged him to divide the profits of his business with them ” (*idem*).

The men did not appear, even then, to have responded with any degree of enthusiasm : and the public generally expressed doubt both as to the feasibility of the scheme and to Leclair’s *bona fides*. But

“ Leclair, who understood his men, answered these suspicions with a theatrical stroke (*coup de théâtre*). On the 12th February, 1843, he assembled the forty-four painters who were entitled to share the profits and threw down upon the table before them a bag of coin containing 12,266 francs. Opening it, he distributed to each his share, which averaged \$50 per man. It was a scene for an historic painter. The most incredulous could not resist such an object-lesson. All hesitation disappeared : the men returned to their brushes with entire confidence, eager to do their full part ” (*idem*).

From that time forward his profit-sharing scheme as it developed met with unqualified success. The bond of brotherhood between master and man was firmly cemented. Not that quality of brotherhood which finds expression in evanescent pleasantry and familiarity, but in deep-rooted mutual respect and confidence, which are the chief characteristics of the true brotherhood of mankind.

In the first instance, Leclair only permitted

his principal craftsmen to share profits. The results proved so satisfactory, that he gradually extended the privilege to every one who worked for him, thus :

“The principle is rigorously carried out to its last results ; on the accounts for 1881, for example, one may see that workman Dupuy has laboured for the house $4\frac{1}{2}$ hours ; on his wages of 3 francs 40 centimes (at the rate of 75 centimes per hour) he was, therefore, entitled to a bonus of 70 centimes, or 14 cents. At the other extreme, among the 1,084 workmen, M. Petitjean, working 2,750 hours at 70 centimes per hour, received a bonus of 497 francs 70 centimes, almost 100 dollars” (*idem*).

In 1838 Leclaire formed a terminating mutual benefit society amongst his best workmen. In 1853 (fifteen years) the term expired and the members divided up the accumulated funds. Leclaire immediately inaugurated another society on the same lines as the former one. Six years later, he asked the members to renounce the future division of the funds and to convert the Society into a perpetual one, so that full provision could be made for retiring pensions and sick pay for all the employees who were entitled to participate. It is useful to note that the men strongly opposed the movement when the matter was first placed before them ; they preferred to have the free use of the money. Fortunately for the future success of the business under profit-sharing, Leclaire gained his point. It is not too much to say

that it was owing to this move that the firm was enabled to withstand those strains which are put upon profit-sharing concerns in times of inflation and depression of trade by the actions and influences of those employed in firms where there is no industrial partnership.

At the date of the publication of Professor Gilman's book, 1892, The Mutual Aid Society held half the capital of the Company, viz., 200,000 francs, the total capital being 400,000 francs. The net profits of Maison Leclair were divided as follows : one-quarter to the managing partners ; one-quarter to the Society ; and one-half was divided amongst the employees in proportion to the wages they had earned.

BRIGGS, SON & CO., LIMITED

Prior to 1865, the relationship between the Messrs. Briggs and their workmen was most unsatisfactory. The senior partner, Mr. Henry Briggs, was chairman of the Employers' Association and was singled out as a special object of hatred and distrust by all coal-mining employees. During the ten years previous to 1865, there were four strikes at the Whitwood Mines, covering seventy-eight weeks.

The dividends received by the firm during these ten years barely averaged 5 per cent. interest on the capital of the firm. In 1865 the position had become so acute that the Messrs. Briggs

seriously considered going out of business and closing down the mines at great loss. At this time Mr. H. C. Briggs, son of the senior partner, was considerably interested and influenced by the lectures on industrial partnership by Professor H. Fawcett ; and he urged upon his father the desirability of adopting a system of sharing profits with their workmen. An industrial partnership was entered into on the 1st of July, 1865, as a final effort to save the position. Mr. Briggs senior still retained unrelenting hostility towards trade unions, to whose actions he always attributed his troubles : it gave him great satisfaction to think that the industrial partnership would undermine their influence with his men. The proposed scheme did not receive the warm support of his workmen when it was first placed before them. The bitterness of past grievances still rankled within them, thus : " Well, the thing is good, but you know it comes from Briggs, and I have no faith in Briggs " (*idem*). The fact, however, that they had nothing to lose and might gain something probably influenced them to give the new scheme a trial. Although Mr. Briggs senior displayed great determination in exacting his full legal rights and in pushing every advantage, even to the extreme limit of ejecting his workers and their families from their homes and causing them to sleep out in the open in the midst of winter, he was also a man of his

word and strictly upright and honest according to his own severe and extremely narrow ideas of justice. Be it said to his credit, and to the credit of the company, that the conditions of the industrial partnership were faithfully carried out in every detail for nine and a half years, until the "little rift in the lute," which arose from outside circumstances, grew to such proportions as resulted in the industrial partnership being abandoned in February, 1875. The following gives the salient points of the industrial partnership. The managers, who also held the larger number of shares in the company, were to receive salaries, at the average rate paid in the district for superintendence; the workmen were to be paid wages at the current rate of wages. With regard to the profits,

"whenever the divisible profits accruing from the business shall (after the usual reservation for redemption of capital and other legitimate allowances) exceed 10 per cent. on the capital embarked, all those employed by the company, whether as managers or agents at fixed salaries, or as workpeople, shall receive one-half of such excess profit as a bonus, to be distributed amongst them in proportion to, and as a percentage upon, their respective earnings, during the year in which such profits shall have accrued" (taken from the Briggs' preliminary prospectus issued in November, 1864).

The bonuses to the workmen for the first six years averaged $2\frac{1}{2}$ per cent. on the capital of the company. The company also received $2\frac{1}{2}$ per

cent. in addition to the initial 10 per cent. It must be noted that Messrs. Briggs also received salaries and the usual bonuses on their salaries. Trade was flourishing during the first four years. In the first year the men had not thoroughly entered into the spirit of the new system, but when they received the first bonus the advantage of the system at once became apparent ; and although the outlook of trade had not altered, the total profits of the company advanced 2 per cent. during the second year, half of which went to the workmen. In the fifth and sixth years trade was slightly depressed. In the seventh year trouble commenced in an unexpected manner. It must be remembered that this was practically the first large experiment in profit-sharing. It is natural to expect that the first trouble would have come at a time of great depression in trade when there were no profits to divide ; but the first trouble at Whitwood originated under opposite circumstances. In 1871 to 1872 there was a great inflation in trade, which continued for three years, and enormous profits were made. In July, 1872, the company and the workmen each received a bonus of £5,250. In the surrounding collieries the workmen's wages were raised from 27½ to 30 per cent., and the workmen at Whitwood demanded and gained a similar increase. The Briggs pointed out to the men that if the price of wages were increased, the initial rate of interest

to the company should also be increased ; after considerable bargaining, the men considered this a fair arrangement. The prices of coal and wages continued to rise until wages had risen 50 per cent. on the original standard, and the company raised the initial rate of interest from 10 to 15 per cent. On the 30th June, 1873, the bonus to labour reached the large sum of £7,128, which amount was also received by the company in addition, of course, to the 15 per cent. on their capital. On the 30th June, 1874, the bonus fell to £3,024. At the end of this year, a strong reaction in trade set in ; prices of coal fell and all the coal-mine owners notified their workmen that they were compelled to reduce the price of wages. This action resulted in a general strike which the Briggs' employees joined. This was the first and only strike at the Whitwood mines during the industrial partnership of nine and a half years. The shareholders of the company viewed the action of their men with great dissatisfaction. At the half-yearly meeting held in February, 1875, the company passed a resolution to discontinue the bonus on wages. Both Mr. Sedley Taylor and Professor Gilman considered that the Briggs Company made a mistake in raising the initial rate of interest in proportion to the rate that wages were raised. We have already noted that it is the custom for profit-sharing companies to pay wages at the current

rate ruling in the district, and to pay the bonus quite irrespective of the price of wages ; but the Briggs were one of the first to adopt profit-sharing and there was no expressed or implied understanding with regard to preserving a proportion between the price of wages and the initial rate of interest. In view of the large increase in the dividends received by the Briggs Company under the industrial partnership and the comparatively small proportion allotted to the workers, it might have been unwise to alter the initial rate of interest. But it was, we consider, not only a legitimate move, but the only action they could have taken under the circumstances to preserve the proportion of profits that was arranged for under the original profit-sharing agreement, which we admit was entirely one-sided.

There does not appear to be evidence to show that the Briggs Company consented to reduce the initial rate of interest to its original level when they reduced the rate of wages, so it is impossible at this late period to say which side was more responsible for the termination of the industrial partnership. We noticed that the largest dividend to labour was £7,128, for year ended 30th June, 1873. Although the above was a large bonus in days when bonuses were practically unknown, it gives no idea as to the total remuneration received by individual workers ; it was, however, sufficient at that period to bring into action high

activities of the workers. The outstanding feature which we are most concerned with, is that the capitalists on this occasion obtained three times as much profit as they received before the industrial partnership was entered into ; they emptied the measure of profits to the extent of 10 and 15 per cent. on their capital and shared the remainder with their workers. Nor was this all ; the employers received handsome salaries and bonuses on these salaries, out of the bonus allotted to the workers. No attempt was made to measure the contributions of capital and labour to the undertaking, and to divide the profits in proportion to these contributions. These remarks also apply to the case of M. Leclair.

We have chosen the cases of Briggs and Leclair for two reasons. They are the cases best known to the public, inasmuch as they have been quoted by nearly every writer on profit-sharing since the systems were introduced. The public will therefore carry in their memories many matters that the limits of this short review have compelled us to leave unnoticed.

They also represent two of the highest forms of profit-sharing that have been adopted up to the present time, one in which the total amount of bonuses were paid in cash to the workers ; the other where only a part of the bonuses was paid in cash, and the other part invested for the workers

in a fund controlled jointly by the employer and the employees.

We shall now briefly refer to two other cases quoted in Professor Gilman's book, Chapter IV, part 3, viz., Deberny et Cie, and L. Gaste. These cases do not disclose so high a form of profit-sharing as the cases we have already considered; they may perhaps be classed as "deferred participation." A principle is employed in the case of Deberny that will become of great importance when we are considering universal terms of industrial partnership, viz., the principle of dividing profits on the basis of the proportion between the total amount of wages paid; including the expenses of management, and the invested capital. We also desire to draw attention to the contrast between these two cases. In Deberny's case, a large number of men were employed and only a little machinery required; whilst in Gaste's case these conditions are reversed. Although the bases for the division of profits are not identical, the contrast shows that profit-sharing as a principle is applicable to all intervening cases.

"The firm of Deberny et Cie, type-founders of Paris, now divide profits with their employees, the workmen's wages representing a hypothetical capital on which his bonus is calculated" (*idem*). In 1882 the firm employed one hundred and fifty workpeople, seventy of whom were women. M. Deberny introduced participation in 1848. For

twenty-four years all the bonuses were paid in cash. In 1872 the system was altered; thereafter the total amount of the bonuses was paid into a fund to provide for sickness and old age.

“Wages, which in an industry like this, employing little machinery and much hand labour, vary a good deal, are fixed by agreement between the firm and the men for a period of five or six months at least—in 1882, a year of disastrous strikes among the workmen of Paris, the employees of M. Deberny took pains to assure him early that they had no intention of striking. For the three years 1880–82 the annual dividend to the employees averaged 17 per cent. on the net profits, and 7½ per cent. on wages” (*idem*).

We must also note the following :

“An unusual feature in M. Deberny’s scheme, which completely meets a very common objection to profit-sharing, is that this mutual aid fund must share in the losses as well as in the profits of the business. Such a loss-sharing has actually happened twice, and no trouble was experienced in consequence.”

We shall explain our objection to loss-sharing in this form later on. *L. Gaste, engraver on copper, lithographic printer, and manufacturer of Account Books, Paris*, adopted participation in 1871 and continued the system to the date of his death in 1878 ; the system was also continued by his successor, M. Marcel Garaudé. Prior to 1871, M. Gaste’s relationship with his workmen was far from satisfactory. He was induced to enter into participation by M. Alfred de Courcy,

Managing Director of the Compagnie d'Assurance Générales, Paris. The results as in the case of Deberny were satisfactory. Thus Professor Gilman:

"The establishment of L. Gaste of Paris presents an example of the application of participation where the number of employees is small in comparison with the large industrial houses we have had to consider."

"The remark is often made," said M. de Courcy, in his testimony before the Commission of 1883, "that profit-sharing is not applicable to houses that have but a small number of employees, while others, with more show of reason, declare that it is not applicable where the *personnel* is very numerous. But I maintain that participation may be put into effect everywhere whether there are few or many employees. . . ."

Wages amounted to 40 per cent. of the value of the product, and to 60 per cent. of the capital.

"After 10 per cent. of the net profits has been put aside for the reserve fund, one-third of the remainder goes to the employees as bonus on labour (but no part of this dividend was paid in cash). . . . The proportion of bonus to wages paid, up to 1884, varied from 5.75 per cent. in 1872-3 to 17.35 per cent. in 1878-9."

The cases we have quoted are sufficient to show that, great as the benefits of profit-sharing appear to be theoretically, they are even more so in practice. When we consider the enormous odds against the isolated applications of the system, the results appear to be marvellous. We find that where profit-sharing has been adopted, the

employers in isolated cases have received larger profits, the workmen have received higher remuneration, and often in addition thereto, as in Leclaire's case, sick pay and liberal retiring allowances. No one can study the history of profit-sharing and entertain doubts as to the great merits of the principle. Thus :

“ But fortunately the time is passed when this question [profit-sharing] need be discussed as a matter of theory only ; it is now a matter of experience. It has been put to the test in more than one instance, and under circumstances which meet every objection. The results are of a most conclusive character ” (*W. S. Jevons, lecture already referred to*).

And yet profit-sharing cannot be said to have made any material headway during the last half-century. Many firms have adopted the principle and it appears to have given complete satisfaction for a time. Both employers and employees have sounded its praises and yet it has not always endured. But when we find a system of remuneration founded on such safe and sure principles, it behoves men to use their constructive abilities to overcome all the difficulties which lie in the way.

Profit-sharing received a tremendous setback after the system was relinquished by the Messrs. Briggs. We have already drawn attention to the lecture on Industrial Partnerships delivered by the late Professor Jevons in 1872, which Professor Gilman described as “ most comprehensive and

sufficient," and also to the late Professor Fawcett's lectures strongly advocating the principle. When we consider that both these men had already achieved considerable fame as sound thinkers, it appears strange at first sight that so little headway was made in the years which followed their enthusiastic efforts to bring the benefits of the system before the public. Messrs. Briggs being the first in England to adopt profit-sharing in a complete form, Jevons drew all attention to their case, thus: "The Whitwood Collieries seem to me to furnish all the requirements of a perfectly decisive experiment." Public thought, not only in England but on the continent of Europe, was centred in this case. Every report was received and read with great interest. But when Messrs. Briggs discontinued the bonus on wages, in February, 1875, the idol was shattered; it was useless to advance any further arguments or to attempt explanations. According to Professor Gilman, Messrs. Briggs kept silent for six years after the system was abandoned. Mr. Sedley Taylor was the first to throw light on the subject by publishing the Briggs' Memorandum in 1884; two years after Jevons' death, and the year that Fawcett died, thus:

"But the publication of the Briggs' Memorandum in 1884, through Mr. Sedley Taylor, at length set the matter fully before the public, and it will be seen on consideration

that the system itself was not a failure. The Briggs, certainly the persons best qualified to render a judgment, wrote thus: *Having now traced shortly the history of the experiment, and the causes of its failure as far as we can judge of them, it only remains to say that nothing that has occurred seems to show that the system inaugurated at Whitwood may not eventually be generally and successfully adopted, etc.*" (N. P. Gilman, *idem*, p. 265).

Trade unions, as representing the workers, cannot be expected to support any isolated cases of profit-sharing; their strength lies in unity. Until profit-sharing is adopted in such a manner as will confer benefits upon all the workers, it would be a great tactical blunder for trade unions to support this method. By unity they have gained their strength; by disintegration, they would most assuredly be thrown backwards. Their leaders and intelligent workers are of course fully alive to the fact. Industrial peace cannot be secured by treating with isolated bodies of workers; the only sound method is to make terms with the united body of workers.

The examples of Briggs and Leclaire distinctly point to the fact that isolated cases of profit-sharing cannot indefinitely co-exist successfully with the present system of wages, unless, as in the case of Leclaire, a considerable portion of the profits belonging to the workmen is held in trust by, or is in some form under the control of, the employer. Where the men draw all their bonuses in cash, as in the Briggs' case, they are

completely led away in times of strikes by the influence of men in similar occupations, who work under the present wages system. Great pressure is brought to bear upon them to join the strikers, because the failure to make a strike general weakens its force. In times of strikes, men's emotions and sympathies are deeply moved. In the great excitement which exists, men who have no accumulated funds to lose throw caution to the winds and join the strikers. It is true that such harmony and good feeling might exist between employer and employees as would knit them together during a strike ; such cases have already occurred : but business men do not care to take the risk of entering into an industrial partnership on such a slender chance of its proving successful ; they prefer to have some further hold on the men ; it is, moreover, a very serious matter for an employer to feel himself honourably bound to keep men in his employment until the end of their working days, to say nothing of the anxiety and time required for looking after the pension funds. The restrictions of this method are felt as much by the employer as by workers who are liable to have to submit to any kind of injustice from their employer, or, as an alternative, leave his service and forfeit all their rights to the pensions funds. In Leclair's case we drew attention to the fact that the men objected to have part of their bonuses held back for the purpose of

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establishing an old-age pension fund. Leclaire only gained his point by threatening to dissipate the fund which, in all honour, already belonged to the men. We do not doubt that he acted in the best interests of the men. It would probably benefit the majority of men to take their surplus earnings from them and place the money at interest on their behalf ; but such methods do not fall into line with the community's idea of liberty.

The principle of profit-sharing appears to have been advocated by all able thinkers who have given the matter serious consideration : in every instance where it has been given a fair legitimate trial, it has proved capable of giving satisfaction ; and, so long as it has lasted, has given complete satisfaction to both parties. The earlier advocates of profit-sharing were of the opinion—which appears to be shared at the present time—that after a few applications of profit-sharing the advantages would become so apparent that every one would hasten to adopt the principle. The experience of over half a century has shown us the fallacy of this contention.

Profit-sharing concerns, like *Maison Leclaire's*, that enjoy a long successful life, must eventually assume the qualities of a close corporation. As the positions become vacant, they will probably be occupied by the relatives of the employees, otherwise it would require great influence to gain the positions ; similar situations occur where con-

tinuous trusts and bounties have been established, (say) to provide stipends for the clergy and education, i.e., for universities, grammar schools, blue coat schools, etc.

We have already noticed that piece-wages are unsatisfactory because there is no stability about the price of the piece, which is invariably haggled over. If the basis of profit-sharing were fixed hard and fast, subject only to fluctuations in the cost of living, and made universal, it would only be satisfactory so long as the basis was approved by both parties. We must therefore analyse the situation and show that the basis is correct. Universal profit-sharing and Universal Industrial Partnership might be constructed so as to provide similar remunerations, but profit-sharing would only be looked upon as a concession. In an Industrial Partnership we are able properly to define the rights of the workers in the Partnership, and compare them with the rights of the capitalists. If the definitions of these rights were faulty, it could be shown wherein they were faulty—they could then be adjusted. Profit-sharing and industrial partnerships are in many respects so similar, that the objections to one apply to the other. We shall therefore consider objections later on in Chapter 11, Objections, Explanations, etc.

CHAPTER 8

INDUSTRIAL PARTNERSHIP

SINCE we desire to establish the rights of workers in Industrial Partnerships, we must look for and establish a capital that belongs solely to the workers. The assets supporting the respective capitals of capitalists and workers must be comparable one with the other, and the valuation of the respective assets must also be comparable.

Because it is our aim to make all industrial workers capitalists during the time they work with capitalists, it is necessary for us to define Capital.

For our purpose, capital may perhaps be better understood by viewing it from both its collective and distributive aspects.

The collective view is the one considered by economists ; *the distributive view* is shown by the balance-sheets of capitalists.

THE COLLECTIVE VIEW

Although economists have explained " capital " in different ways, there appears to be one central thought in all the explanations, viz., the capital of

a country is the expression given to all that wealth of the country of every kind whatsoever, and wheresoever situated, that is set apart and used for the purpose of making profit.

THE DISTRIBUTIVE VIEW

The capital of an individual, firm or company is shown in the capital account in the balance-sheet. Capital is the expression of the total amount of the value of the assets shown on the balance-sheet after the total amount of the liabilities has been deducted therefrom. It is clear that if the capital were said to consist of all the assets, without making such deductions, then the total of the capital in distribution would exceed the amount of capital in the country, because the liabilities of one concern are the assets of other concerns. Thus the supposition would be contrary to the balance-sheets and contrary to fact.

We might perhaps mention that in balance-sheets of going concerns there are items under the heading of capital and liabilities, that, in like manner to the liabilities, have not reached finality, such as undivided profits, reserves, etc. Accountants would certainly object to these being described as capital. They are necessarily represented by assets ; these assets may or may not be set aside for the purpose of specially providing for any of the items. The latter may be only supported by the general assets—we can, however,

state that a portion of the assets corresponding in value to those items that have not reached finality, can be described as wealth that has not the quality of capital.

It can be seen from the above, that the collective proposition and the distributive proposition are equal to each other, which indeed they must be. The assets supporting this capital may be scattered all over the world—in these days, on the surface of the land and under the surface, on the seas and under the seas; and in the air. This may give us some idea of the enormous amount of capital in use by any of the great nations. It is our purpose to show how this *capital* may be largely increased. The use of this new capital will cause a large increase to be made in production; the extra profit arising therefrom will rightfully go to the workers because they will supply the capital.

There is another obvious quality of capital. Capital is expressed in terms of money and can be divided in proportion to the contributions of those who subscribe to the capital. Profits therefore can be divided in proportion to the contributions to capital.

Before we examine the rights of capitalists and workers in an Industrial Partnership we must endeavour to formulate some basic principles to be taken into account when the terms of the Partnership are being considered.

PRINCIPLES CONCERNING THE RIGHTS OF
CAPITALISTS AND WORKERS

Subject to the laws of the country and recognized moral laws—

A CAPITALIST IS ENTITLED TO:

- (1) His capital ;
- (2) All that he can make out of his capital by lending it to others ;
- (3) All that he can make out of his capital by his own unaided exertions ;
- (4) All that he can make out of his capital by his own exertions, together with the exertions of others, provided *that he give them the remuneration they are equitably entitled to.*

WORKERS are equitably entitled to receive remuneration from their employers, equal to that which they would receive for *work* of similar quality and quantity if they owned the business and worked in co-operation with each other.

At the present stage of our civilization, a capitalist may invest his money in the public funds, where he will get the current rate of interest for "investment without risk" ; these are usually called "gilt-edged securities." The current rate of interest for these securities is indicated by the market price of Consols. A capitalist can obtain higher rates of interest by investing his money where the element of risk is introduced ; the

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greater the risk, the higher the rate of interest. The inducement for him to co-operate with labour is the expectation of getting a higher return on the outlay of his capital than could be obtained from gilt-edged securities. He must be satisfied that the profits will be large enough to return him the cost of production, the current rate of interest on his capital, plus remuneration for risk—this remuneration must more than cover the estimated risk of loss, otherwise there would not be sufficient inducement for him to invest his capital in the concern. This position would not be altered by the Industrial Partnership.

CHAPTER 9

THE LABOUR ASSET

PROBABLY but few people who have given the matter any thought would be likely to doubt that a country, whether rich in mineral resources and in the fertility of its lands, etc., or otherwise, would be far wealthier if its population consisted of honest men, constitutionally robust, with the ability, energy, hereditary and acquired aptitude, to carry out in detail all scientific and industrial arts and work necessary for the requirements of a highly civilized nation, than if the country were populated by a lower type of man, unscrupulous, inert and ignorant. If this be admitted, then it is clear that a nation possesses two kinds of wealth—the material wealth of its land and other acquired material wealth, and the wealth inherent in the people. Because it is necessary to give a name to that which is under examination, we have called the latter *labour wealth*. In every case it originates from inherited qualities born of past efforts, and the laborious mental and physical efforts of living individuals. This wealth is not the actual work that men do, but the power to

execute it. It is to a large extent hereditary. The inheritance is added to by the smaller accumulations of each succeeding generation. We will look at some of the factors that contribute to this wealth : the dire necessity of living in a community where individual desires have to be sacrificed for the welfare of the community ; the discipline of daily work for many generations ; an innate desire to overcome obstacles and to turn out work in a workmanlike manner ; the marked impression made by the religious propaganda of all creeds on the national characters of different nations. For thousands of years teachers of religion have, according to their lights and interpretations of the principles laid down by the founders of their respective faiths, endeavoured to direct men to live in accordance with their views of high moral principles. These teachings, although often disregarded by individuals, have made a marked impression on national characters. The results are sufficiently obvious to render any further explanations by us necessary.

Of late years, education has been open to the masses of the people in the British Empire and other leading countries of the world—it has already had a great effect on the lives of individuals, and consequently upon national character. Let us point out that the inheritance of character of individual people does not spring from one source only.

In every generation there is a mixture—there are over three generations in a century. In a few hundred years, the original types of character become so leavened, that many characteristics common to all result from the frequent mixings. The facts of life in each generation, which include business relationships at home and abroad, sports, national and international, literature, the Press, plays depicted on the stage and all kinds of art, influence men's mental development and character. In this way, national character is directly influenced apart from the slower process of inheritance.

Economists have drawn attention to this wealth; but apart from the fact that capitalists have purchased its product (work), used it in producing and paid for it in wages, there has been no place for it in the field of economics, *except* in cases of slavery where the slave-owners have acquired the human machines in the persons of their slaves, in co-operation of workers amongst themselves, in its application to *entrepreneurs* in their capacity of units of labour ; and perhaps in some cases of profit-sharing. In all these exceptions, the wealth has been used as capital.

CHAPTER 10

LABOUR CAPITAL

LABOUR wealth becomes labour capital when it is used for the purpose of making profit for the benefit of units of labour. Many economists since the days of ancient Rome have dimly perceived labour capital. A man's power and ability to work was looked upon as his capital. This was, in reality, labour wealth, because it was never used as capital, except in the manner mentioned at the close of our examination of labour wealth. In the proposed Industrial Partnership, labour wealth will assume the quality of capital when work is commenced under the industrial partnership.

Because no man can do to-day what he did yesterday, although he may do something exactly similar, labour capital is created and destroyed at one and the same time. Because it is created and destroyed at the same time, its value is exactly equal to the value of its product. This product (the work done) is paid for in wages. Therefore the total amount of wages recorded in the books of any branch of industry, *if properly*

valuated, expresses the correct amount of the labour capital contributed to the particular branch of industry, and the workers are entitled to receive a share of the profits in the proportion that the total amount of wages bears to the capital of that industry; the total amount of profits accruing to the workers to be divided amongst them in proportion to their individual earnings. The books of employers are closed off once in every twelve months. Theoretically, the industrial partnerships may be said to be dissolved on that date, to be renewed automatically immediately afterwards.

VALUATION OF LABOUR CAPITAL

In this examination and elsewhere, the terms Labour Capital, Labour Capitalists, and Labour Asset, are used to distinguish them from capital, capitalists, and assets, as in use at the present time, and in which sense we continue to use them where applicable. We must throughout view the position when things are normal.

This examination is not in any way to be looked upon as an explanation of the laws of *supply and demand*, although it touches some of the factors of that problem.

Our intention is to compare the asset of Labour Capitalists (so far as it is comparable) with the assets of capitalists, to provide that the treatment of the Labour Asset is identical to the treatment

of capitalists' assets,—to provide also that the valuation of the labour asset is so regulated that it will coincide with the valuation of capitalists' assets.

We must show finally, that at the end of the theoretical dissolution of the partnership both classes of partners will receive exactly that to which they are justly entitled.

To find out a principle upon which the valuation of the assets of capitalists is based, we must view the course followed by the people who sold the assets to them. It is a course all must follow when they sell in the open market. Economists point out that sellers of commodities receive a price for their goods that will cover their own cost of production, which includes the original cost of materials to them, plus the current rate of interest, plus remuneration for risk. The last two items together are usually called the natural rate of profit. There is some variation in this rate, caused by economic advantages or disadvantages to which individual capitalists are subject.

A THEORY OF MOVEMENTS WHICH MAY BE HELPFUL

The methods of arriving at the value of commodities in exchange have gradually altered during the process of time. Some earlier methods have largely overlapped later methods ; even the

introduction of coin as a measure of value does not appear to have been universally adopted at any particular time.

Before coin was introduced, a system of barter was in use, under which somewhat intricate standards of measuring values would be set up. For instance, where wheat was in general use as food, commodities would be paid for in measures of wheat, but wheat, like other commodities, with the exception of precious stones and the more valuable metals, is subject to considerable deterioration. It is also bulky and heavy. Small purchasers would be chary about having too much of it on hand, not only on account of its deteriorating qualities, but also because it might be difficult to dispose of again except at a loss. So other commodities would be used as money in a more limited way. Goods would be exchanged for other goods which were not required for personal use, but which would be considered suitable for exchanging for the goods required.

Direct exchanges of goods, which buyers and sellers respectively required for their own personal uses, would frequently take place. The parties to the exchange would have been on the look out for one another beforehand. Inevitably under any of the above conditions there would have been much argument and "haggling" over prices, viz., over the exchanges.

"Haggling" would have been reduced to a fine art, it would have become a second nature. It is indeed clearly visible to-day.

When coin was first introduced, the "haggling" instinct would undoubtedly assert itself. But the largely increased facilities for the exchange of commodities, caused by the introduction of a permanent common measure of value in the form of metal coin of certified weight and fineness, would cause the daily transactions in the exchange of commodities to be so enormously increased that it would not pay to waste much time in haggling over prices.

Even during the time when the system of barter prevailed, sellers would always have a last line of defence which they would struggle to the last to maintain. They must receive that which would compensate them for their out-of-pocket outlay, plus a suitable margin of profit.

After coin was introduced as money, competition between sellers amongst themselves, competition between buyers amongst themselves, together with a general keenness to do profitable business, would invariably throw buyers back to their "last line of defence." This experience would cause them to relinquish "haggling," to declare their selling prices forthwith, at which prices buyers could purchase them or not, as they desired. If they marked up their prices too high, others would undersell them. If they marked

them too low, they would lose money. We may look upon the "last line of defence" already referred to as indicating a natural rate of profit. Such is the condition of affairs to-day.

That which some writers refer to as "Scarcity-value" barely touches the industrial problem. Industrialists do not buy for sentimental reasons. Scarcity-values mostly belong to the problems of dealers in art treasures and old curios. The proposed Industrial Courts might perhaps think fit to place these people in the Stipend Class. Haggling may also be observed in the sales of farmers' live stock and other produce, but auctioneers (in this part of the world, and probably elsewhere) have largely taken the place of this class of dealer.

There is another variation we may note. When capitalists, or other men of means who are not capitalists, desire to purchase goods in larger quantities than usual, say for building, machinery, or any other purpose, they call for tenders, or ask for quotations, for what is required. This cannot properly be looked upon as an outcome of the haggling instinct. Buyers recognize that some people possess facilities which are not enjoyed by others, also that some vendors may possess temporary facilities for selling which they do not possess in ordinary times. Also, of course, that it pays to cut prices for large orders. It is because purchasers are anxious to take advantage of these

facilities that they call for tenders or ask for quotations.

It will have been seen that the natural rate of profit is a necessary cost of production, it is a rate which cannot be reduced without creating a tendency for the withdrawal of capital. The assets of capitalists could not be purchased cheaper, always supposing that capitalists themselves, both buyers and sellers, are endowed with those qualities which sound business men should possess. The value of the assets of capitalists at the time of purchase cover the lowest cost of producing and preserving them, in all the stages they have passed through, from primitive raw material to the date of such purchase—this applies to any particular stage when in any form they take their place in producing. In each of the stages there is, of course, new capital and new production. This, however, does not complete the examination. The separate branches in an industry do not all make the same rate of profit. This variation is caused by what Professor F. A. Walker (already quoted) terms *the facilities and abilities* of the management, viz., advantages and disadvantages under which the particular business is carried on. Let us now compare the above with the valuation of the labour asset. If we turn back to our schedule of minimum wages, it will be seen that it is estimated to cover the expense of bringing all workers into the world, of properly housing, feeding and clothing

them until such time as they will be able to undertake their life's duties—this valuation to be approved of by the State, viz., the Industrial Senate which will hold the Scales of Justice. This is necessary, because those who possess accumulated material wealth hold a more commanding position than those who lack it, and it is in human nature for people to magnify their own rights to the detriment of others. This examination also is not complete at this point. It will have been noticed that from the point where minimum wages ended, the remuneration of some workers would be increased, because employers desired to retain their services on account of their extra abilities and usefulness. This variation in the efforts of workers is similar to the *facilities and abilities* of the "Management" referred to above.

Let us point out that human endeavour is a variable quantity; the rights in a partnership cannot be measured with mathematical precision, where human endeavour forms a part of that which is measured for that purpose. It would be absurd to condemn such partnerships on account of this seeming weakness. There must be some "give-and-take" in all of these partnerships; probably this is necessary in the development of mankind. Be that as it may, when we observe the facts of life, we become aware that there are many eminently satisfactory partnerships of this nature in existence. It seems doubtful if many of these

partnerships have been created under conditions where human endeavour has been more carefully weighed and provided for than in the industrial partnership submitted to the public in these pages.

The capitalists' assets are continually being wasted away in the process of production; the value of that which is wasted is a necessary cost of production. This loss must be and always is charged up against the gross profits. It is necessary, for the purpose of comparison in the problem we are considering, to show how some of this wastage occurs.

(1) **FREEHOLD LANDS** used for surface purposes, such as farms, building sites, etc. The original price paid for these is usually carried forward from year to year in the owners' books. If through any cause the lands fall in value, the amount of the depreciation is charged up against the profits.

(2) **LANDED PROPERTIES** under the surface, such as mines for coal, gold, silver, copper, precious stones, etc.;—these are called *diminishing assets* because the value is diminished to the extent that the products are taken out of them. When by this process, or from any other cause, the value is diminished, provided that it be in the natural course

of production, the amount lost is charged up against the profits. There are, of course, other diminishing assets.

- (3) BUILDINGS, MACHINERY, and other things shaped by the hand of man. All these things wear away in course of time. Machinery, for instance, gets out of date and has to be replaced. All repairs and losses are charged up against the profits. The careful business man insures against every insurable risk—the premiums are all charged up against the profits.
- (4) RIGHTS to do certain acts, to occupy lands, premises, roadways, water rights, etc. All these rights are charged up against the profits, as the several rights become exhausted.

Enough has been noted to show that all diminishments, depreciation and losses of capitalists' assets, premiums for all insurable risks, rents, rates, taxes (exclusive of Income Tax), etc., are charged up against the profits. We have also noticed that the labour asset when used as capital is created and destroyed at the same time. It is therefore a diminishing asset and must also be charged up against the gross profits.

This brings us to our last comparison. It is not suggested that labour capitalists have, at any time, a vested interest in the assets of capitalists.

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They have during the partnership a vested interest in that which the assets produce, and in like manner capitalists have only a vested interest in that which labour capital produces, namely, the work. At the point where the industrial partnership is theoretically dissolved, viz., at the end of the financial year, when the books are balanced and dividends paid, we find that assets equal in value to their original assets revert to capitalists ; and, because the labour asset is equal in value to wages, labour capitalists have received back in wages during the term of partnership the value equal to their labour asset. Thus, during the partnership both have received back in value the capital they contributed to the partnership, and both have received dividends in proportion to their contributions.

CHAPTER II

OBJECTIONS, EXPLANATIONS, ETC.

RESERVES

WE have seen that profits made in excess of the current rate of interest cover remuneration for some risk of loss. If this loss occurred regularly, the risk would become a certainty and would no longer be a contingency to be provided for. As such is not the case, the good years must be made to pay for the bad ones. The whole of the profits cannot always be divided in the years that they are made. Accordingly, Reserves are created to meet this contingency. Under the proposed industrial partnership, some of the profits to be so appropriated would belong to the Labour Capitalists. It would be necessary to have these reserves strictly regulated by the Industrial Senate. Otherwise, a doubt would be created in the minds of the workers as to whether the funds supporting these reserves had been properly distributed. Capitalists should have perfect freedom to *build up* what reserves they considered necessary. This is part of the management which should not be

subject to State regulations. Labour capitalists, of course, would have no voice whatever in the management.

Some of the profits left over, after the division of profits amongst the partners, are not specially earmarked and transferred to reserve but are left in the Profit and Loss Account. It is probable that many workers, who are employed during the time that profits are made and subsequently carried forward in the profit and loss account, may not be the same workers as those employed when the next division of profits takes place—again, other workers may have been dismissed through slackness of trade or for other causes. In such cases, it would appear that profits would not be distributed to the last fraction to some of the individual workers who helped to make them.

If men be discharged in consequence of slackness of trade or similar misfortunes, they are, usually, re-employed when normal conditions are reached. When men are discharged for other reasons, apart from incompetency, it is generally through some industrial trouble which would not be likely to occur under industrial partnership, where there would be "one will to one end." Again, men usually seek the same kind of work as they have been accustomed to. In skilled work, this is essential to workers who require the extra remuneration which is given for skilled labour.

But it applies also to work which requires less skill. A man can get work more readily, and can also perform it better, if he "knows the run of the ropes." We may assume, then, that in the majority of cases, when a man leaves one branch of an industry, he finds work in another branch of that industry. Since the natural rate of profit is similar in all branches of any particular industry or undertaking and the larger variations in profits in all these branches are caused by the same influences, the periods of loss and profit in the different branches would be concurrent. Therefore the variations in a worker's remuneration, so far as it applied to his removal from one branch to another, would not be largely affected. We must also remember that such variations have merely to be understood, noted and agreed to when the terms of partnership are settled.

Because all reserves are built up out of profits, in industrial partnerships they should take the form of *reserve funds*, supported by assets specially set apart, to be devoted only to the purposes for which the reserve funds had been created, and not merely supported by the assets of the particular branch of industry.

DEFERRED DIVISION OF PROFIT

In view of the vast total of deferred payment of profits in universal industrial partnerships, namely, the yearly division of profits, it may be

thought that much confusion would arise when the profits were distributed. Such, however, would not be the case : the collection and payment of these items would fall into natural order. There would, of course, be no trouble in paying the workers who were in regular employment. With regard to casual workers, the case of workman Dupuy (already quoted) in Leclaire's case, who only worked for $4\frac{1}{2}$ hours which entitled him to 70 centimes in addition to his fixed wages, shows how easy it is to provide for such cases. When being paid their fixed wages, the casual workmen could be given a certificate, perhaps in the form of a coupon, stating the amount paid in wages on which their dividend was to be declared, and the date when the dividend was due. This document could, if desired, be sent for collection from any part of the civilized world. In practice, it would probably be discounted by some one in the locality or by the firm who issued it. It must be remembered that few people forget to demand that which is due to them.

SHARING LOSSES A FALLACY

Many writers hold that it is not equitable for workers to share profits unless they are prepared to share losses.

Professor Gilman shows the weakness of this contention, thus :

“ If the worker is to share losses *out of his wages* he

must in simple fairness be admitted to full rights of partnership ; he must have a voice in the management, and he must have free access to the accounts" (*idem*, p. 431).

In universal Industrial Partnerships there are duties which each party owes to the other. If an employee does not work in a manner acceptable to his employer, he is promptly dismissed. In common justice to the employees; the employer should not only display abilities sufficient to enable him to pay the fixed wages, but also to make profits out of which his employees can be rewarded for their extra efforts, which were brought into action by their faith in his ability to make the profits. Intelligent workmen are not unreasonable ; under universal partnerships they would be less likely to be so. If through any disaster or unforeseen circumstance, it became impossible to make a profit, the workmen would be contented with their fixed wages, knowing that their employer was a fellow-sufferer. It will also be noted, that if there are losses the workers suffer to the extent of the value of the extra work produced under the expectation of receiving a share of profits which are not realized.

NO PROFITS

In Prof. Schloss' methods of Remuneration already quoted (pp. 191-2), the writer instances some cases where *profit-sharing* is neither

profitable to employer nor employee. This will also apply to industrial partnership. He refers to a workman engaged by a firm who offered their workmen 55 per cent. of the profits. During eight years there were no profits to divide. The workman in question preferred "to take his profit as he went along"; undoubtedly he would. Again :

"Take the men employed by a dock company which happens to own old docks unfitted to receive vessels of modern construction, and which, therefore, yield almost no profit at all, or by a dock company which, having purchased under singularly disadvantageous circumstances, land in a singularly disadvantageous position, then proceed to construct in a singularly disadvantageous manner new docks which also yield virtually no profit at all. Is it not abundantly clear that, speaking broadly, working men will be acting with great wisdom, if they prefer, where possible, to take their bonus as they go along."

We wish to make it clear that the schedule of minimum wages does not tie employers down to pay only minimum rates; and industrial partnership is not intended to prevent labour capitalists (workers) from making extra remuneration where no profits are made by capitalists, but any methods which may be adopted to bring forth more economic efforts by providing for further remuneration must supplement, and not take the place of, the universal methods. In the cases referred to above it is clear that industrial partnership would not bring into action a high standard of

work, because they give no expectations of profits : the employers would therefore be wise to employ some piece-work method. Piece-wages would carry with them a right to share profits under the industrial partnership, but, since there are no profits to divide, the employer would lose nothing.

PREFERENCE

The material wealth which is used as capital by a capitalist is a known quantity—it is subject to wastage in the course of producing; also to pillage, to some variation in its exchange value, to withdrawal by the capitalist; to accidental destruction or destruction through his own carelessness or want of knowledge, or by elements of nature beyond his control. Outside of the wastage *in producing*, his capital could not be withdrawn; destroyed; or otherwise disposed of; without decreasing the share of profits he would be entitled to receive under the industrial partnership. It is only the wastage of capital in producing that can rightfully be charged up against the profits.

The labour asset that is used as capital by workers; viz., the work, is to a considerable extent hypothetical. Under the industrial partnership, it could be partly withdrawn, by some conscious or unconscious “go slow” influence, without causing the rate of their dividend to be decreased. It might therefore be desirable to

insert a clause in the industrial partnership agreement; viz., in the State regulations, to the effect that capitalists should in the first instance receive a conditional preferential dividend out of the profits, the rate to be fixed by the Industrial Senate. Out of the profits left over after such dividend was paid, the workers should next receive a dividend on their labour capital, up to and including the same rate that the capitalists had received on their capital. Out of the profits left over after the dividend to the workers had been paid, capitalists and labour capitalists should receive dividends in proportion to their respective contributions of capital. Without the above proviso, capitalists might be disinclined to invest their money in industrial undertakings. Moreover, provided that sufficient profits were made, the workers would be no worse off than if the proviso were omitted.

When the terms of industrial partnership are under discussion, some people will probably express the opinion that if workers receive wages that will cover the cost of living in the first place and are provided with old age pensions when their working days are over; they will not exert themselves to make profits. Evidence will be produced to show how prone people are to "go slow" in all classes of work to-day; statistics on pauperism will be studied and quoted. It will be shown that in past times, when the unemployed

received gratuities from the State equal in value to the wages that other men were getting for the same class of work that the unemployed were capable of doing; they (the unemployed) made no efforts to get work—in fact, any exertions made were in the opposite direction.

The schedule of minimum wages provides only for the bare cost of living, up to a standard to be approved of by the Industrial Senate. The contention that workers would be satisfied with this remuneration, even with the inclusion of old age pensions, seems to us quite contrary to human nature and past experience. The acquisition of wealth is a ruling passion of the age; and has been of past ages. When people become aware that a share of the legitimate joys and pleasures of life may be gained by devotion to duty, all their energies will be “speeded up” as shown in our examination of profit-sharing.

With regard to the actions of men under faulty poor laws of the past : the outlook of the lives of these men must have seemed hopeless to them. After they had finally decided to apply for aid, we may be quite sure that it would have taken them some considerable time to establish their claims, for the departmental delays would have been considerable. These people would have been foolish indeed to have given up what they had gained until they were sure of something better.

We have already indicated that the “go slow”

movement of to-day is merely a weapon used for the purpose of gaining increases in remuneration; possibly its force has been overestimated. People who are healthy and active dislike using this weapon, except at times when great immediate issues are at stake. It is of quite a different nature to the uneconomical work of slaves already referred to; which appears to be the result of a paralysing mental depression caused by the utter hopelessness of their lives.

In suggesting that capitalists should receive a conditional preferential dividend, we stated that the Industrial Senate should decide upon the *rate* of such dividend. If the rate were fixed too high, capitalists might relax their efforts, and thus fail in their duties to their partners (labour capitalists)—knowing that they could depend upon getting a substantial rate of interest on their capital. We have an indication of the above movement in the case of M. Leclaire, who was generally admitted to be a most conscientious man. Thus :

“From 1844 to 1850 he withdrew a large part of his attention from his painting business, while occupying himself with the manufacture of white of zinc. If his business had been conducted on the ordinary wages system, he declared, he could not have done this without losing his custom, and compromising his interests in a high degree” (N. P. Gilman, *idem*, p. 80).

In justice to the memory of this worthy man, we must point out that, although M. Leclaire

diverted his attention from his business, he devoted this time to discovering a substitute for the poisonous substance of white of lead which had such injurious effects on his workmen. He proved himself a benefactor to the whole trade by demonstrating that a non-poisonous substance of white of zinc could be successfully substituted for white of lead.

CO-OPERATION

Since workers will receive privileges under universal industrial partnership similar to those which are enjoyed under co-operation, it might reasonably be asked why we urge the encouragement of co-operation of workers in production and distribution. The position appears to be as follows: the *entrepreneur*, with his capital of accumulated wealth and his labour capital, contributes considerably more than any individual worker. In the course of years his accumulations of wealth will assume comparatively large proportions. When this comes under the notice of the workers, it will give rise to the belief that they have not received an equitable portion of the wealth which they have helped to create. Under such circumstances they might quite naturally become discontented. This might lead back to the disturbances we suffer from at present. Although the distribution under universal industrial partnership might be absolutely just, it would

not give complete satisfaction unless the workers themselves perceived it to be so. If co-operation were carried on side by side with industrial partnerships; the rights of both classes of capitalists would be so well understood that there would be little danger of any disturbances. The co-operative workers would be both capitalists and labour capitalists. Their constant experience of the defined rights of capitalists and labour capitalists would prevent any trouble in the industrial partnerships outside of that which might arise among the workers themselves in co-operation.

FOREIGN COMPETITION

Could a country which adopted Universal Industrial Partnerships compete, on as good terms as before; with other countries which had not adopted this system? The whole history of profit-sharing—and Industrial Partnership is the highest form of profit-sharing—shows that, as in the case of Leclair; a branch of industry under this system can pay the same fixed wages as other branches which work under the present system, give bonuses to the workers; provide pensions and sick pay, give larger profits to the employer, and at the same time compete with all other branches. There is nothing whatever to prevent all branches of industry in a country from reaping similar advantages and competing on better terms than formerly with all other countries. If

New Zealand and Australia, for instance, adopted universal industrial partnerships, while the other parts of the Empire remained as they are in this respect, the populations of the former would be increased in an incredibly short time. It is well known that wealthy manufacturers from other countries have visited New Zealand and Australia with a view to opening up new industries, but have been frightened to launch out owing to our labour troubles, not because these conditions are worse, or even nearly so bad as they are in the older countries, but these capitalists are used to the different phases of the labour troubles in their own countries and have left us severely alone, on the principle that the devil they know is better than the one they are not so well acquainted with. But if our labour troubles were over; there would be such an exodus of population and wealth from the older countries to our shores, that these older countries would be compelled in self-interest to adopt the same principle. If foreign countries adopted the system and the British Empire ignored it, the countries that adopted it would soon gain commercial supremacy.

CHAPTER 12

UNIVERSAL OLD AGE PENSIONS

THE statesmen responsible for old age pensions for all in indigent circumstances rightly deserve high praise for their benevolent actions on behalf of the State. The State and other employers who have organized provident funds for retiring allowances and sick pay, although they have acted entirely in their own interests, have nevertheless earned the thanks of the people for pioneering a movement which must eventually develop into one of the greatest boons a nation could enjoy—a pension for every one in their old age, a pension devoid of every quality of benevolence, since every one will contribute to the funds out of which the pensions are to be paid. This is a logical result of the present system of old age pensions. There are great drawbacks inseparable from these pensions under the present incomplete system. The pensions are not universal and can only be looked upon as charitable offerings. They do not encourage thrift in those people who would otherwise strive to save enough to supplement their pensions so

that they could live up to a standard of living which they had enjoyed in their working days. With regard to the pension funds of private firms and public companies, Government and Municipal bodies, etc., men cannot exercise their rights to obtain work outside those whose employment they are in, without incurring the forfeiture of their rights to the pensions. The system is also open to grave abuses; more especially in cases where the business is not under the sole control of one individual. It is proverbial that a public company "has no conscience," or, as others put it, "no bowels of compassion." When, for instance, men commence to lose the strong vigour of manhood; or when the heads of firms are influenced by petty and unworthy motives and it becomes a matter of their policy to remove any of the company's workers, they invariably find a way of doing so. The man who has to take a step down the ladder of life is never heeded, whilst those who occupy high positions are looked upon as being like Cæsar's wife, above suspicion. Unfortunately some of these men are not true to recognized type. Thus :

"Can we lose sight of the possibility of a man's being deprived of all his claims on the provident fund by a capricious dismissal, an occurrence which is—as I happen to know—by no means unheard of in these profit-sharing insurance companies? And is it wise for a man to put himself under pledges to suffer without a murmur any amount of persecution which may be inflicted upon him by his superior officers?" (Schloss, *idem*).

Many people will be able to endorse the above remarks. Let us, however, point out that insurance companies are not greater offenders in this respect than others who provide retiring allowances.

The compensation (if any) given to men whose services have been dispensed with, even after many years' service, takes more the form of an ostentatious "tip," given for the purpose of keeping clattering tongues quiet, than a settlement made on actuarial lines. We do not doubt that the terms of the provident fund agreements are properly carried out, but the agreements are entirely one-sided. The funds are established, as M. De Courcy unblushingly stated, for the purpose "of retaining in the service of the company all its employees whom it desires to keep." (See Chapter 7.) An employer has a perfect right to employ whom he wishes, subject, of course, to the consent of the employee; but no governmental department, private firm, company, or other employing concern, should have the right so to organize an old age pension fund as to give him or them the power to say to an employee, after any length of service, "Your right to the old age pension is confiscated, or lapsed, as we have decided to dispense with your services." Even if the pension be altogether a gift held out in promise, it becomes an increase in remuneration to be calculated upon. The employee has been

influenced by the expectation of the pension to remain in the service of his employer, when he might possibly have done better for himself : he has also not been under the necessity to insure with an outside company, and, if he has been employed by the same company for a number of years, the premiums to be paid at this later period of his life not only become too large for him to pay but come at a time when he is thrown out of employment and when there is less chance of his getting employment than when he was a younger man. A pension fund should be out of the hands and control of the employer, and the employees should have the right to continue their subscriptions to the funds no matter whose employment they are in.

In considering universal industrial partnership, the thought at once suggests itself that the State should control a general provident fund for all workers. Here we have the solution of the problem of universal State pensions. If private concerns, like Leclair's and numerous others, could provide pensions and a share of profits for their workmen, and at the same time enjoy unusual prosperity themselves whilst working in opposition to those who remunerated their workers solely by the fixed-wages method, it is not unreasonable to suppose that universal pensions could be provided for without undue disturbance of either the public, commercial or

private finances of the country. The obvious way to collect the premiums is by taxing the workers' share of *profits* before they are divided amongst them ; it is a matter to be decided upon by the proposed Industrial Senate. We should not lose sight of the fact that any deductions from the total profits will tend to lessen the incentive to display extra abilities under the industrial partnerships. All employers should be held responsible for the payment of the pension premiums, which should be chargeable against their assets in the event of there not being sufficient profits to cover this cost. We have seen that it is their duty to make profits. What more perfect method for taxing people for State pensions could possibly be desired ? Each person pays for and receives benefits in proportion to that which he has contributed to the wealth of the community : this is properly measured by the remuneration he has received. It will doubtless occur to some, that the machinery for carrying out the above would be costly and cumbersome. We must bear in mind that private companies are glad to get this class of business and spend considerable sums of money to secure it. Although the State should always hold aloof from entering into competition with any members of the community, over whom it holds the scales of justice, this is one of the comparatively few cases of great national importance which makes it imperative to break this sound rule. Perhaps

the extra work would not be so great as it might appear to be. Every one now has to supply income-tax returns over a certain amount. These could be vouched for in a satisfactory manner and used also for pension purposes. Those who rendered no returns would be entitled only to the minimum pensions. The stipend class and the wealthy unemployed should be taxed in a similar manner. The one important point is that every one must contribute to the fund. The wealthiest of people may become paupers in their old age.

CONCLUSION

THERE is one side of this subject that we have not examined, viz., that which is covered by moral laws. It would be out of place for us to discuss this phase of the subject : it must, and may with confidence, be left to those of every Faith and Creed who worthily devote their lives to study and teach high moral principles.

We recommend the system we have brought under notice as a combination of sound economic movements. Profit-sharing, and co-operation in production, have long been approved of by some of the world's able thinkers, and in practice have met with much success. Minimum wages and State pensions have been accepted by the community, and adopted by the State in initial forms, to meet urgent necessities. We have shown that it is only by adopting these principles in their entirety and making them universal that the best results can be obtained.

All the measures are necessary to each other in this combination. Each measure is capable of distributing equitably to all concerned that which it is designed to distribute. Under the

combination of these measures the produce of industry may be divided in just proportion to each individual; according to men's present ideas of what is just and proper. Each measure is capable of natural expansion in response to future crystallization of "reform-thoughts" (referred to in an earlier chapter) which will inevitably take place in the fullness of time.

It is a system that will enrich all workers. We have only to consider the vast amount of money paid in wages, and the huge total of yearly profits made by any of the great nations, to comprehend this enrichment. In individual cases the amount of extra remuneration may not seem large. It must, however, be noted that their share of the profits is in addition to their necessary cost of living; also that a pension awaits them in their old age.

It is a system that will restore to capitalists more than that which it appears to take away. When profit-sharing is proposed to employers, a large majority of them perform the mental act of tightening their purse-strings. Under the proposed industrial partnership the workers do not share their employer's profits—they share the privilege of making profits. Employers would still make a natural rate of profit similar to that which they make at present, each according to his economic advantages and disadvantages. But the home markets for their products would be increased to

meet the workers' new demand for goods, and strikes would be of rare occurrence.

It is a system that will bestow gifts outside the limits of material wealth. No chief of tribe or clan could possibly command greater admiration and respect than would naturally accrue to the successful employer, who by his great abilities and sterling qualities guided the affairs of his branch of industry to a high successful issue : and in proportionate manner would such admiration and respect be conferred upon every individual worker who displayed zeal and skill, for all will reap benefits therefrom.

Under this system, labour will be raised from a state of depressing drudgery to intelligent enthusiasm. Notwithstanding man's splendid optimism and his keen appreciation of life, there are few workers whose waking thoughts are not depressed by glimpses of the daily tasks before them, which, however well performed, will only be rewarded by a fixed sum of money. But when universal industrial partnership is introduced, some of the joy and enthusiasm of the hobbyist will be brought into their lives. In their mind's eye they will plan out little economies and labour-saving devices in the quiet hours of the evenings, and rise with cheerful alacrity in the mornings to put their plans into execution.

Under this system the bitter feelings between rich and poor will be replaced by strong mutual

respect. The loafer and malingerer will be so scorned by all genuine workers, that he will turn his attention to honest work, for no man can long endure the contempt of his fellow-men. Under the present wages system the honest working man is merely indifferent to the lazy habits of the malingerer, and too often, it is to be feared, "turns a blind eye" to the actions of the petty pilferer. Under universal industrial partnership, active opposition would take the place of this indifference.

Under this system, and equitable land laws, the vexed problem of the unemployed would so far vanish as to cause no distress that could not be met by providing temporary work. The healthy circulation of wealth under this system would give such an impetus to production that all workers could find employment; even the untrained would be sought after.

It is a system that will instil into the minds of men a high form of discipline: not a discipline born of tyranny and power, but a discipline of which men would see the utility and of which they would recognize the advantage to themselves. Men would seek after it in their own interest and complain if it were relaxed. This form of discipline would be carried into their homes, and the young would acquire from babyhood one of the best qualities to fit them for their life's work.

It is a system that will bring industrial peace

and make for the peace of the world : for when nations have settled their internal troubles, they will study those natural laws which prove it to be in the best interests of all nations to be at peace with each other. It is then that a universal State will spring into life : a State that has long been struggling into existence, but has been continually nipped in the bud and thrown back by the cold blasts of unworthy ambitions. This universal State will not be that of an ambitious Cæsar ruling and dominating the world, but one in which each unit State will enjoy equal privileges and freedom with the others : in the same manner that each individual in a community enjoys or should enjoy equal rights with his fellow-men. It is a system that will bring the bright sunshine of life into millions of homes, and create the proper atmosphere in which men's best qualities may be nurtured. It will bring us nearer the long-desired time, when nations will enjoy perpetual peace and all mankind will advance together in harmony.

A FINAL WORD

At a time in the life of nations when a large majority of people are conscious that the existing methods of remunerating all kinds of work have largely outlived their usefulness, when labour troubles have reached gigantic proportions, when dark ominous clouds of seething unrest and revolt are looming up on the horizon at every point of

the compass, the writer earnestly courts that helpful criticism which builds up where it destroys, so that by united and determined efforts of capable and experienced men a complete method of distributing wealth in response to economic effort may be established. In this way, many foolish prejudices will be swept away, that which retards progress will be removed, and mankind will advance more rapidly under natural laws laid down by Providence.

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