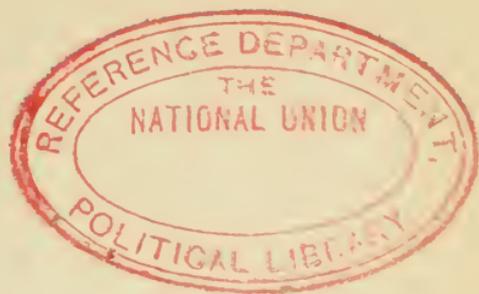


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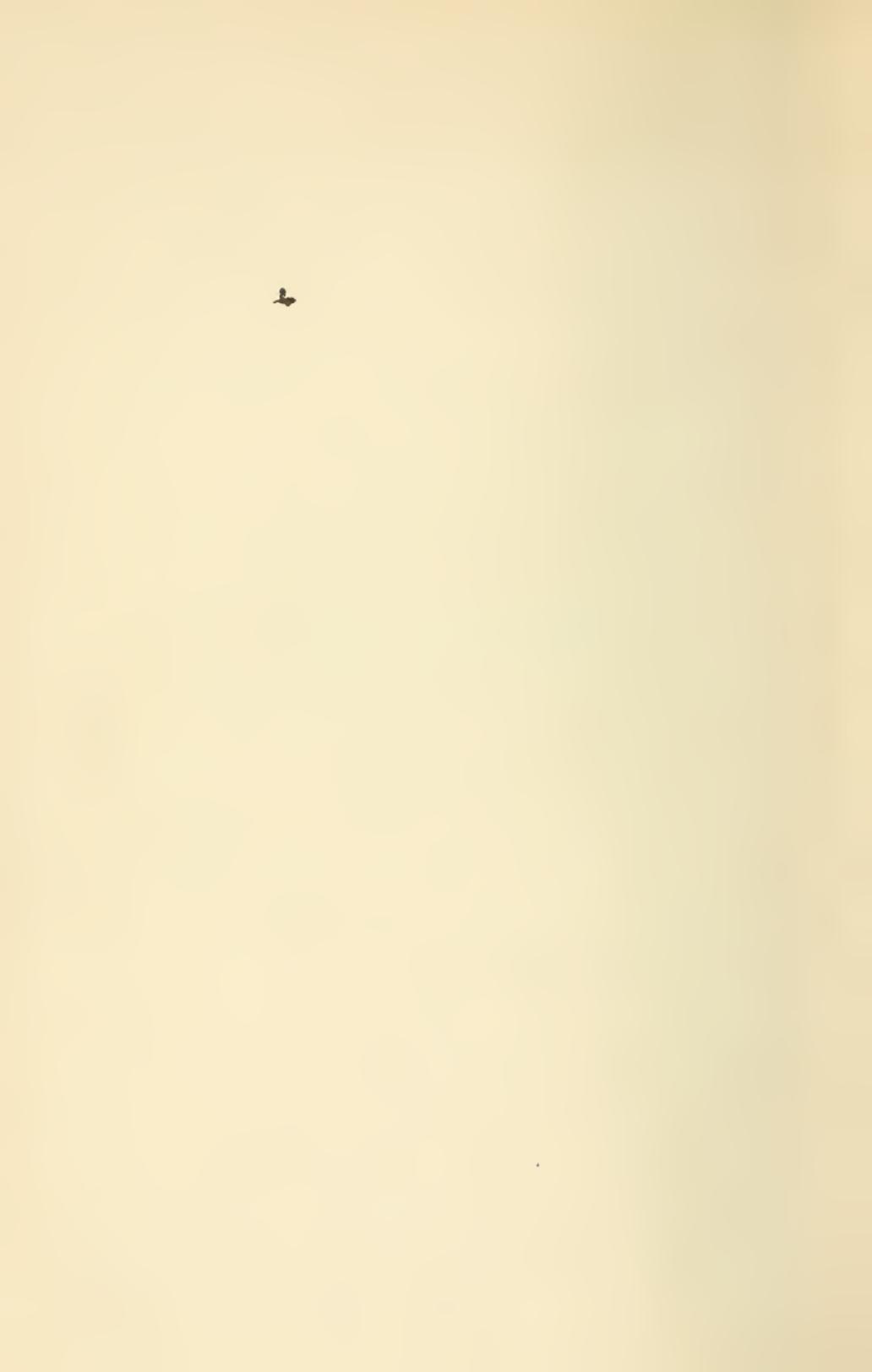


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TRADE AND THE  
NATIONAL IDEAL



# TRADE AND THE NATIONAL IDEAL

BY M. H. G. GOLDIE

'Tis not antiquity nor author  
That makes truth Truth.

HUDIBRAS.

LONDON

JOHN MURRAY, ALBEMARLE STREET, W.

1911

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### NOTE

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# TRADE AND THE NATIONAL IDEAL

## CHAPTER I

### THE NATIONAL IDEAL

It will conduce to simplicity and clearness to give here an enunciation of the propositions to be examined in this book. They are as follows :

*First proposition.*—It should be the ideal of the nation to have the finest population possible—physically, socially, and morally. The chief work of the nation—agriculture and manufacture—should be so carried on as not to impede progress towards the ideal. This implies full and suitable employment for all the people.

*Second proposition.*—To provide employment for all, the following changes are necessary in Great Britain :

1. Universal military service, by which the defence of the nation will be at the same time provided for.

2. An Aliens Act, of searching character, strictly administered.

3. A Small Holdings Act, by which the revival of agriculture will also be assisted.

*Third proposition.*—To provide employment, a

very careful reform of the tariff will probably be required in due course. For the clearer understanding of this proposition, certain preliminaries are necessary.

*Proposition A.*—The productive national capital is the total national capacity to increase values, and thus produce all articles necessary to the nation. The productive capital of a member of the nation may be his total capacity to increase values, and thus produce some article or articles, or parts of them; or it may be the total value of his investments; or it may partake of both kinds.

*Proposition B.*—Capital of higher value is created by the destruction of capital of lower value: this is the true employment of capital. Capital is also in certain ways sent abroad. It is also misemployed.

*Fourth proposition.*—The conditions under which the foreign trade of Great Britain is now conducted are absolutely different from the conditions under which that trade was conducted sixty to a hundred years ago.

*Fifth proposition.*—If trade were everywhere free, the foreign trade of Great Britain, under modern conditions, would in some cases give more employment than an equal home trade, and in other cases it would give less employment.

*Sixth proposition.*—In face of high foreign tariffs, Great Britain's home trade gives more employment than an equal foreign trade. Therefore Great Britain needs tariff reform. This cannot be arranged until complete statistics of the home trade have been collected and published.

*Seventh proposition.*—The necessary revenue should be raised so as to encourage the true employment of capital, and to impede as little as possible the march to the ideal.

*Eighth proposition.*—To carry out its part successfully, the Government requires the willing aid of the employers and workmen. This aid will not be effective unless the present somewhat hostile feelings are converted into harmony between employers and workmen. The sources of this hostility are to be found in the history of the human race. A remedy seems possible.

*Ninth proposition.*—The employers and workmen whose aid is required are especially those on the land. Therefore a revival of agriculture is essential to Great Britain.

*First proposition.*—(1) It should be the ideal of the nation to have the finest population possible, physically, socially, and morally.

It is not necessary to prove this part of the first proposition: its meaning has only to be clearly stated to command immediate assent. The meaning of the physical ideal is, that the men and women of the nation should have good sound health, and the power to endure; not to be compelled to give in easily, nor to be soon exhausted by holding on; in a word, not, as so many without real excuse are now, back-achers for a little digging, heart-breakers for a little marching.

Thus the men and women would be able to do a real day's work in their respective spheres,

without the strain that prematurely ages. There is nothing better for man, there is nothing more truly enjoyable, than a sound day's work, adequately paid for, provided the other conditions of life are as they should be.

Infirm folks there must always be, and others who, partly owing to past conditions, partly owing to present conditions, can never have good health, who are perhaps consumptive, or worse. There must always be, too, a number of people who, by the great cleverness of physicians, have been just plucked from death, and are handicapped for the greater part of their lives.

Therefore it is all the more necessary that the status of those who are not physically handicapped should be always closely studied, that they should never be allowed to drift and be the sport of fate. For their own sake, for the sake of their children, and still more for the sake of the nation, as many men and women as possible should be at work where the air is purest, and have their dwelling-place where the sanitation is perfect.

Important as this is to adults, to those who are younger it is still more important. All young men should be obliged to live where the sanitary conditions are most carefully watched, and should at the same time be so treated that the obligation should become as welcome to them as the advantages to their physical growth are obvious.

The social ideal is an accompaniment of the physical ideal, and means that improvement should ever be worked for in the relations

between man and man. The time has long gone by when a man could carry on any general kind of work by himself alone ; there is certainly no trade or calling, there is no profession, except perhaps one, where a man executes more than a little part of a great whole. Therefore, as far as possible, all work should be harmonious work ; that is the ideal. What then is harmonious work ?

Harmonious work does not mean blind work : on the contrary, it is desirable, for plain reasons, that into all work should be put as much thought as the work, always quicker, better, more cleverly done, by men able and willing to think, is capable of taking. Therefore harmonious work is the product of workmen whose minds are accustomed to discipline. When men who have attained this mental stage work together for an employer who understands, the social ideal is coming nearer.

The moral ideal is the complement of the social and the physical. It is necessary to the nation that its men should be good husbands, good fathers, and good workmen. The underlying idea here is that of justice to all alike, including justice, but no more than justice, to one's self. Is not this so ? To treat the wife well, so that she can make a real home ; to treat the children well, so that they may grow up rightly ; to work like a man : to do these things is to deal out justice to all. Morals are manners. To do unto others as you would that they should do unto you, this is only a part of manners, though it is very well. The justice that will not do evil unto

another is not thinking of self; it is recognising a right. Nevertheless, where there is no wrongdoing to others, though there need be no thought of self, though there be a recognition of right, there is always right-doing to one's self.

It will be found, in "Krieg und Sieg," that in the war of 1870 the German leaders laid stress on the morality of their men, considering them to start with an initial advantage, great enough to presage victory over others less moral. There, too, if we examine well, the underlying idea is that of justice to all. Men who live so as not to hurt others practise self-denial, and so grant to their own minds and bodies the right to be strong and good. In all contests, whether in the field of battle or in the workshop, an army of disciplined, morally superior men will defeat an army of rogues.

(2) The chief work of the nation—agriculture and manufacture—should be so carried on as not to impede progress toward the ideal.

Life in general, not excluding the national life, has more phases than one. When the planet Venus is showing herself to the earth in one phase she is showing herself to the planet Mars in quite another phase. The life of a man is in his work and his home, but at the same time what he does is of national importance; for the total national profit is the result of the work of all the little units; and that the national life may move in a certain direction, all the combined efforts of the workers must be made in that direction. But the chief occupations of workers

are agriculture and manufacture. So that to say the combined efforts of the workers must be made in a certain direction, is to say that agriculture and manufacture must be so carried on as to admit of advance in that direction; the total effort must carry forward these occupations so as not to impede progress toward the ideal.

It matters not then if we watch a nation as a whole struggling, it may be half blindly, yet efficiently, towards an ideal; or if we watch the agriculture and manufacture of that nation, wisely, quietly, and successfully conducted—we are watching two phases of the same thing. The ideal is of course only an ideal, and perhaps to the average workman means at present absolutely nothing. But it may come to mean something to those who guide the destinies of the nation; and if so, then the higher the ideal the better for the nation. A low-pitched ideal calls no one forward. The ideal placed before the Boy Scouts is a high ideal, so high that some people think it absurd. It is not absurd, even though only a scout here and a scout there can come near it: for the moment upward striving ceases, the road is downward.

The general proposition is, then, that whether workers know or do not know anything about the ideal, the conditions in which they live and work should be such that they can continue healthy and thoroughly well able to work; and that they should be men who have become accustomed to discipline, and therefore able to con-

concentrate their thoughts on the work they are doing with the object of devising improvements in method.

There is nothing strange in the notion of men so giving the best of their minds to their work that, conditions being suitable, they make discoveries of vast importance. Nearly one hundred and fifty years ago James Watt, working with his thoughts concentrated on the repair of a Newcomen's model steam engine, discovered or invented the separate condenser.

Henceforward in this book we shall attend to agriculture and manufacture as the chief occupations of the workers. If they are going forward rightly, the nation is going forward rightly, and the workers themselves are applying a sufficient degree of energy in the proper direction.

(3) This implies full and suitable employment for all the people.

The march must be badly conducted if numbers fall out because they cannot keep up. How much worse must it be if numbers never join because there is nothing for them to do? Should there be a dearth of workers, if the work to be done is more than all the workers of the nation can manage, there is a remedy. The men being all trained to work with head as well as hands, from among them, at such a crisis, will emerge those who, intelligent as James Watt, will hit on abbreviating processes; and the workers, with such help, will overtake the work to be done; or, if the paucity of labour

arise from the hardness of the conditions, the conditions can be changed.

But if there be too many labourers for the work to be done, then a part, an indispensable part, of the national capital is lying idle, and there must be something radically wrong about the methods used by the nation. Where there is paucity of labour, then, too, indispensable national capital is forced to be idle; but that capital is the capital required to set labour-capital to work, and, as said, there are ways in which labour-capital can apply itself to diminish the evil, or by which the conditions of labour can be improved. But if the capital lying idle be the labour-capital itself, then it is the system itself that is wrong, the mode of applying the capital that sets labour-capital to work, the method of trading.

In this inquiry we shall find that Great Britain is face to face with the ills that arise from the enforced idleness of labour-capital, and with those that arise from labour conditions that have become impossible.

## CHAPTER II

### THE CHANGES NEEDED

*Second Proposition.*—To provide employment for all, the following changes are necessary in Great Britain :

1. Universal military service, by which the defence of the nation will be at the same time provided for.

In every country defence against external foes is, and must be, undertaken by the Government of that country. As long as general human nature continues to be pretty much as it now is, the improvement of any one population does not render it immune from attack by other populations, unless it is itself so strongly organised for defence as to be unassailable with real hope of success. Almost all European governments endeavour to carry out this object by training the mass of the male population to the use of arms, and by organising a certain proportion for immediate action. The Government of Great Britain is, and always has been, an exception: not attempting, since the days of the Tudors, to train to the use of arms more than a small portion of the people, compelling

no one to move a finger for the defence of his country, except by means of the press-gang, which, however, has now long been abolished, and Great Britain seeks always to man her fleet, and to settle every national quarrel, with the help of volunteers.

It can be clearly demonstrated, to any one requiring such demonstration, that to be trained to the use of arms, and to practise for the necessary period, all the bodily movements implied by such training immensely improve the physique of any one so trained. Such training does not, as so many ordinary occupations do, harden one set of sinews, put muscle on one particular limb, and relax all other sinews and limbs : it improves the whole body, without and within, often making, of what were under-sized, round-shouldered lads, fine, healthy, vigorous men.

A nation where such training is universal is taking a distinct step, even if it should never have to fight a single battle against a foe, towards making its population the finest possible physically.

Something towards such an end might perhaps be done by establishing gymnasias all over the country, in all its towns. But by that means nothing would be done towards the defence of the country : universal military service achieves both ends in a stroke.

But we are supposing a nation, besides wishing to do its utmost to improve the physique of its population, to desire also the greatest possible degree of social improvement, that is, in the

relations between man and man. The defence of a country does not depend merely on the physique of its inhabitants, not even on their skill in the use of arms, taken by itself. It depends also on the spirit that urges them forward, and on the way in which they have been trained to act together; on their patriotism and their discipline. When men are thus trained together on a thoroughly sound system, avowedly for the defence of their country, patriotism is one of the keynotes of that training, and discipline is the other.

Discipline is a very different thing from simple obedience; if it were otherwise there need be no such word as discipline. But indeed this very word, discipline, implies that it includes something, even a great deal, that is to be learned. He who is learning discipline is a disciple; and it is the great feature of true discipline, when it has been thoroughly learned, that no man in the squad, or the company, or the battalion, acts as though he were the only one man. Each unit goes forward in relation to other units. A thoroughly disciplined soldier, working with disciplined soldiers, relies absolutely on the courage, the knowledge, the intentions of the men on his right and left: he has come to rely on these as if by instinct, and he similarly relies on the man in front, his leader, and on the men behind him, his supports.

It cannot but be that well-disciplined men, highly patriotic men, must, in their subsequent industrial life, be worth far more to a nation

than men who see no outlook but that of their own little selves, and care for no object but that of their own immediate profit.

And finally, a nation should wish to improve morally. If it do not so wish, it will not improve morally: on the contrary, it will grow less moral, for it certainly cannot stand still. Whatever may be the effect on morals of soldiering, in a nation of civilians protected by volunteers, it seems certain that one great moral improvement might very well be originated by the adoption of universal military service; and that is a desire for justice in all human dealings, springing up from observation of practical justice illustrated by the general obligation to perform a great national duty. Not that this improvement has necessarily followed in those countries where military service is now universal, but that it should follow in a country where freedom approaches reality, and where such service, hitherto unknown, can be conducted on right principles.

When the defence of a nation is so organised that the majority of the people of that nation make no sacrifice whatever of time and means in the service of their country, there must be gross injustice; and such injustice comes, in that country, to be looked upon as a necessary phase of the national life, as almost a kind of justice. A certain number of men who care a little more than others for their country, in whom a sense of national claim is not yet wholly dead, come forward to be trained: a certain number of employers who are like-minded consent to lose

the services of their men, and to do the best that can be done for a time without them. Those who are selfish reap the monetary advantage, those who are more patriotic, or less selfish, submit to the handicap.

All this injustice would be put an end to by universal military service; and the idea that all men, being citizens of one country, should equally do their duty, would permeate all candid minds. There are hosts of men who would not by this, nor by any other means, be prevented trying to take advantage of others; but if evil cannot be extirpated it may be diminished; and the spread of the idea of justice is a means toward the great end.

The idea of justice contains the notion of a right. Men do often claim as their right that which encroaches on the right of another. The great right that every citizen can and should claim is the right to be a full citizen. No one is exercising the right of a full citizen who shirks his patriotic duty in order to snatch what he can.

This is not the whole matter. Besides being very good for a nation, universal military service may be so organised as to be much more efficient for defence than any form of voluntary service. For where all serve equally there is no injustice in keeping men actively serving much longer than would be possible where some bear the burden from which the majority shy away.

Nor need universal service necessarily involve a nation in expenditure higher than that required for the maintenance of regulars and volunteers.

The expense of a year of universal service must not be compared with that of a year of voluntary service, at a time when there are no alarms of war: that would be quite misleading. To make a comparison that is fair, to the latter expense must be added a share of the cost of the panics it causes from time to time, a share of the cost of building a number of ships of war, and of suddenly calling to arms and training, when the cost of such sudden and wholesale training is enormous, a host of men who have never served a day in earnest. It must be remembered that, where service is voluntary, men must be induced to serve, and, if they are to enter the regular army, must be propitiated by high pay and expensive keep. Where all serve no such inducements are offered; the whole army is national and regular, and a comparatively small total of foreign service pay replaces a great total of propitiatory pay.

Finally, universal service has an important effect on unemployment; and it is reasonable to ask which is preferable—to pay large sums that a number of men who cannot find work may not altogether starve, or to expend those sums in training youths for the great service of their country, and at the same time fitting them in the best way for the subsequent work of their lives: that is, to give the youth of the nation what is, at their time of life, the employment they most want, and to divert from aimless wandering the unemployed who would replace, as far as needed, the youths called up for service.

It is not the duty of any Government to force an important change on an unprepared people; and for the change implied by universal military service the British people have not yet been prepared. It is the duty of Government to lead the way, to prepare the people, to lay before the nation the whole case, to show that universal service will benefit chiefly the workmen of the nation. It is they who will grow stronger, physically, socially, and morally, who will be enabled to do more and better work, whose value will increase, and who will therefore have more capital at their command. Of two employers, one of whom was stronger, more moral than the other, it might be the latter who had most brains of the kind required, and grew rich the faster. It is to the workmen the Government should address itself; it is by them the change should be demanded.

The argument is sometimes used that universal service, taking away from industrial life, as it always does, a large number of men, must necessarily handicap a nation in its industrial progress. There is no reason to suppose that this is a real necessity: on the contrary, it is more probable that universal service, seeing what it does for men, is a hastener, not a retarder, of industrial progress. Experience seems to show this.

We do not now permit boys under a certain age to set to work. Why? Because their bodies are not yet hardy enough to bear the strain of work, because their ignorance is still so great, they can do no good work. Let this idea be carried

farther. The youths who are trained in a system of universal service are made far more hardy than they would otherwise have been ; they have acquired knowledge of the best kind ; they are well moulded for work. Thus the time occupied in training is afterwards far more than made up ; the work done is of better quality, and it is done more quickly.

This universal service, then, is very important ; because, when elaborated by a great military organiser, it puts the defence of the nation on a sound footing : when thoroughly carried out it trains the whole youth of the nation to arms, and for their subsequent work ; it replaces injustice to many by justice to all, and it gives employment, more valuable at that particular time than any other, to the men under training, and re-employment to a number of others now in great difficulties.

2. An Aliens Act, of searching character, strictly administered.

Universal military service, taken alone, might, in one important respect, prove disappointing. Other measures are necessary that the greater measure may succeed. The first of these is a thorough Aliens Act, administered without flinching. After a man has served his country for the stipulated time, as a sailor or soldier, his return to work at his trade or his apprenticeship, as the case may be, should be simply like walking through an open door. It would be rather awkward if in such circumstances a considerable number of men found their places already taken

by foreigners. In the absence of a sufficiently drastic Aliens Act, fully put in force, this is what would certainly happen.

There is a second reason for an Aliens Act, and this reason is such that no time should be lost before passing the Act and enforcing its full powers. At the present time young men in numbers are leaving the country at one side, while foreigners, too many of them undesirable, are entering at the other side. The young men now leaving Great Britain are the very men she ought to keep, the foreigners now entering Great Britain are the very men she ought to keep out. She will have to do so in order to make universal service a success.

Such an Aliens Act should have two leaves. On one should be shown what sum a foreigner who wishes to enter Great Britain must first pay down; and that sum should be large enough to insure that none will enter but really good workmen, men who will not take low wages, and who are so accustomed to a certain degree of comfort that they will spend nearly the whole of their wages where they work. Such men, driven from their own country by persecution, have been known, in the distant past, to bring good fortune to the country of their adoption: they brought their own capital, which remained in the country of their adoption: they sent nothing out of it. But Great Britain at this moment is facing a crisis: she is forced in these hard, striving days to fix a very strict limit even to these importations.

On the second leaf should be shown what each foreign workman whose condition appears unsatisfactory must pay for the privilege of remaining in Great Britain, and that amount should be sufficient to insure the country against its present depletion of capital, arising from the remittance abroad of foreign workmen's savings. Suppose each such workman to remit abroad periodically every farthing he could scrape up, he might send abroad annually, in spite of his low wages, living as he does in disgusting slums, quite a considerable sum. The number of such workmen in Great Britain being large, an important sum in this way most probably goes annually abroad, and it goes in the form of exports, including gold, for which no imports are received in exchange. Our exports are thus constantly swollen by this depletion of British capital; and for this there never is and never can be any return. The men who oust our own workmen, or prevent their return to work, injure the country likewise by taking away its capital. Moreover, men who receive little, and desire to save all they can of that little, spend but little; such men, therefore, do little themselves towards creating a demand for commodities, and they prevent others from doing so.

The duty of Government in this matter is sufficiently clear; it is to act decisively and without delay.

Some people do not like the idea of such an Act, because Great Britain is a free country, free to all, to enter or go away as they please. This

must be a tradition from the old slave days, when a slave became a free man the moment his foot touched British soil. But that belongs to the past. We should certainly, without an Act, keep out of our country now men suffering from any fearful disease; and why? Not from any dislike to the foreigners as such, but because we do not intend our own people to suffer and die owing to the introduction of such disease: we cannot afford it. Nor can we, with so many men standing idle, afford to have our workmen under-sold at their trades and still kept idle.

There is also a sentimental feeling that Great Britain must never be inhospitable. It is purely sentiment, and in the circumstances unwise sentiment. When a question arises between employing our own fellow-citizens at their wages, or foreign workmen at lower wages, it is the positive duty of Government to take the steps necessary to defend their own people; and that would hold good, even if foreign workmen did no other harm but keep our own men idle; but they harm Great Britain in other ways, by depleting her of capital, and by reducing the demand for commodities.

As has been said, really good workmen in reasonable numbers no one would object to, on certain terms. There are such workmen, now in Great Britain, employed on work of more than average utility, agricultural work, such as the making of butter. If it were possible to carry on such work remuneratively, and put food-

products on the market at reasonable prices, only by using foreign workmen as directors, it would be better to continue employing foreign directors than to lose the food-products.

But there are alternatives. Suppose a country to possess large quantities of iron ore of a grade so low that, do what she will, she cannot extract iron economically. And suppose her to have a neighbour who has found out the secret of making low-grade iron ores pay well. The former country can send to the latter a number of intelligent workmen, commissioned to seek employment, to learn thoroughly the best methods of treating low-grade ores, and then to return with the object of starting a new and great industry in their native land.

There is a country, not far from our shores, in which excellent dairy products are prepared by the farmers. There is, or was a few years ago, in that country, a staff of trained inspectors, whose mission it is to visit, for a fixed fee, any farm on application. By this means the farmer learns in what respects his methods differ from the latest approved methods, as taught in the institution whence the inspectors are sent out. The farmer is thus enabled to correct his errors and bring his methods up to date.

Either alternative is at the disposal of Great Britain.

There are reasons for a real Aliens Act, quite apart from those here given, but they are not directly connected with universal military service, nor with the national industries. The present

apology for an Aliens Act is useless for any purpose whatever.

3. A Small Holdings Act, by which the revival of agriculture will also be assisted.

When the advantage to themselves of universal military service has been explained to the people, it is to be presumed they will decide in its favour. Great Britain must still, in that case, maintain a long-service imperial force, though not on the scale of the present regular army. Men completing service in such a force would naturally receive pensions, but they would not be able to live entirely on such pensions, and therefore would have to work. Such men might find, as indeed they do at present, some difficulty in reverting to work at any trade, however unskilled the men of that trade had need to be. It is a crying evil, at the present time, that such numbers of our discharged soldiers and, to a less extent, sailors, find it almost impossible to get work. Universal service, properly organised, would bring that evil within bounds, but, in the absence of a further Act, the evil would still exist. That Act is an Act for the provision of small holdings, on which long-service men, having suitable qualifications, might be settled.

The idea of small holdings is no new one. There is, indeed, now a private organisation pushing this scheme; and there have been laws authorising the placing of men on small holdings, and men have been so placed, but sometimes with a conspicuous want of success. Small holdings must end in failure where certain

important points are not attended to, and, so far, these points have not always received the attention they require.

In the first place, the nature of the land chosen is of extreme importance. What could a settler do on a cold, damp clay? What could he do on a soil so light that a single dry summer might sweep away all the profits he had ever made? The only soil suited for small holdings is a good, fertile soil, the choice of which is a matter for men of knowledge.

Secondly, the situation of a small holding is of equal importance. It may seem incredible, but is stated to be a fact, that existing, or lately existing, small holdings have been abandoned because they gave no possible market for produce. The holdings of the future must be within easy reach of a certain and sufficient market, and where fertilisers can be readily obtained.

Third, the men themselves must be suitable men. The class of men who now leave the land and emigrate would do very well on small holdings, if their locations were correct. Nothing in Western Canada more surprises than the way men work on land of their own, even men who by no means do as much as they might when working for some one else. It is because they have a prospect before them, and hope is in their hearts. The same would apply to suitable pensioners placed on well-chosen holdings in Great Britain. Such men, always working hard, always producing, would continually increase the capital of the nation in that particular

form of capital of which the nation has most need—food raised within its borders.

The fourth need is the establishment of land banks, to make advances to the settlers on the security of the land, for all necessary preliminary outlay, and for the maintenance of the settlers and their families until the holdings become profitable. It is not clear that such banks need depend on Government where the holdings are, as they should be, the property of the settlers. In Western Canada privately owned banks do a large business of this nature. That the business is profitable is shown by the continual increase in the number of branches opened; that the farmers benefit is shown by the steady growth of Canadian agricultural prosperity.

It would be difficult even to guess what percentage of discharged long-service sailors and soldiers would have the requisite ability to work profitably on small holdings. That many of them would be able to do so, there is no question. That many of them would not, there is also no question; yet it is to be hoped that the number of pensioners thus furnished with a good opportunity of settling would be at least important.

For these men, just as for all discharged sailors and soldiers, of whatever length of service, it is essential that work should always be at once available; and therefore a subsidiary scheme would be required for all the long-service men unable to manage small holdings. There are many people who think that, to meet these

cases, a certain proportion of employment should be reserved by Government and the great transportation companies. It would be a wise movement; it would change a state of affairs of which no nation could be proud, and would make volunteering for the foreign service force much more popular.

The provision of a partial remedy for the evils attending want of employment for discharged sailors and soldiers is not, however, the chief object of a Small Holdings Act. The chief object of that Act is to assist in the desired revival of agriculture, than which nothing can be of greater moment; first, as an aid to the Aliens Act, in keeping some of the most able-bodied of British workmen at home, instead of letting that exceedingly valuable capital quit the country; and second, as a means of increasing the production of food in the United Kingdom.

If it be desired to have the finest possible population physically, it is surely wrong to aid in sending out of the country the very best men: yet there are many agencies trying to do that. Work on the land, under really suitable conditions, is still the very finest occupation for able-bodied men. It does not seem to be considered so in Great Britain, although it is so in other parts of the Empire. Why is this? Is not the answer perfectly plain? Men on farms, in Great Britain, have had to work under certain conditions; in other parts of the Empire they work under very different conditions.

There can be no question that the more food

Great Britain herself produces, the smaller the risk of panic and unnecessary suffering in case she had to wage war. The men who can get most value out of the ground are therefore the men she wants: the nation would do well to offer inducements to these men to stick to her and do their best.

Against these arguments the simple objection might be raised that they all recommend interference by Government, and that interference by Government, in matters touching the liberty of the subject, is subversive of freedom. The Government of the day, of whatever party it may happen to be, is set up by the people themselves for distinct purposes. There is no interference with freedom if the elect of the people seek to draw public opinion one way: it is constantly being done, without objection raised, as far as the lights of Government and its advisers penetrate. The time seems to have come when the state of affairs demands the exchange of the old inefficient lights for modern, wide-sweeping search-lights.

## CHAPTER III

### ON CAPITAL

*Third proposition.*—To provide employment, a very careful reform of the tariff will probably be required in due course. For the clearer understanding of this proposition certain preliminaries are necessary.

*Proposition A.*—The productive national capital is the total national capacity to increase values, and thus produce all articles necessary to the nation. The productive capital of a member of the nation may be his total capacity to increase values, and thus produce some article or articles, or parts of them; or it may be the total value of his investments; or it may partake of both kinds.

There are different ways of dividing capital into classes. Thus, it might be described as reproductive and non-reproductive. The food of the workman is reproductive capital; the capital which has become tobacco is non-reproductive. But as it is only desired to understand what useful capital really is, and not to compose absolutely exhaustive definitions, the number of classes may be limited to three: labour-capital, the capital that sets labour to work, and invested capital.

The capital of an artisan or workman is his health, strength, and skill. These may be exchanged for food, clothing, lodging, and some leisure and amusement; the object of the exchange, which is made through the medium of wages, being to restore a capital very quickly exhausted. A workman's tools are also his capital. As long as the artisan works in his own country, these parts of his capital are truly and absolutely part of the capital of his own country.

In many countries the returns of savings banks show that some workmen have small amounts of money invested. It probably so seldom happens that any part of the workman's capital is invested in a foreign country, that it may be considered as, upon the whole, part of the national capital, unless it is invested in a Government loan. The principal of a Government loan must be regarded as expended and gone, leaving, however, the interest as part of the capital of the investor and of the nation.

A horse has health, strength, and a small measure of skill: has a horse, then, capital? No; a horse is owned; and what would otherwise have been its capital is a part of the capital of its owner. When, therefore, it is said that a certain person has so many horses, it is implied that he has, in those horses, a definite amount of capital, which is really a number of qualities, such as, swiftness, endurance, strength, beauty, and docility, giving an exchangeable value to those animals.

In the old days, when there were slaves, the

slave-owner had their health, strength, and skill as a part of his own capital. A free man is not owned; he has his own capital; that capital is not part of the capital of any other owner, but it is a most important part of the capital of the country in which the free man works.

This capital of the artisan is a type, therefore, of the class of capital which is called labour-capital. And it is perceived to consist chiefly of labour-capital, the property of the artisan and of the nation, and possibly of invested capital, which in this case is generally also the property of the artisan and a part of the national capital.

It should be added that artisans subscribe from their savings to unions and friendly societies, and sometimes to co-operative stores. The funds of these institutions may be partly invested in such a way as not to form a part of the national capital.

We come next to the employer of labour. He may be a farmer, a manufacturer, a shipbuilder, a mine- or railway-owner, a shopkeeper, a builder, —any one who so organises labour and materials as to produce articles, move articles from one place to another, or distribute articles, necessary for use at home or abroad. The producer of articles, or the mover or distributor of articles, has first of all, as capital, his trained power of organisation. He has also something to sell. This may be a stack of corn, a cargo of piece goods, a package of cutlery, a power of haulage, or groceries, or ironmongery for retail. All these are capital, part of the capital of the employer

used to set labour to work, and, at the same time, part of the national capital. Then the employer has also his share of the means of creating that something to sell, or of providing the necessaries for moving or selling it. That also is capital, and may be machinery, shelter, engines, trucks, shops, fittings, and so forth. That capital, too, is part of the capital of the employer, and of the country in which his work is carried on.

An employer must also have a goodwill; that is, his business must be a going concern, or it is ineffective. A goodwill always costs a lot of trouble and outlay to build up; sometimes it is partly the result of great expenditure in advertising. It cannot by itself be exchanged, but it adds considerably to the exchangeable value of the business of which it is a part. Therefore to the employer it is capital. It is also, in a similar sense, capital to the State. Suppose an employer to have done but little towards working up a goodwill; then he does a little business instead of a great business. The greater the business done by the whole of the employers in a State, the greater the business of the State as a whole. Therefore if some of the employers do but little business, there is a diminution of the business of the State as a whole. But though some employers may in this way be making much less profit than they might do, it does not follow that the loss to the State is always exactly equal to theirs. For it may happen that all the workmen, in the particular trade concerned, are

employed, so that no more are available till properly trained; or the market for goods of the kind produced in that trade may for the moment be well stocked. Thus the State is already doing, in that particular line, all it, for the present, can, however much the business of certain employers falls short. That is, while the defect of capital to these employers is great and present, the loss to the State is rather prospective than immediate.

Finally, every employer must have, or should have, a reserve, which is also necessarily a part of his capital, but not necessarily a part of the capital of the State. This part of his capital an employer may invest where he likes; and accordingly a British employer may be a part owner of the securities of France or Russia; he may own part of a French railway, or of a Russian oil-well, or of a Chinese coal-pit; and such capital is no part of the capital of Great Britain.

The capital of the employer, then, is a type of that class of capital which is required to set labour to work. It is composed partly of capital of that class and partly of invested capital. All three forms are clearly necessary for carrying on the industrial work of the nation; no one form is of any use without the others. There is, however, this difference in application: the capital of the workmen must be their own; no one else can use it, and nothing can be produced without it. Nothing can be produced without the other forms of capital, but in theory it is

immaterial who owns those forms of capital, a private individual, a family, a small company, a great company, or the State. In practice this is not exactly so, ownership by the State very seldom giving results equal to other ownerships.

The capital of the employer is perceived to be also national capital, with the exception of his invested capital, which may be partly national capital or wholly so, or may not be national capital at all.

It is to be observed before closing this detailed examination of the nature of capital, that however little skill a working man may have, he must have capability in some direction, for he has otherwise nothing to sell. Farm labourers, navvies, hodmen, all have some skill, differing in kind and in degree. To some workmen their strength is chiefly of importance: draymen, coal-heavers, porters would have little to exchange for wages if they were physically weak. Clerks, on the other hand, depend on their skill, as in speaking or writing foreign languages, or in making out business letters from notes, or in keeping books of accounts; and in many instances they add to these another valuable qualification, that of trustworthiness.

Other workers, besides these, are lawyers, doctors, government officials, actors, musicians, and many more, whose capital it is not necessary to consider separately. Briefly, in the case of all workers, capital is of one kind or another: it is either health, strength, and skill, or it consists of invested savings or acquirings. In some

cases, as in that of the artisan, the former capital is that of the workman himself and generally of the State also. In other cases, as in that of the actor, this capital is that of the worker himself, but not that of the State directly, but only indirectly; since, when it is employed, it helps to bring about the quicker restoration of the similar form of capital, temporarily exhausted by the workman, and, in the case of the employer, of that part of his capital which depends on his individual powers. The latter capital, that is, invested savings, may or may not be a part of the national capital. It never is so if invested in a foreign country, and it is not so if invested in a home government loan; though the interest in these cases, if brought home, becomes a part of the national capital.

The landowner may or may not be an employer of labour, in the industrial sense, because his land may be let to tenants, who become the employers. To the landowner his land and the buildings on it are a part of his capital. The productive land is also part of the capital of the State: the buildings on it are in part capital of the State and partly not. The great house in which the landowner lives is not a part of the capital of the State, but the farmsteads and the cottages in which the labourers live are necessarily a part of that capital, since they form an indispensable adjunct to the productive land.

Like the employer, the landowner has usually a larger or smaller amount of invested capital. Such investments may be in home securities or

in foreign securities. In the latter case they form no part of the national capital, though here, as elsewhere, the interest, when paid and brought home, does form part of the national capital. In the former case, provided they are not merely a portion of a State debt, the investments are a part of the national capital.

There are many persons who derive their whole income from invested capital. Some of these have their capital invested entirely at home, others have both home and foreign investments, and some, no doubt, have almost the whole of their capital invested abroad. All these persons, as a matter of course, employ domestic labour, but they are not employers in the industrial sense. Those who have all their capital invested abroad bring into the country in which they live the interest on their principal, and add a portion thereof to the national capital. The other portion, which defrays their necessary expenditure, though it may appear to give employment, is an addition to the national capital only in so far as that employment creates a demand for commodities.

It is thus quite clear that there is a vast difference between national capital and collected individual capital, and hence it was necessary, in stating Proposition A, to divide it into two parts. This difference is twofold. In the first place, the total national capital is not by any means the same as the total capital of the individual members of the nation. In the second place, the mobility of national capital is not

nearly so great as the mobility of the capital of an individual. So often do people speak of national capital when, in reality, they are thinking of capital belonging to individual members of the nation; and so important and interesting is the difference between national and individual or private capital, that a few sentences will be devoted to it.

A great railway system consists of land, permanent way, rolling stock, stopping and collecting stations, stores, and a built-up business. That business is the transfer from place to place of passengers and goods; it is for that transfer business the railway system exists; all its stock, all its lines are devoted to that business—a business which in that special district can be carried on, and is continuously carried on, only by that particular railway system in the country in which it exists. This system is therefore a part of the national capital which cannot be moved out of the country where it is.

Let us suppose two such railway systems, one in Great Britain, one in Argentina; each system forming a part of the national capital of Great Britain and Argentina respectively, each system doing its work of transportation in its own country, and each system fixed in its own country and not capable of being moved from it.

Let us suppose each railway system to be the property of a company. Then each shareholder owns some definite part of his railway, and that part of the railway is his capital, or a portion of his capital. But a shareholder may cease to

be a member of his company ; he may part with his holding, he may sell it to some one else. With the proceeds of the sale the shareholder may do as he pleases : he may buy something else, and that something may be abroad. Suppose a shareholder of the British railway to take these steps ; then, so far as we have carried the process, though the capital of the shareholder has partly gone abroad, British national capital has remained untouched, for the British railway is still where it was, carrying on its work in the same way, having simply exchanged one part-owner for another.

Suppose now that the proceeds of the sale of British railway stocks are used to purchase shares of the Argentine railway. Then the Argentine railway has likewise partly changed owners ; but the railway itself is as before ; as far as its railway is concerned, the national capital of Argentina remains unaltered : a foreigner has brought his own capital into the country, but the total national capital of Argentina is not thereby necessarily increased by one penny.

British subjects hold enormous quantities of foreign stocks and shares, and these are constantly changing owners, the deals being mostly carried out in the London Stock Exchange. When a shareholder of a British railway parts with his holding, he nearly always sells it to a fellow-subject : when the shareholder, with the proceeds, acquires a holding in a foreign railway, such as a railway in Argentina, he buys that holding, in ninety-nine cases out of a hundred,

from some other British subject. The different transactions, in most cases, take place in London, and the capitals of the nations concerned are in no wise altered.

Yet the capital of the individual has, in these cases, certainly moved its location. In the case supposed—the purchase, namely, of Argentine railway stock by a former shareholder in a British railway stock—if a great drought occurred in Argentina, the failure to receive a dividend would soon convince an investor that, though he bought his Argentine stock in London, his capital was really and truly gone abroad.

Suppose that instead of one seller of the shares of a certain railway system there were simultaneously many sellers. Then, it is well known, the price of those railway shares will fall, the latest sellers will obtain low prices, and for the time shareholders who refrain from selling possess less capital than they did before. But the railway system is the same as before; its power to transfer people and goods remains unaltered. As national capital the system has the same value it had before, though to the shareholders the capital value of the system is not the same as it was.

As a national asset the capital value of British railways is upon the whole little different to-day from what it was ten or twelve years ago. But to the shareholders the capital value of those railways is very different from what it was. For ten pounds the shareholder had twelve years ago, he probably now has not seven. Yet the

transportation work done is as great and as valuable as it was, and the dividends paid are pretty nearly as good.

It is easy to say why the national capital is, as a rule, not altered by the movements of the capital of individuals, though, of course, it sometimes is. The foreign stocks and shares now so largely bought, when British subjects send their capital abroad, do not represent British capital now going abroad : they represent British capital that went abroad, as it did in immense quantities, in past years ; and of course capital that goes abroad goes only once, in the form of exports.

The difference between national and personal capital is aptly illustrated by money itself. To any individual citizen a banknote or a cheque is the same as capital, provided the note was issued by a sound bank, or the cheque is signed by a man of means. As far as the State is concerned, neither banknote nor cheque are capital. Both are mere promises to pay in money on demand. When the demand is met capital is merely transferred from one pocket to another ; the State is neither richer nor poorer for the transaction ; yet the individual who receives payment certainly is so.

Money, like any other commodity, is capital, but is national capital only when in the form of gold.

To sum up broadly the nature of the national capital : it consists, first, of all the skill-capital of its workers, so long as they continue to work

in their own country ; next of the capital used in employing such workmen, and of the stocks ready for the workmen, or finished by the workmen and awaiting removal. It therefore includes all exports, as long as these are goods awaiting removal. When these exports have been removed they cease to be national capital, and therefore exports always diminish the national capital. Next, national capital consists of the land used in cultivation or for grazing, and of the necessary buildings thereon ; and of all flocks and herds, and the produce of the soil. Then it includes all the means of transferring such capital from one place to another, and, in the case of some States, of the ships that convey such capital away from the country, or fetch it from abroad. Lastly, it includes the means of retailing and distributing such capital in larger or smaller quantities. Therefore in the national capital are to be included all imports, for these, as soon as they are landed, become goods awaiting retail and distribution in larger or smaller quantities. Therefore by imports from abroad the national capital is very largely increased.

To sum up broadly the nature of the capital of individuals : it is of two kinds, a power, and property or investment in land or in securities. The power must always necessarily be where the individual is : the property or investment may be at home, and in that case is some part of the national capital described in the last paragraph ; or the investment may be abroad, and is in that case not a part of the national capital.

In all these sources or conditions of capital, there is one characteristic the presence of which is essential, and that is the execution of work, to increase the value of some article by turning it into another, or by moving some article into a new place where it is more useful. In the case of the workman this is self-evident; as when he is converting a piece of iron into a horse-shoe; or is putting the shoe on a horse's hoof, where it is still more valuable; or when he is planting potatoes, which will yield tenfold; or grinding wheat into flour, or baking flour into bread; or doing work of some kind to fashion raw material into a finished and valuable article.

This also holds good in the case of an employer. All his operations, whether as farmer, ship-builder, or organiser of any kind, are directed to produce articles of greater value, using his own capital and the labour of workmen as the means. In the case of lines of transport the characteristic is easy to trace. Coal at the pit's mouth is worth so much; moved to London it is worth more, by the amount of capital spent in the removal. The distributor of articles in detail buys large quantities to suit the convenience of employers, and sells in retail to suit the wants of his customers; and in doing this he has to expend labour-capital and that capital which sets labour to work.

The same characteristic is to be found in all the operations of the farmer: it is only by work done on the land that it is made fit for cultivation;

it is only by sowing wheat that more abundant wheat can be reaped ; it is only by tending and feeding flocks and herds that they gain in value.

The same characteristic is to be found in the work of every one who is so occupied as to benefit, by his work, the national industries. A doctor, for instance, may be employed in helping sick workers to recover their health, and with it their lost capital. If these workers are employed industrially, the doctor, though he does not himself directly raise values, enables others to do so.

The characteristic is also found in imports. For imports are goods that have been moved from one place to another, and have thus had their value increased, as the value of coal in London is greater than its value at the pit's mouth ; and they are goods awaiting distribution, after which they are still more valuable.

Thus we reach the conclusions that :

The productive national capital is the total national capacity to increase values, and thus produce all articles necessary to the nation.

The productive capital of a member of the nation may be his total capacity to increase values, and thus produce some article, or articles, or parts of them ; or it may be the total value of his investments ; or it may partake of both kinds.

## CHAPTER IV

### THE EMPLOYMENT OF CAPITAL

*Proposition B.*—Capital of higher value is created by the destruction of capital of lower value: this is the true employment of capital. Capital is also in certain ways sent abroad. It is also mis-employed.

From the definition of capital in Proposition A, the proper method of employing it, from the industrial point of view, immediately follows. It should be so employed as to increase to the utmost the national capacity for enhancing values, and thus producing all articles necessary for the nation.

Then comes the question, how the national capacity in the required direction is to be increased. It is the very same thing as increasing capital itself; and to increase capital there is only one legitimate way, all other roads ending in nothing.

Whatever tales be spread about to raise the prices of stocks and shares, or to sink them to a paying level for purchasers, these manœuvres do not touch, and never can touch, the capital itself. The shares of a particular gold mine may

be selling at two hundred pounds apiece one day, the next day wild rumours may have sunk the price to five shillings; in the following month it may be up again to ten pounds. Men gain and men lose by this; but capital does not; for it is the stuff got out of the mine, sent to market, and sold, that forms the capital-value of the mine. If capital is to be increased it can only be in one way, by the destruction of capital. This is easily explained.

A farmer has in store a stock of wheat which forms a part of his capital. He desires to grow wheat which shall form a part of his capital at the succeeding harvest. He therefore withdraws from his present stock of wheat a portion, which he puts into the ground. He has thus reduced his present capital; in other words, he has destroyed capital to that extent; but the result is an increased capital at the following harvest. The capital value of a forest of Douglas pines in British Columbia is not perhaps very great. Whatever it be, that capital is destroyed when the trees are cut down and lie idle on the ground; the forest has ceased to be. When the pines have been floated to the sawmills, and cut up into lumber, a new capital has been created, and that capital is very much greater than the capital destroyed, when the original forest was cut down. When this lumber has been delivered to traders, and sold by them to farmers and other builders, it is immediately set upon by a swarm of carpenters and destroyed as lumber. The capital represented by the lumber has been

destroyed, but a new capital appears in the shops, houses, farmsteads, and other buildings required by the community.

In this account many intermediate steps have, for the sake of simplicity, been omitted. Only three capitals are here shown as destroyed, and only three new capitals as created. If we took account of all the labour that is expended in the various processes, and of all the food and other articles consumed by that labour, the number of capitals destroyed and created would appear to be much greater than actually indicated.

In order to see clearly what happens when work is done, let us suppose the case of a British artisan working in a factory. He attends to his work, we may imagine, almost continuously from morning till evening; and at the end of the day he is tired and unable to work any longer: he has for the time expended all his expendible capital. His skill, which is a part of his capital, is not expended in the same sense; but he cannot, owing to the weariness of his limbs, his eyes, and his faculties, any longer apply it. It is therefore, in a particular sense, destroyed for the time, as anything may be held for the time destroyed which is no longer available for the one use to which it can be put. Therefore, in the useful, operative sense, the capital of the artisan has now been destroyed. Until he has had food and rest for his body, and change of occupation for his mind, he can do no more. But the food consumed by the artisan is itself capital, and this also

has been destroyed. It is true that the artisan has also, to some slight extent, worn out his clothing, and has incurred liabilities for house-rent and the keep of his family. These may be considered included in the term "food," and need not be again referred to. In addition to these two capitals the artisan has destroyed a third. Stuff from the store of the employer, and forming a part of his capital, has been handed over to the artisan. The artisan has, with others, done work on that stuff, and has destroyed it, as capital of one kind, by converting it into capital of another kind.

Thus, in the course of a day's work the artisan destroys three capitals : his own capital, his food, and some raw material. But these three capitals are replaced by three others. First, the artisan has made a new article of greater value than the stuff destroyed : that is, in the words of Proposition A, he has helped to "increase values." Second, the artisan has restored his own strength and skill. His strength has again become what it was before ; however little his skill is increased in the course of a day, it is for a considerable time always slowly increasing, and such increase is due to his work on the capital he has destroyed. Third, the artisan receives for his work a certain amount of wages. A part of his wages he gives to the retailers of goods, in exchange for food. Thus the baker, the grocer, the butcher, the coal merchant, and others receive money, with which to replace in their stocks the food destroyed by the artisan. And as they buy

wholesale what they then retail, their destroyed capital is replaced by a capital of greater value.

Like the artisan, the manufacturing employer uses up and replaces three capitals. Although the employer does not himself execute work in the manner of the artisan, he is continually having his stock of one kind destroyed as capital, and changed into other more valuable articles, by means of his workmen. And though he does not exhaust his own strength, he does, though slowly, wear out his machines; and these represent an important part of his capital. He replaces them from time to time by more effective machines, and he sometimes does so though the old machines are not yet worn out.

The manufacturing employer uses up also his share of food and clothing in the same manner as the artisan; and he also uses up coal and oil for his machines, by which he depletes the stocks of the coal merchant and the oil merchant. These then replace their destroyed stocks to their own advantage, just as the baker and the butcher and the tailor and the draper replace theirs.

Thus we might go the round of the various descriptions of employers, and find them constantly engaged in destroying their stocks of articles of different kinds and replacing those articles by others of enhanced value. The same general principle is at work all through—one article, chiefly raw material, losing its identity in giving birth, by work done on it, to another of greater value.

Such an employer is the farmer. Suppose a

farmer to intend growing a crop of wheat. He first has to apply a quantity of labour to the land; he has to use machines on it, worked by horses or steam, and he has to cart out and spread manure. It is evident that he is here expending capital, or, as we say, destroying it, because capital expended cannot be used again until restored by the destruction of fresh capital. The farmer, in this instance, has expended labour-wages, wear or hire of machines, horse-food, cost of manure, and so forth. Next he has to sow the seed itself, and to reap the crop and put it into ricks. These operations also all imply the using up of capital. He cannot sell fat cattle in the market without growing and preparing food for them, just as he grew and reaped his wheat-crop: here too he uses up capital. If agricultural operations be considered, it will be found that the destruction and reappearing of capital, in more valuable forms, are incessant, and that in each case the appearance of capital in the higher form has invariably followed the destruction of capital in a lower form.

When we come to the transporting agencies the case is equally plain. When a quantity of goods removed in railway-trucks from one place arrive at another place, certain capitals have been consumed. These capitals are coal, oil, grease, and other railway stores; the labour of engine-drivers, stokers, guards, and porters; the wear and tear of the rolling-stock and of the line itself. But the articles moved are always more valuable at the end of the journey than they were at its

beginning, and thus a new capital is created to take the place of the old.

It is not necessary to repeat here what has been said of the replacement of stocks of food consumed. The wear and tear of the rolling stock and of the line give employment to fresh sets of workmen, and these replace capital in the same manner as the artisan who works for a manufacturing employer.

Even the distributors who retail goods in small parcels proceed on similar lines. Buying goods wholesale, they give in exchange for them some portion of their credit at their bank. To any individual trader his credit at a bank is a part of his individual capital: in parting with that credit he, as far as his business is concerned, destroys a part of his capital. The goods he has bought replace the destroyed capital by a new capital. He sells these goods in retail; this is his work, the occupation of his life: and he so does this that, when he sends the proceeds to his bank, his credit there has become greater than it was before. In other words, he has replaced a smaller capital by a greater capital. But he does so only after an interval, and in consequence of work done by him. He then again reduces his credit by purchasing fresh goods wholesale; and this time he is able to obtain a greater quantity than before: or, what comes to the same thing, if he acquires at each deal only the same quantity of fresh goods, he can make the exchange of credit for goods at shorter and shorter intervals. Thus, wherever

we take the distributor amid his transactions, he is always either destroying his banking credit, which is a part of his own capital, and replacing it by goods, or he is sending out his goods for consumption and replacing them by restoring his credit on an ever-growing scale.

As an illustration of what we may call the subsidiary industrial branches, we may take the banker. Banks have many resources, but here it is only necessary to describe, as an instance of their utility, one that is simple and familiar. Banks are largely employed in making advances, on the security of land, to farmers, as is done in Western Canada. In making these advances a bank no more directly increases the capacity of the State to enhance values, and thus produce articles necessary to that State, than does a doctor when he cures a sick workman. But indirectly the bank certainly does so. Without such an advance a settler who has acquired land, even at a nominal cost, would be unable to pay for the lumber to build shelter for himself, his animals, and his corn ; nor could he pay for his live stock, nor for his agricultural implements.

Granted a sufficient credit at a reasonable rate of interest by a bank, he can pay for all these things, and he can gradually discharge his debt to the bank as his crops come in. It is to the interest of the nation that good men should settle on the land and get to work advantageously, because they then undoubtedly increase the wealth of the State in the manner required. Therefore it is to the interest of the State to

have such banks. The farmer, as has been shown, increases capital by destroying capital. The banks, by their timely advances, enable the farmers to do this. Therefore, though they do not follow the general rule directly, they enable others to do so, and thus do so themselves indirectly.

A question might here be very fairly put. It has been said that, by work done upon it, raw material becomes the finished article of capital value greater than that of the raw material; but that there may be this increase in value work must be done. That work is an expenditure of capital, the capital of the workman; therefore to produce the increased capital, represented by the finished article, two capitals are used up, that of the workman and that represented by the raw material. Why then is there said to be a real increase of capital? This is quite a fair question, and the answer is interesting.

The capital of a workman has ten thousand lives: it dies in the evening, but by morning it is again in full vigour. Thus any profit arising from the workman's daily outturn must be multiplied by at least ten thousand to get the total profit on his work. There is that profit. The workman does a great deal more than support himself and his family. That more is represented by the wear and tear of mill and machinery, the cost of coal, gas, oil, and the general profits of the trade, which go into several pockets. Thus it is clear that the capital value of the finished article represents a true increase, and that

increase, after paying for everything consumed, remains as the profit earned by the undertaking.

The workman in the factory or mill really does much more than support himself and his family, but the workman in fertile soils and good climates, where land is cheap and markets not too distant, can do more still. Growers of wheat working in co-operation and using modern machinery to the fullest extent can each, under favourable circumstances of soil and weather, easily raise in one year forty thousand pounds weight of good wheat, or enough food for one hundred persons of all ages for a year. The same men could also attend to live stock, and thus actually feed far more than one hundred persons a head. Growers of potatoes, owing to the fact that far more labour is required for that crop than for grain crops, could not feed nearly so many people per head of workmen.

If, then, capital rapidly increases when it is employed in converting raw material, or by the farmer in raising crops and live stock, it might be supposed it would always be so employed. But it is not, some being employed otherwise, and some misemployed. The capital said to be employed otherwise goes abroad in the case of Great Britain.

In two ways capital goes abroad, for which it is not possible to give figures; therefore, as regards these two ways, it can only be said that the capital taken out of the country by emigrants is partly balanced by that brought into the country by foreign workmen, and that

the capital taken abroad by British subjects, who travel for amusement and instruction, is balanced—perhaps over-balanced—by capital brought into the country by foreign travellers.

The bulk of capital going abroad does so in the form of exports in exchange for imports. But Great Britain can get in no other way some part of the food she requires and much of her raw material. This therefore is ordinary trade. But it is not ordinary trade that sends abroad the savings of foreign workmen, for this is an abstraction of capital without return in imports. It often happens that loans are issued by foreign countries, or by foreign undertakings, such as railways or rubber companies. A glance at the Stock Exchange lists of securities shows how enormous must have been, for years past, the amount of British capital sent abroad in response to such issues. In such cases there is, however, usually, though by no means always, an immediate return of capital, in the form of interest or dividend; and there is, or ought to be, always an ultimate return of the sum originally lent, by the operation of sinking funds.

Such amounts, both interest and principal, come back in the form of imports, including gold, which is itself sometimes an import, and sometimes an export.

Sometimes savings, or the balances of income over expenditure, are sent abroad. It might be shown, by following out a long sequence of buyings and sellings of stocks and shares, that though, when any one sells a home security and

buys a foreign security, there is very seldom any movement of national capital, yet, when the foreign security is purchased out of savings, there is a movement of capital, national as well as that of an individual—a movement from the home country to that foreign country in which is situated some one of the links in the chain of buyings and sellings.

Lastly, in order to avoid the protective duties levied by foreign States, or for some other reason, capital is sometimes sent abroad to start manufacturing or other works. There is no return of this capital as principal, and it is therefore so far a loss of national capital: but in this case, as in all cases where the owners of foreign capital reside at home, there is a partial return in the form of interest or dividend.

Can Great Britain at present afford to send capital abroad in this manner? As a result of capital sent abroad in former years, she now receives annually food and raw material to the value of £155,000,000, for which she is not obliged to send out exports in payment. Ought she to be now sending out more capital, in order to increase the annual receipts of food and raw material? This is a problem she has to solve. In the meantime she has much labour-capital standing idle, which points to a deficiency of that form of capital which sets labour to work; and it is this latter form of capital which is being sent abroad in the ways just pointed out.

Capital is also misemployed, and the result is waste, which is indeed a very serious matter.

At the head of all forms of waste must be put that caused by drinking. It is unnecessary for any sound man to drink intoxicating liquor. The farmers of Western Canada are a numerous body, drawn from different countries and of various ages: they work for long hours and very hard. In many of their houses liquor is never to be found, for they consume chiefly tea and coffee. When they go on business to the town they may indulge in a glass of beer. If a large number of men can live thus—and it is believed they do—intoxicating liquor cannot be really a necessity of existence. The money spent on it is absolutely wasted, and what is almost worse, owing to the physical and moral deterioration of men who drink much, the work they do must be of an inferior description. Is it not to the interest of the employer to put a stop to this? Well, he probably argues that a man who falls behind may be discharged and give way to a man who has not fallen behind. It is clear this is a serious loss to the nation.

A few years ago there were about nine millions of families in the British Isles. The mere revenue from beer and spirits was then more than thirty-one millions of pounds: so that, on an average, each family contributed in a year about £3 10s. But the cost of the beer and spirits consumed was, to those who drank them, three or four times the amount of the tax. So that the families of men who made a habit of drinking, a very great number, must have spent, on an average, from a tenth to an eighth of their wages in drink.

Every penny of this expenditure was devoted, not to increasing the national capital, but to preventing its increase.

But drinking is only a part of the evil. A second great cause of waste is the bad work done by inefficient labour and incompetent or fraudulent employers. It would not be easy to give an idea of the proportions reached by this kind of waste, but consideration will show that it is enormous. Every bit of work so done that it must be done again is waste. We know on good authority that whole trades have been lost owing to adulteration. Many an inspecting officer could tell us of buildings almost pulled down and reconstructed, owing to attempts to use indifferent material.

A third and great cause of waste is the strikes now so common, not in Great Britain only, but all over the world. They are one of the results of the want of harmony between employers and their workmen—harmony not only seldom attained but rarely striven for.

The artisan, however well he does his work, once he has finished it has no further interest in what he has done. He may put all his skill, all his thought, all his strength into his day's work, and then he never sees the result again. He may hear that the mill he works at has turned out in the year so many bales of goods, but he hears little more. A bricklayer is perhaps a little better off, for he, at any rate, may always see the building on which he was engaged; and a farm-labourer is better off still, for he sees

not only the crops he helped to cultivate, but the results obtained partly by his own efforts. But though the merit of work done must always very greatly depend on the workman's interest in what he does, to none of these men—the artisan, the bricklayer, the farm-labourer—is that interest made the one important matter. The amount of wages received is a thing of much greater importance.

The employer pays a certain amount of wages for work done, and after those wages are paid he is not further greatly interested in the men to whom he paid them. Yet these men differ immeasurably among themselves, as men do everywhere. What would mean starvation to an Englishman is superfluity to a Chinaman; a weekly sum that would place one English family in comfortable circumstances would leave another partly starving. An employer of a large number of hands does not know which of his workmen have the biggest appetites, which have the largest families, which have the worst managing wives. He simply pays the same amount of money for the same amount of work of the same kind. The man who receives wages sufficient to enable him to obtain for himself and his family enough food, clothing, and shelter; to lay by in some form or other a reserve against illness; to keep his mind free from anxiety, and suitably occupied during his leisure—such a man has an inducement to be steady in conduct, and industrious while at work, even though he lacks the supreme interest not due to wages. A man who has only

a grimy home amid hideous surroundings, and hears more clamour for additional food than thanksgiving after meals—such a man has no such inducement, and is likely to make his circumstances even worse by drowning his unhappiness in drink.

When men work for employers, disagreements often arise, and then the want of harmony, of a common object, makes itself felt; it becomes difficult to bring about a settlement, and there follows a lock-out or a strike. In either case, for a longer or shorter period, the capital of the employers and workmen lies idle, and this is a cause of waste—a tremendous cause, now that the most trivial differences lead to great strikes, and the more serious because the stoppage of work of one kind often compels men of other trades to lie idle, however little they may wish it.

A fourth cause of waste is carelessness. The destruction of a building by fire is nearly always preventible, the loss of a ship at sea is so in most cases. Such losses, though by some considered good for trade, are really waste. A factory, or warehouse, or farmstead burnt down, or a ship lost at sea, or railway stock destroyed in a collision—these must be replaced, and this for a time gives unexpected employment to a number of men. But these men ought not to be so employed; they are really misemployed, just in the same way as men doing over again work that was badly done are misemployed.

Lastly, a kind of waste arises from the neces-

sity for natural defence. The defence itself is not, in the present condition of mankind, a waste of resources, any more than a police force is a waste of resources. But in this country defence is wastefully provided for. When we find a minister, as soon as he takes office, undoing the work of his predecessor, when we hear him continually explaining what the errors of his predecessor were, we need not get behind the curtain to learn that there is waste. Or when we see that our neighbours get for ten shillings what with us runs into pounds, we cannot but feel that if we knew more we should know more about waste.

How, then, should these forms of waste be dealt with? To speak only of the first and worst form—to take away by force from steady, industrious artisans their dinner glass of beer would be to inflict a hardship. To destroy a gigantic trade, such as brewing has grown to be, would be to inflict a far greater hardship, considering merely that thus a whole host of honest workers would be made wageless, a host containing numbers of people who have never tasted alcoholic liquor. But that is what always comes of superficial remedies.

What is wanted is to get at the real seat of a national disease. How are we to do it? Only by in some way altering the working and living conditions of those who at present have not a sufficient inducement to drink less intoxicating liquor than they now do.

## CHAPTER V

### FOREIGN TRADING THEN AND NOW

DISCUSSION is now resumed of the third proposition, respecting the probable necessity of a careful reform of the tariff. The conduct of this discussion becomes easier when the third proposition is replaced by three further propositions.

*Fourth proposition.*—The conditions under which the foreign trade of Great Britain is now conducted are absolutely different from the conditions under which the trade was conducted sixty to a hundred years ago.

The great industrial object of the nation is to keep its labour-capital fully and wisely employed, by means of a due proportion of the capital that sets labour to work and of investment capital; investment capital being partly the capital that sets labour to work, but arranged for easy transfer from owner to owner, in the form of stocks and shares, and partly what was once the capital that sets labour to work, but is, for the most part, in that capacity, now dissipated, and is represented by the credit of different nations, corporations, etc., or promise, more or less reliable, to pay periodically to the

creditors — or investors as they are called — stipulated sums as interest.

We now wish to see in what environment this was possible many years ago, when the foreign trade of Great Britain enjoyed its first great outburst, and what exactly the environment is now.

The trade of every nation is composed of two parts, the home trade and the foreign trade. Every nation pays at least some attention to the home trade ; the time, indeed, has now arrived when, with the exception of Great Britain, the nations have established such measures as they have found possible to protect their home trade from foreign interference.

But Great Britain differs from all other nations in two respects. First, she cannot now, do what she will, feed herself as other nations can ; nor can she, as they very largely do, supply herself with raw materials for her industries, in many branches. She imports annually food and raw materials to the value of £155,000,000, for which she sends out no exports ; but in addition she imports annually food and raw materials to the value of £307,000,000, all purchased by means of exports or by services performed.

Second, Great Britain became by circumstances, and has continued to be by habit, a free-trading country, and a very great foreign trader, a greater foreign trader than other nations more populous than herself.

One hundred years ago Great Britain was in the midst of the greatest war of her history.

During the many years it lasted several invasions of the country were attempted, with little success ; so that, except by the depredations of the press-gang, and the appalling prices of food, the people knew little about the war, and pursued their ordinary avocations as usual. All through Europe the state of affairs was very different. Scarce any country then escaped being ravaged from end to end, by armies that lived on the people, making war support war. Germany, Austria, Italy, Spain, and Portugal were then for years the scenes of almost incessant warfare, to support which France was almost drained of men.

It may be said that the revolutionary and Napoleonic wars lasted over twenty years. But these wars did not overtake peoples who were accustomed to profound peace, and to the ways and arts of peace. On the contrary, the whole of Europe, Great Britain excepted, had been for more than a century engaged chiefly in war, one war following another in such quick succession that no one country, Great Britain excepted, had ever any real chance of establishing great manufacturing industries. Great Britain was the exception, because during all that time she escaped any interference with her manufacturing industries, and may indeed be said almost to have escaped the tread of hostile feet. She took her chance.

Some years later, not so many years ago as time is measured in the world's history, there was still not a very big outer trade world. North America was little more than the home of a few

thin colonies, some independent, not much more than filling the mere outer fringe of the vast continent : South America for the trader scarcely even existed ; nor did Australia, nor New Zealand, nor South Africa. The map of Europe was very different then from the map of Europe now. What are now very powerful nations had then no national existence, and all the continent was so riddled by long-continued war, and so trodden down under the heel of the conqueror, that it still contained little of the means of manufacture, little sign of manufacture, little inclination for manufacture. Great Britain alone continued in a position to carry on undisturbed the manufacture of goods, and it so happened that just then invention enabled her to manufacture them in great quantities. In addition to this, Great Britain had become, not only the great manufacturing country, but also mistress of the seas. The materials she required, the goods she sent out in exchange for them, were carried to and fro mostly in her own ships ; and in those days British ships were manned wholly and invariably by British crews. These were sailing ships, one and all ; there were no ocean tramps at that time. It seems, to us who live now, almost another world rather than a phase of this : Great Britain the world's mill, the world's mart, the world's carrier : the rest of the nations barely recovering from their wounds ; the land with only just the means of conveying goods at a snail's pace from town to town ; the sea with nothing living upon it, except ships with sails

taking sometimes half a year to get from port to port. Is it very wonderful that in such a world, at such a time, Great Britain became enamoured of her foreign trade, that she poured forth goods in such quantities, of all the kinds then wanted in the world, that, after flooding her own markets, she had a profusion available to send abroad, in exchange for her raw materials? But now all is changed.

In place of a few seaboard colonies there is now, across the North Atlantic, a mighty nation of ninety millions of people, and there is a great Dominion fast becoming, if not already, a nation. In South America, where there was so lately nothing, there are populous, busy republics, served by thousands of miles of railways, carrying the enormous produce of an almost unlimited area. Australia and New Zealand have now large populations of busy workers; Japan has become a great trading country; Europe itself is now a prodigious swarm of producers, from north to south, from east to west. The sea is common property. A voyage that once required six months is accomplished now in a month; the passage across the wild Atlantic, that was once a question of fearful weeks, is now a simple matter of days. Where once only one flag ventured are now the flags of all nations; you may coast along many a foreign shore, and perhaps the only British flag you may see, where there are many flags, is the flag at the stern of your ship.

Let us glance at the tables giving the tonnage

of modern shipping. In the year 1907 British shipping amounted to eleven and a half millions of tons. The shipping of other nations, excluding the United States of North America, amounted to a somewhat greater tonnage. The States are reported as having, in addition, some six millions of tons, but most of this tonnage is used coast-wise, or on the great lakes. Thus, the British share of the world's tonnage is now less than one half; only ten years earlier that share was much more than one half; for of a total of seventeen million tons, excluding, as before, the United States, Great Britain claimed nine millions.

In a similar way, if we examine the tables of foreign trade, we shall find that in the year 1897 the British share of that trade, imports and exports, was a little over one-fourth. Eleven years later, in 1908, the British share was no longer one-fourth, it had sunk to two-ninths.

The British foreign trade and shipping, once supreme, have relatively much shrunk in importance, because the conditions now surrounding that trade are totally different from the conditions surrounding it seventy or eighty years ago, when the foreign trade became first the really important trade of the United Kingdom. Trade has not only somewhat shifted its point of application; it has changed its methods. The trade traveller is now everywhere. Even Japan has its emissaries in the United States, charged to ascertain on the spot, and report to the firms they represent, the style of their specialities most likely to suit the American taste. Every country

sends out such travellers, speaking many languages, to study every possible market; and thus the manufacturing firm in one country is enabled to deal directly with its correspondents in another. These travellers, accomplished, well-informed men, are everywhere, moving to and fro by the steamers of all lines. To journey and become acquainted with them is now almost part of a liberal education.

But the travellers do not manage it all. There is besides now the modern art of advertising. There is perhaps no country that does not now push its wares in this manner.

And there are also general exhibitions, held now here, now there, by means of which the actual work done in different countries is brought under the view of possible foreign purchasers. First invented, if one may say so, by Great Britain herself about sixty years ago, they are now universal.

There is now an enormous world trade. In the eleven years from 1897 to 1908, that trade increased over 50 per cent. In that interval the foreign trade of Great Britain did not increase nearly so much. So changed are the general conditions.

In the home trade there is a falling off. Great Britain is no longer filling her own markets with the goods she can make herself. So much is known from the Board of Trade returns.

The greater the trade of the world the more customers there must be. Unfortunately, the Board of Trade returns show that, although the

number of customers rapidly increases, the British share of these customers is not, relatively to the total, as great as it used to be. Foreign countries are therefore, in their foreign trade, going ahead faster than Great Britain is, in spite of the tremendous start she had. She no longer fills her own markets with her goods, and in the foreign trade she does not keep pace with her neighbours.

## CHAPTER VI

### HOME TRADE AND FOREIGN TRADE

*Fifth proposition.*—If trade were everywhere free, the foreign trade of Great Britain, under modern conditions, would in some cases give more employment than an equal home trade, and in other cases it would give less employment.

The total trade of a country is the sum of its home trade and its foreign trade. What this amounts to, in the case of Great Britain, nobody knows. Therefore it might seem impossible to give an exact comparison between the employing powers of the two trades. But it is not so. We have to determine, taking the same quantity of commodities in both cases, which form of trade sets in motion and keeps going the greater amount of labour-capital, together with the proper proportion of the capital that sets labour to work. And this can be done.

The foreign trade consists, of course, of imports and exports. What then is an import? It began life as an export. The export of one country becomes the import of another. In the meantime the export has had done on it a certain

amount of work; that is, a certain amount of capital is destroyed, in order to carry the export to its destination and make it an import. That capital is the labour and food of the crew of a ship or of a goods train, the wear and tear of the means of transit, the coal and stores consumed, the profit of the owner of that means of transit, and, in the case of the ship, the dues, lighting and harbour, which are a mode of converting capital into revenue.

Therefore an import is an export to the value of which is added that of a certain amount of used-up capital. In other words, an import is always more valuable than the corresponding export by the amount of capital used up in transporting it. It also follows that, in quantity, the exports of the world become, not precisely in any one year, but in the long run, the imports of the world, less an allowance for losses on the way by wreck and fire.

Just as a truck of coal is more valuable in London than at the pit's mouth, by the capital consumed on the road, so it is that an export becomes a more valuable import. Hence we might expect that the imports of any country would always be worth more than its exports. If, however, we consult the statistical tables of the Board of Trade, we shall find that this is not the case. There are countries the imports of which are always, year after year, worth more than their exports, which is exactly what we should expect. But there are other countries the imports of which are seldom or never as

valuable as their exports, which seems to be opposed to the rule just stated.

In order to explain this apparent discrepancy, we shall here give in tabular form a few examples of countries which show imports of value exceeding that of their exports: countries in the trade of which the ordinary rule appears to be illustrated. And it will appear from the table to be given that, in the case of these countries, not only does the usual rule seem to be followed, but it is habitually and almost without exception followed year after year.

TABLE No. I

EXAMPLES OF COUNTRIES THE IMPORTS OF WHICH SHOW A  
VALUE GREATER THAN THAT OF THEIR EXPORTS

*(In millions of pounds)*

YEAR . . . . .		1894.	1899.	1904.	1908.
		£	£	£	£
UNITED KINGDOM	{ Imports	350	420	481	513
	{ Exports	216	264	301	377
GERMAN EMPIRE	{ Imports	197	274	318	377
	{ Exports	148	210	261	315
FRANCE . . . . .	{ Imports	154	181	180	226
	{ Exports	123	166	178	202
ITALY . . . . .	{ Imports	44	60	77	117
	{ Exports	41	57	64	69
HOLLAND . . . . .	{ Imports	121	159	200	223
	{ Exports	93	131	165	184
BELGIUM . . . . .	{ Imports	63	90	111	133
	{ Exports	52	77	87	100

As regards the intermediate years, from 1894 to 1908, there is only one occasion on which the rule appears to be broken. In the year 1905 the exports of France are given at £194,676,000; in that year the value of her imports is given at £191,156,000.

In the following table are examples of countries which, though not quite habitually, export to value exceeding that of their imports:

TABLE No. II

EXAMPLES OF COUNTRIES THE IMPORTS OF WHICH SHOW A  
VALUE LESS THAN THAT OF THEIR EXPORTS

(*In millions of pounds*)

YEAR.		1894.	1899.	1904.	1908.
		£	£	£	£
UNITED STATES OF AMERICA	{ Imports	133	143	205	246
	{ Exports	181	251	299	382
MEXICO	{ Imports	6	10	16	23
	{ Exports	9	14	18	25
ARGENTINA	{ Imports	19	23	37	55
	{ Exports	20	37	53	73
RUSSIA	{ Imports	56	69	69	89
	{ Exports	67	66	106	111
BRITISH INDIA	{ Imports	47	68	101	106
	{ Exports	65	81	120	103
NEW ZEALAND	{ Imports	7	9	13	17
	{ Exports	9	12	15	16

There are three instances in this table in which the value of the exports falls below that of the imports; namely, in 1899 Russia, and in 1908 British India and New Zealand. To these three instances must be added one which occurred in an intermediate year. Circumstances must often occur which affect temporarily the value of imports and exports. Thus, war increases the imports of a country engaged; famine increases the imports, and at the same time diminishes the exports, of a country concerned.

The following table deals with the exports of

certain countries, and shows in each case the percentages of the principal articles exported under three heads: 1st, Food and Rough Produce; 2nd, Raw Materials; 3rd, Manufactured Articles.

TABLE No. III

PRINCIPAL ARTICLES EXPORTED IN 1904 BY CERTAIN COUNTRIES

(In millions of pounds)

	Food and Rough Produce.	Raw Materials.	Manufactured Articles.
	£	£	£
1. UNITED KINGDOM . . . . .	6·4	10·9	82·7
2. GERMANY . . . . .	8·7	13·8	77·5
3. FRANCE . . . . .	12·3	19·2	68·5
4. ITALY . . . . .	18·3	50·9	30·8
5. HOLLAND . . . . .	36·1	17·7	46·2
6. BELGIUM . . . . .	16·9	35·5	47·6
7. UNITED STATES OF AMERICA	64·6	11·2	24·2
8. RUSSIA . . . . .	74·5	11·1	14·4
9. MEXICO . . . . .	}	Almost wholly agricultural.	
10. ARGENTINA . . . . .			
11. BRITISH INDIA . . . . .	Mostly agricultural.		
12. NEW ZEALAND . . . . .	Agricultural and mineral.		

The first six countries in this list are the same as those included in Table No. I.; the others are included in Table No. II.

A glance at the table will show that the countries of Table No. I., that is, those which import to higher value, do not export much food, timber, and such natural produce, but export largely manufactured and half-wrought goods; while the countries of Table No. II., that is, those which export largely, depend chiefly in trade on their agricultural and mineral products.

This is an important feature of the explanation we are about to give.

We may be perfectly sure that in reality the trade of the countries, like those in Table No. II., which export largely, in ordinary foreign trade follows the usual rule, that imports must in value exceed exports. The exports of these countries must, therefore, include supplementary exports to which there are no imports corresponding. What, then, becomes of these exports? They must, like all other exports, become imports somewhere. And they do so. They are received as imports by countries like those in Table No. I. It follows, therefore, that the imports shown in Table No. I. are excessive, just as the exports shown in Table No. II. are excessive. These exports which become imports, as all exports must, represent debts paid by one set of countries to another set; debts for services performed, such as carrying goods from one country to another; and debts for interest and dividends due on bonds, railway stocks, and similar loans, previously raised in the creditor countries, for the use of the debtor countries.

It is therefore not at all difficult to understand how it is that a country which imports very largely may still go on and prosper. The ordinary imports must exceed the exports in value, because the former contain in their value the cost of carriage, which the latter do not. The imports to which there are no corresponding exports, being payments of amounts due, go to swell the national capital year after year.

It is not perhaps quite so easy to see how countries can go on year after year exporting more than they import and not become beggared. Great manufacturing countries could not do it, unless they were at the same time, like the United States, very largely agricultural. In such countries wages are too high, and, what is very important, land commands rent. But, as Table No. III. shows, the countries that export largely are agricultural; and the cost of production in such countries is, all things considered, comparatively small. A little grain brings forth an abundance; animals worth little at first become most valuable food, their own food being meantime the growing grass. Nature here takes the place of labour; the labour required does not cost much, and rent is, if payable, trifling. The consequence is that agricultural countries have at their disposal an enormous amount of stuff, all saleable at the rates of the world's markets, though it has cost the countries themselves but little. This stuff is available to pay, first, for the imports, and then, secondly, the amounts due to other countries for services performed, such as transport, and the interest on loans and stocks so largely held abroad.

Let it now be supposed that two countries, separated by a stretch of sea, and possessing no shipping of their own, trade together without levying any duty on their imports. Then the exports of each country become the imports of the other; and the value assigned to the

imports, in each case, is that of the corresponding exports, with the cost of shipping transport added. But as, in this case, the cost of shipping transport has to be paid over to a third country, the remaining value of the imports, after paying the cost of transport, is just the same as the value of the exports. Each country appears neither to gain nor lose by the trade. For though all sorts of ups and downs occur, and some merchants make far better bargains than others, it may be supposed that, on the average, goods of a certain value sent from one country will cause goods of about equal value to be sent from the other.

If, in such a trade, neither country gains nor loses, where is the profit of that trade? It is already in the goods when they become exports. Viewing the transaction by itself, it is just as profitable to the manufacturer to make goods that are to go abroad as to make goods that are to be sold at home.

But we must not view the transaction quite by itself. Each trade deal is one of a number of deals, and the more rapidly the deals succeed each other, the quicker the profits come in, and therefore the more labour these profits can set to work. Some ports are near together, and then there is little loss of time in the foreign as compared with the home trade, but other ports are widely separated and, even now, when the means of communication of all kinds are so greatly improved, there is comparative delay in the completion of orders. In these cases the

home trade has an advantage over the foreign trade in increasing capital, and therefore of finding employment. However much the use of the telegraph, even in making payments, abridges the loss of time, it does not prevent that loss.

As soon as labour employment is increased the demand for commodities increases. When men are long out of work they naturally have to do with very little accommodation: as soon as they again draw wages, they must be once more properly fed and clad. This increased employment then gives rise to the employment of a fresh lot of men, and thus has a cumulative effect.

When a foreign trade transaction takes place between two countries, each of which has some peculiar facility in producing certain commodities, then the foreign trade in these articles brings in more capital and therefore gives more employment than a home trade of similar magnitude. Suppose one country to make a hundred bales of shirts at the same expense as eighty boxes of mirrors; and suppose another country to make only eighty bales of shirts at that expense, but to make a hundred boxes of mirrors at the same expense. Then if the former country, ceasing to make mirrors, made instead a hundred bales of shirts, she could get for these shirts a hundred boxes of mirrors, instead of the eighty boxes she could herself produce. This exchange would bring in more capital, set more labour to work, than home trade of equal magnitude, and thus give the foreign trade an advantage over the home trade; this advantage holds good in all

those cases where the gain in capital brought in is not overbalanced by the transport expenses and loss due to delay, owing to the distance apart of the countries trading.

In the early days of manufacture this, no doubt, formed an important feature of trade; and would do so still if manufacturing countries had not gained so much knowledge by experience. Most highly civilised modern nations can now make anything they require for themselves as cheaply as other nations could do it for them, once the raw material is obtained. Even from Great Britain superiority in manufacturing goods has mostly passed away.

Let it next be supposed that, of the two countries trading together oversea, one has a certain amount of shipping. Then to that extent that country is not compelled to pay out for the transport of her goods. If she has sufficient shipping for the complete transport of her goods, then she pays out nothing for that transport; she employs her own ships and stores, uses the labour of her own sailors, and keeps for herself the whole of that transport charge. Thus, supposing trade still free on both sides, the country with shipping gains not only the profits of the transaction, but also the transport charge: she is able to find employment for a number of men as sailors.

This advantage is not inherent in the foreign trade; it is inherent in the possession of shipping. If sufficiently well-paid employment were found for all her shipping, in the trade between one foreign country and another, a country with

shipping might not employ any of it in her own foreign trade. But when sufficient of this carrying trade is not to be had, then a country with shipping will, when trade is everywhere free, gain capital and therefore be able to give more employment by having a foreign trade, where she carries for herself, than by having a home trade of that magnitude. This advantage is due, first, to the possession of shipping and consequent employment of sailors: and second, to the accompanying shipbuilding trade, and consequent employment of shipwrights. The demand for commodities due to these men must be considerable.

We must now particularly examine the case of Great Britain, whose circumstances are peculiar to herself. They are peculiar in this, that Great Britain must have, whatever her wishes may be, a very great foreign trade, for she has to import the greater part of her food and nearly the whole of her raw material. We can divide therefore her foreign trade into two parts, the first part consisting of her absolutely necessary foreign trade in food and raw materials, the second part consisting of her foreign trade in manufactured goods, most of which she could make herself if she wished.

In 1909 British imports under the headings food, drink, and tobacco amounted to £254,319,383, and under the headings raw materials and articles mainly unmanufactured, to £220,145,496, while the import of manufactured articles amounted to £147,671,094. Let the total of the imports be

represented by the number 100; then the food and raw materials will together be represented by 76, and manufactures by 24.

In the same year the number of British sailors employed in the foreign trade was about 128,000; the number of foreign sailors employed in British foreign trading ships was about 30,000; and of lascars 44,000. If the total number of sailors be represented by 100, the British sailors will be represented by 63, the foreign sailors by 15, and the lascars by 22. Some of these men are employed in ships trading in the East, and it is not possible to state exactly how many, nor in what proportions, British, foreign, and lascars. Those ships are known, however, to be largely manned by lascars; the proportional figures given are, nevertheless, probably accurate enough. A certain proportion of foreign produce is brought to Great Britain in foreign ships. But here also the Board of Trade returns do not enable us to apportion the different classes of produce between British and foreign ships. Therefore we must be content to apply the proportional figures given for the classes of imports only, to the different classes of sailors in British ships, and treat exports as return cargoes.

If we do that we have the following figures: British imports, food and raw material, '76 of the total; manufactured goods, '24; British sailors '63 of the total, lascars '22. Therefore the food and raw material imported into Great Britain are sufficient to keep all the British sailors employed.

Nor is it clear that the shipbuilding industry would really suffer if the import of manufactured goods into Great Britain were reduced in quantity. As that import fell off, the import of raw material required for the manufacture of goods at home replacing those no longer imported would require the same number of ships as before, for raw material is at least as heavy as the goods made from it.

It appears certain then that, if Great Britain chose to cease the importing of most of the manufactured articles on her import list, she would still have as much employment as she has now for British sailors, and she would also still be able to keep going her great shipbuilding industry. But this is because she already has, and always must have, the foreign trade, which, to a country with shipping, gives more employment than a home trade of the same magnitude.

Thus, if trade were free, the home trade would in some cases be more advantageous, and in others less advantageous, than the foreign trade.

## CHAPTER VII

### HOME TRADE AND FOREIGN TRADE (*continued*)

*Sixth proposition.*—In face of high foreign tariffs, Great Britain's home trade gives more employment than an equal foreign trade. Therefore Great Britain needs tariff reform. This cannot be arranged until complete statistics of the home trade have been collected and published.

There is no country without a tariff. Great Britain, the country that most fully practises free-trading, has a tariff. And, strange to say, the duties in this case are levied, not on articles Great Britain makes freely herself, but on articles of food, drink, and tobacco, none of which she produces herself, and none of which, with the possible exception of sugar, she ever can produce.

Other countries, even British countries, impose high duties on almost everything, in many cases with the obvious intention of protecting as effectively as possible their own home trade. The question now to be considered is, who pays the high duties to which British goods sent abroad are everywhere liable? It has been publicly said and written by high authorities,

and it is widely believed that ultimately, in every case where a duty is levied, the consumer pays that duty. The conditions of trade now are so different from what they were formerly, and the extent of the world's trade is so great compared with what it was, even a hundred years ago, that it is time to reconsider some of the doctrines that long ago were reasonable enough.

If the consumer always pays the whole duty on a commodity, the producer pays nothing, no producers ever pay any duty. If the consumers of a particular commodity in Canada pay the whole duty levied on that commodity, the producers of that commodity, no matter who they are, pay no part of the duty. What matter then if 50 per cent. be levied on the productions of one country, and only 25 per cent. on the productions of another? The consumer pays. There can be no advantage in any so-called preference given to one country over another. Why, then, is so much made of the preference granted by Canada to Great Britain?

All nations do what they can to secure for themselves by commercial treaties the most-favoured-nation clause. What is that favour? The reduction of duties. Why is that a favour, of what use is it, if the consumers are going to pay the duty?

A few years ago Great Britain levied a duty on wheat. Some householders think they then paid more for their bread, others aver they did not, and both may be true and correct opinions. The price of wheat may vary very much without

making much difference in the price of bread anywhere, and less in one place than in another. It is not duties the consumer need nowadays fear, so much as combination against him by retailers. Since commodities are so widely and largely produced, though easy enough to overload a market it is not so easy to shorten supply; competition is too keen. Suppose the supply of any article to be in excess of the demand, the price falls: if supply falls short of demand, the price rises. If the price fall low enough, the producer, by reason of the low price he gets, pays the duty, if there be one. This must particularly apply to articles depending for their quantity on the productive power of nature and on weather conditions.

It is not known what results follow the operations of the manufacturer; but it is believed that if all the figures, instead of being kept secret, were published for the world to see, it would be found that the manufacturers of Great Britain pay away considerable amounts out of their profits, in the form of a duty on the goods they send abroad, not perhaps directly, but in consequence of the low prices they are compelled to accept. And further, it is strongly suspected that these prices often reduce the scale of profits to a very low level, and sometimes even spell a loss.

Now, it is quite clear that whenever, to secure a deal, a low price is accepted, and profits are correspondingly reduced, the manufacturer loses capital; he remains with less capital to reinvest

in his business, he does not employ labour as freely as he would do if his profits were greater. Therefore, when trade is no longer free, a factor is introduced that tells very heavily against the foreign trade, when compared with the home trade, as an employer of labour.

What then is the remedy? Whether justly or unjustly, the British manufacturer has the character, outside Great Britain, of being very difficult to move from his own line of business and his own methods. It would be, perhaps, natural if men whose predecessors were for three generations cocks of the foreign trade-walk hesitated to change either the line or the method; and therefore it is almost certain it will not be sufficient to offer to employers all the arguments and persuasions that invite to reinstating the home trade. It will come to a stronger measure, the partial closing of the door against foreign manufactured goods. That implies a reform of the tariff; there seems to be no other way.

Tariff Reform, as it would be a very serious matter, cannot be introduced until the people of Great Britain are quite ready for it and desire the introduction. As to this necessary delay there need, however, be no anxiety; for a reform of the tariff cannot be prepared, cannot be drawn up in the absence of full information about the home trade. The only way in which that information can be obtained is by the collection and periodical publication of detailed home-trade statistics, exactly as is now done in the case of the foreign trade.

It has been argued that if a country manufactures certain articles, and levies a duty on those articles when sent to her by a foreign country, her own people, as consumers, not only pay that duty, but also find the prices of their own goods raised against them by the amount of the duty.

Suppose that Great Britain manufactured £100,000,000 worth of piece goods for home consumption, and that at the same time, in spite of a duty levied, £1,000 worth of foreign piece goods were imported. It is not to be supposed such an import as against such a home consumption would have any effect on the price of the goods. But suppose £40,000,000 worth of piece goods were manufactured in Great Britain, and £60,000,000 worth were imported; then no doubt the foreign supply would seriously affect prices in Great Britain. There must then be some percentage, in the case of each kind of manufactured article, below which an import produces no effect on home prices, and would not do so if a duty were levied. There must also be some percentage of import, at which a duty levied would begin to cause a rise in prices to the customer. Without full and detailed statistics of all home production of manufactured goods, these percentages would have no meaning. To give them a meaning the total home production of each article must be known. Then the Minister drawing up the tariff list would be able to tell on what articles he might levy a duty without danger to the consumer, and on what

articles, owing to the certainty of a serious rise in prices, no duty should be levied.

Railway traffic returns, published every week, might appear to give information as to the state of the home trade; but those returns do not disclose to what extent the goods carried belong to the home trade and to what extent to the foreign trade, nor could anything be learned from the returns respecting the production of manufactured articles.

In a similar way, although a bad state of the labour market signifies that the home trade is also in a bad state, from such an indication no details of production can be inferred.

A rise in prices is a probable accompaniment of an improvement in the home trade; but sometimes prices rise though there is no improvement in trade. Large discoveries of gold would cause a general rise of prices, owing to the consequent reduced buying power of money.

The careful details of imports, shown in the Board of Trade statistics of foreign trade, might also appear to indicate where the home market is ill-stocked. So they do, but they do not show what the total production of each article by British manufacturers amounts to year by year. There is, therefore, only one way of obtaining the required information—by the good offices of the Board of Trade.

Certain statistics of home production are published from time to time, but these, though interesting, are of no use to the tariff reformer, for they give only some details, and do not show

the one production of each article it is necessary to know, the total production. In the meantime, owing to the action of Government, in publishing accounts of British foreign trade only, attention is fixed on that trade, as if it were the sole criterion of trade success or failure, and were bound to be, for all time, the one great trade of the United Kingdom. That is the trade that is written about and discussed. Sometimes it is the exports that are enlarged on in a boastful spirit, as though Great Britain were still supplying the world with all it needs, which she is very far from doing in these days. Seldom is the home trade mentioned; few people know anything about it; attention is hardly ever drawn to it, much less fixed on it.

In her foreign trade Great Britain is relatively losing ground, as is proved in statistical tables of the Board of Trade. If steps be not taken at once to enlighten public opinion as to the state of the home trade, to fix public attention on its progress, and to obtain for the preparation of a tariff list the information required, all action may come too late. So momentous is this, it must be repeated. To report in detail on only a part of the trade of the country, to leave out of sight, comparatively unnoticed, another and great part of the trade, is to direct exclusive attention to the part reported on, to lead every one to the conclusion that the part reported on is the only part that matters, that the part not noticed is of no consequence.

Statistics of foreign trade are very easily pro-

cured. The quantities and values of all goods entering or leaving port, or crossing a frontier, are reported exactly and as a matter of course. The compilation of full tables from these detailed reports is neither an expensive nor a difficult matter: it demands only a fair amount of patience.

To obtain full details of the home trade might certainly cost more; but thoughts of such expense as this should not weigh for a moment. Lighthouses are costly to build and to maintain; the marine surveys necessary, when channels are to be buoyed, are costly. But who grudges such outlay when he is reminded of the loss by shipwreck it prevents?

To obtain these details in full might at first need tact and good management. We have already certain details of home production. The Agricultural Board gives information respecting the production of grains and other crops, and as to the quantities of live stock in the United Kingdom; the Fishery Board reports on the quantities of fish landed; and the amount of coal produced is published. The census of production adds further details. Why should not these arrangements be co-ordinated so as to cover effectively the whole home trade; and why should not this co-ordination and collection of details be put in hand at once?

It is possible that some manufacturers might strongly object to impart any information respecting the outturn of their mills. But would such objections infer wisdom? These details are not required for publication; such details never

are published. All that is wanted is a complete compilation for each article, such as we have in the case of the production of coal. No one, from that compilation, would be able to say what amount of coal was produced at any particular colliery.

It is believed that if the matter were taken in hand by the right men, in the right way, all difficulties would vanish; the compilation might then be quickly made, and the preparation of a tariff proceeded with.

## CHAPTER VIII

### ON TAXATION

*Seventh proposition.*—The necessary revenue should be raised so as to encourage the true employment of capital, and to impede as little as possible the march to the ideal.

In Great Britain, at the present time, the sum required as revenue may be called, without exaggeration, enormous. No doubt of the outlay a good deal might be spared; but even if Government were able to detect and prevent much waste, even if it were possible to forgo expenditure on items of no real national importance, still for Government purposes it would be necessary to raise a great revenue.

Supposing then a nation to strive after the attainment of the true ideal—the movement of the people towards the highest possible condition, physically, socially, and morally—on what principles would that nation, by means of Government action, raise the revenue required to meet expenditure?

The answer to this question follows at once, when the meaning of revenue is admitted. The revenue of the nation is simply a certain amount

of the national capital withdrawn from individual use and set aside for national purposes. Really, therefore, there is only one principle on which revenue should be raised by Government, and that is the withdrawal from individual use of only such capital as can be withdrawn with the least hindrance to national industries.

As nothing is more common than to hear certain taxes or duties condemned for the reason that the nation, in raising money by such taxes or duties, is living on its capital, it is necessary to give some proof of the above propositions.

A nation must live on its capital; it has nothing else to live on. The nation financially differs greatly from the individual owner: it has its capital, and only its capital, in one simple form; it makes no distinction between principal and interest; it has neither the one nor the other. Great Britain does, it is true, possess certain canal shares; and such a possession is like that of an individual: it comprises principal and interest. But that particular possession is a mere accident; it is a rare exception to a rule otherwise general. It is, in spite of that exception, safe and correct to say that nations have only capital in one simple form, and take their revenue from that, as its only possible source.

The individual has also only his capital; but he has it in two forms, principal and interest. The principal yields, and keeps on yielding, interest to him who spends no more than that interest. He who spends more than the interest gradually uses up the principal as well. To

speaking disapprovingly of such a man is perhaps allowable, but to do so for the reason that he is living on his capital is misleading. Every man lives on his capital, and must do so; but this man is living on the yielding part of his capital, the principal. Of course it would not matter what particular terms we used, so long as we all used the same terms for the same ideas, and clearly understood each other's meaning. That really does matter; we must understand the underlying facts in every case. In this case that principal gives birth to interest, as the sown wheat gives birth to the harvest wheat; and that both principal and interest are capital, as both the sown wheat and the harvest wheat are capital.

It is useful here, the matter being of the utmost importance to any one who would understand these questions, to insert, as a sort of note, the possible objection that this allocation of capital seems to contradict the general assertion that capital is produced only by the destruction of capital. There is no other way. What makes an import more valuable than an export? It is the expenditure of the capital of the ship-owner and of his men, in carrying that import from one country to another, in converting an export into an import. So it is with principal and interest. If the principal, when not encroached on, continues to produce interest, how is it that, both principal and interest being capital, the principal is not destroyed? But it is. The principal is annually destroyed, and reappears

as principal and interest. If we think the matter out, the general rule holds good here as elsewhere. For this principal is in reality some part of a living form of industry, or of a loan which has been raised by the directorate of such an industry or by a national Government. All industrial profits are made by the destruction of capital and the birth of fresh capital. Interest is merely a part of such industrial profits. In simple words, then, principal appears to live because it is continually replaced.

Speaking generally, an old Government loan, though it may be occasionally represented by a living industry, such as a national railway, is usually only so much promise to pay interest annually, the amount originally borrowed being long gone in various directions. The interest, when paid, is obtained by duties and taxes. These come out of profits and savings, and are the consequence, therefore, of the creation of capital by the destruction of capital in the ordinary way.

For whatever purpose it is required, all the revenue obtained by Government is obtained in one way, by annexing capital. Let us suppose an income-tax is levied: that is an annexation of capital. If a man, out of an income of a thousand pounds a year, spend eight hundred pounds, he would naturally reinvest, so as to increase his principal, the balance of two hundred pounds. If a part of this, instead of being reinvested, be paid over to the tax-gatherer, then that payment is made from

capital ; it is made from that part of capital which would otherwise have become principal. Or let us suppose a duty to be levied on tea. Then either the consumer must pay for his tea an increased price per pound, or the producer must be content to lower his price per pound. In either case the duty is paid from capital. For if the consumer pay more for his tea, he to that extent has a less amount for reinvestment. If the planter obtain a lower price for his tea, his profits are reduced, and he has less money to reinvest, or less with which to improve his factory or his plantation ; so that either way he loses capital. Finally, suppose a Government to raise a revenue by means of death duties. In that case the Government annexes capital, but only in the same way as it does by an income-tax or by a duty on tea. Some men, to meet the death duties, reduce their annual expenditure, and so save the heirs. But the meaning of this procedure is that annually a certain sum is reinvested and becomes principal ; and this principal is the capital the Government ultimately annexes. Other men care less about their heirs, who consequently receive a diminished capital in the form of principal, the Government having annexed the balance.

It is this mode of annexing principal which seems to many complainants to imply a living by the nation on its capital, in an objectionable sense. But if we are to be at all accurate in our mode of thinking and expressing our thoughts—and the more frequently we discuss such matters

with our friends the more truly necessary we shall find such accuracy to be—it is not in the consumption of capital by Government that we should see objectionable courses, for the Government must consume capital, having no alternative; it is the discrimination, or want of discrimination, in choosing the particular capital to be used up, that is properly criticised.

We have spoken of the nation necessarily using its capital for its expenses, and of annexing capital, that is, the capital of individuals, for that purpose. Both propositions are correct, but it occasionally happens that the capital annexed is not that of a citizen of the nation; as when a foreign company has to find the duty on their goods sent to the nation levying the duty. The payment of such a duty is sometimes disguised; the price obtained by the seller in such a case falls, and in that manner the duty is paid.

As regards discrimination in choosing the capital to be annexed, suppose that at a particular time, in a certain country, there were a shortage of rolling-stock, so that the agricultural produce of the country, instead of being all rapidly moved to the great markets, was largely left stored in granaries; and suppose at this time unusually good prices from abroad might be had for such produce. At such a time manufacturers of rolling-stock would not only work their hardest, they would also put into their business all the capital they made in the form of profits. Any great failure, at such a time, to attend to these points would, as a result, bring about loss

and injury to the nation's chief industry, its agriculture. Or, if at that time large sums were extracted from such manufacturers in the form of death duties, or in any other way, for the use of Government or other purpose, then equally there would result loss and injury to the nation's chief industry. That is, the action of Government at this crisis would have an effect on trade, as bad as the neglect of the manufacturers to rise to a great occasion.

But such an extraction of capital might be made at the same time for the use of Government, from quite another set of persons, without doing the trade of the nation any particular harm. There are persons in every State who are great art collectors, filling their houses with specimens, and even building palaces to contain their treasures. All the capital expended in acquiring such of these treasures as come from abroad, as they very largely do, is lost to the nation for the time being, and remains a loss, unless the treasures are ultimately dispersed, and either return abroad or become public property. Death duties levied at high rates on such an art-collecting family would no doubt be severely felt, particularly if the levy led to a partial dispersal of the collection; but on the national industry the levy would have no effect at all.

No conceivable tax or duty, then, is peculiar as causing a nation to live on its capital, death duties no more so than a duty on tea or wine. There are cases where heavy death duties may happen to cause great loss to the nation; there

are occasions where such duties cause little or no loss to the nation. Upon the whole, they must, like all other duties and taxes, with certain exceptions to which reference will be made, impede the national progress; but such obstruction is in the nature of the case, and is not to be deplored where the duties of government are thoroughly well carried out; for without good government a nation would quickly drop from bad to worse.

For the purpose of raising a revenue, capital may be placed in three classes. In the first class we must put such capital as may be partly annexed by Government, with little or no disadvantage to the industrial progress of the nation. In the second class we must put such capital as cannot in any part be annexed without the gravest disadvantage to the industrial progress of the nation. It is necessary to have a third class, because there is so much capital that cannot be, even in part, annexed without causing some palpable industrial disturbance, but without any such disturbance as would amount to the great disadvantage following annexations of capital of the second class.

In the chapter on the employment of capital an attempt was made to show that waste is an enormous consumer of capital, probably a far more enormous consumer than Government itself, which indeed is, necessarily, owing to the constitution of mankind, an administrator of partly wasted funds.

One of the most wasteful things that men can

do is to pour down their throats excessive quantities of liquor, liquor which, taken soberly, is not really absolutely necessary, taken in excess is injurious, and a causer of bad work and much mental and physical suffering. There was a time—and it is not so very long ago—when the British nation was a nation of ale-drinkers; at every meal people of all, even the most tender, ages drank ale. But they had their excuse; for drinking water in those days, partly owing, it is true, to the carelessness and untidy habits of the ale-drinkers themselves, was bad and often poisonous. But now the village pump has long been condemned; farm wells, which had for ages been local soak pits, need no longer be resorted to; there is good and safe water in plenty for every one. If any one drinks strong drink now, it is not on compulsion: it is because he chooses to do so. Strong drink is one of the forms taken by capital; the capital from which it comes, by which it is made, like all other forms of capital, must be destroyed, that this new and greater capital may be produced. This happens; but the new and greater capital is one of those forms that then reproduce no further, and in this particular case the *cul-de-sac* is often a very noisome ending.

Here, then, is a capital that may certainly be placed in the first class. Revenue obtained by duties on liquor, whether wine, spirits, malt liquor, liqueurs, or other stimulating beverages, is a revenue under the first class of capitals. For many years in the United Kingdom this

particular form of revenue has been tapped, and upon the whole the population is now more sober than formerly. A day may come when there is no longer a revenue to be thus gathered, but it must be, indeed, a distant day; years many must pass before mankind has thoroughly dried out, or washed out, or taxed out the craving inherited through one hundred generations from ancestors who found out, as the people of every barbarous race, of every lonely island, have found out—though they have found out little else—that from some form or other of vegetation could be made a stupefying drink, by which, when enough was swallowed, came forgetfulness, senselessness, oblivion.

To many people it appears axiomatic that all luxuries and most amusements should be reckoned as representing capital of the first class, and should be taxed accordingly; open letters to chancellors of the exchequer sometimes advocate this course. One form of luxury is at present very heavily taxed. Tobacco smoking is, no doubt, a luxury—perhaps the greatest luxury as yet discovered. It is conveniently taxed because a great revenue results, and every one knows precisely what he pays, and can, by moderating his enjoyment, keep the payment as low as he chooses. The duty is likewise easily collected. Tobacco may therefore be looked upon as representing capital of the first class. Tobacco smoking is a sedative, and, as such, indulged in moderation, probably does no harm; but it does harm when the practice is begun in youth,

or is indulged to excess, and therefore even a high duty has its merits. Just as liquor drinking is a disappearance of capital that never reproduces, so also is tobacco smoking.

There are many forms of luxury that cannot so well be taxed, for the purpose of raising revenue. Undoubtedly a considerable amount of capital is locked up in the form of clothing, jewellery, pictures, and so forth—capital that reproduces no more. As far as the principle already cited goes, there is nothing financially wrong in taxing so as to annex a portion of such non-reproductive capital; but it is seldom expedient to do so directly, owing to the expense of collection and the comparative smallness of the yield. The death duties take in, at intervals of time, a sufficiently large proportion of revenue from such luxuries; and in other cases licences, such as gun and motor-car licences, are quite a sufficient levy.

There would be a great disadvantage, not altogether to the industrial progress of a nation, but to many of its people, in pressing too far taxes on certain luxuries. If, for instance, a gun licence were made so expensive as to be prohibitive, a large number of men would be made idle, and, owing to the nature of their employment, it would be long before they found other occupation: perhaps many of them might never again be as they were. It is not sound legislation that throws suddenly a noteworthy amount of labour on the market. The destruction of capital in one form may thus be made to cease, the

conversion of active capital into partially non-productive capital, as happens in the gun trade, comes to an end. But another capital is, in this sudden corrective process, rendered non-productive, the capital of the workman deprived of work. As these workmen must still consume some amount of capital in the form of food, but yield nothing in exchange, there is a loss to the State : for men who can afford so little do not set in motion that amount of work which is necessary to keep busy workmen supplied with commodities.

It is unnecessary to remark on the profits of the postal and telegraph services, as such profits are made by performing certain duties, which those whom they benefit have of course to pay for. Enough has been already said about income-tax, including land taxes and house taxes ; death duties and legacy duties ; also about licences, to which may be added receipt and other stamps. So long as these are reasonable in amount they do not specially contravene the correct principles of taxation. Revenue, though not to be raised wherever it can be had, must still be raised where it can be had without oppression ; therefore, all those who can best afford to pay, must do so to a fair and reasonable amount, and without being put to unnecessary inconvenience.

Capital of the third class is in three grades. In the first grade of the third class are all those articles which come nearest to capital of the first class ; that is to say, articles which Great Britain can herself produce in any quantity necessary,

first, to fill her own markets, and second, to send abroad in exchange for that part of the food and raw material she needs for her use, and must pay for ; and for the few wholly manufactured goods, in making which foreign nations still retain some advantage over her. These are principally manufactured goods.

In the second grade are articles which Great Britain can and does produce herself, but not in the quantities she requires for her own use : and it is characteristic that these articles are produced abroad in very great quantities, over wide areas in all parts of the earth. Such are wheat, oats, timber, hides, and wool.

In the third grade are the articles of the third class which come nearest to capital of the second class, and are also articles which Great Britain does not and cannot produce herself. It is characteristic that these articles, though produced in very many parts of the earth, are not produced in great quantities. Such are certain food products, as tea, coffee, sugar, and cocoa, which may or may not be considered necessities according to the point of view of the consumer.

A revenue can certainly be raised by levying duties on foreign goods of the first grade. The United States of America, Russia, Germany, and most other countries do actually, at this present time, raise some part of their revenues in this way. They do this in spite of the fact that their tariffs are very high, so high as to be intended for prohibition.

The objections to tariffs which, however high,

do not keep out more than a proportion of foreign goods of each kind are manifest.

In the first place, smuggling becomes a business on a large scale, and an expensive staff is necessary to check it, sometimes without more than partial success, because to take the smuggler in his iniquity is often difficult. Smuggling may be done in two ways: by the running of goods and by bribery. To prevent the former it is necessary to put every one entering a country to the greatest inconvenience. The latter mode is not easily dealt with: if positive printed statements be correct, it goes on very largely. Therefore, when calculating what revenue may be expected from a tariff, allowance must be made on a considerable scale for loss by smuggling.

In the second place, the country sending goods to another country may not always pay the import duty on these goods. Sometimes it pays all, sometimes it pays a part, sometimes it pays none, according to the skill with which the tariff list of the importing country is made up. Where the quantity of an article sent into another country is small, compared with the quantity of that article produced in the importing country, the price of the article in the importing country would not be affected, and the duty would not be paid by the importing country. It is believed that British manufacturers have now to pay the duties on certain goods they send into the United States of America. If, in any particular case, the import of an article were important in quantity,

relatively to the home production, then the readjustment of prices would probably cause the whole or a part of the duty to fall on the consumer, according to the greater or less relative importance of the quantity of the article imported.

The second grade of commodities includes articles of food, of which wheat may be taken as an example. The foreign wheat supply of Great Britain is drawn from eight great areas, scattered over five continents, in which there is never wide-spread failure, but sometimes a partially reduced supply, owing to drought, storm, or locusts, in one or the other area. It is not the farmer, but nature that controls the situation. It would therefore be hopeless and useless for any person or syndicate to try and arrange what the world's wheat crop in any year is to be, since no one knows a month beforehand what that month will bring about in the way of wholesale natural losses. What is observed then is never any attempt to reduce the world's area under wheat, but, on the contrary, a steady annual increase of that area.

If we watch proceedings in any one area, we shall find that the farmer never knows, till he threshes, what yield he has. All may look well, and then, in five minutes, the farmer may be "hailed out," losing his whole crop; or, a sudden night-fall of the thermometer may, at a particular stage, lower the value of the crop two or three grades. It is natural, under such circumstances, for the farmer to do the best he can for himself,

growing as much wheat as he can, selling all he can for the best price he can get. Sometimes a well-to-do farmer may hold on, hoping for a better price, but he has a doubtful proposition.

Others besides farmers are engaged in the wheat trade; but long study of the conditions of that great trade leads to the conclusion that such dealers cannot control nature. In a late market review it is shown that the price of wheat in Winnipeg suddenly rose  $2\frac{1}{2}$  cents the bushel, because of French buying and a reported lower estimate of the crop in Argentina. Such reports are unreliable, crops often recovering unexpectedly. On the same page of the review it is stated a fall in the price of wheat took place last year (1910), because it was found the Western Canadian crop was not as poor as had been reported.

A syndicate with great resources might raise for a time or lower the price of wheat. The greater the population of a country, the higher its interest in keeping the price of wheat as steady as possible. To the United States of America, with ninety millions of people, to Germany with sixty millions, to France and Great Britain each with forty millions, the matter is most important. It seems by no means impossible, if these nations were agreed, to legislate so as to make "corners" in wheat illegal.

If that were done, a sliding duty, with a low maximum, on wheat imported into Great Britain would not, it is thought, hurt the retailer; because, with the duty at a maximum, the supply

would be abundant and the price low ; that is, the producer would pay the duty. To farmers sending wheat to Great Britain this would mean the difference between a high price for a moderate crop and a lower price for a great crop, on so much as Great Britain imports of that crop.

The retailer is mentioned rather than the consumer, because the price of British wheat is not an index of the price of bread to the consumer. In May 1909 British wheat was nearly 42 shillings the quarter, in October 1909 about 31 shillings, and in July 1910 about 33 shillings. In May 1909 bread sold, in the South of England, at  $6\frac{1}{2}d.$  the quarter, in October 1909 at  $6d.$ , and in July 1910 at  $5\frac{1}{2}d.$ , at which price it was still sold in February 1911, though in London  $6\frac{1}{2}d.$  was quoted.

On the articles of the third grade a revenue is raised. Tea is an example. The bulk of the tea imported by Great Britain comes from British India and Ceylon. The duty is  $5d.$  the pound. Tea is put on the steamer at Colombo at  $3\frac{1}{2}d.$  the pound on an average. Dividends paid vary, but about  $12\frac{1}{2}$  per cent. seems a fair allowance on most estates. A third more than this is supposed to be made as profit, but kept back for improvements to the plantations, machinery, and so forth. Therefore the value of the tea free on board comes to about  $4\frac{1}{2}d.$  the pound. Freight is a very small item on a pound of tea, so that, allowing for all expenses and plantation profits, there cannot well have been more than sixpence the pound paid out on the tea when it comes under the hammer.

It is the general belief that the consumer of tea pays the whole of the duty. But we might possibly find, if we had the whole of the facts accurately before us, that the planter pays a part of the duty, and the consumer the remainder.

The price paid by the consumer contains the cost of transport and delivery to himself, retailer's profits (a very considerable item), cost of transport to retailer's warehouse, unpacking and repacking, the London expenses, the total cost up to London (*6d.* the pound), and the duty. Estimating these items as best we can, it seems probable that if the whole of the duty were taken off, the planter would get more for his tea.

Some years ago the planters, it was understood owing to dissatisfaction with their share of the profits, introduced rows of rubber trees between the lines of tea plants. The production of tea is, in consequence, now beginning to fall off, and a rise in the price of tea is expected. Formerly, Great Britain offered the one market for British Indian and Ceylon teas: this is not now the case. Whatever part of the duty on tea is now paid by the consumer, it is likely he will presently have to pay the whole of it; and if they are right who think he does now pay the whole of it, then he will presently have to pay a high price as well.

Articles of this grade are therefore not suitable for high duties.

No duty can ever be levied economically on capital of the second class. Raw cotton cannot be grown in Great Britain: it is grown in British

India and Egypt, but about four-fifths of the total comes from the United States of America. A duty levied by Great Britain on raw cotton would raise the cost of all cotton goods both for home consumption and for export, without increasing the quantities. This would affect one-fourth of Great Britain's total exports.

The United States do not entirely depend on Great Britain as a market for raw cotton. The States use themselves an enormous amount of their own raw cotton ; other countries, excluding Great Britain, already use of raw cotton more than half as much again as Great Britain imports.

To levy a duty, small or great, on raw cotton would be the worst possible economy.

## CHAPTER IX

### EMPLOYERS AND WORKMEN

*Eighth proposition.*—To carry out its part successfully, the Government requires the willing aid of the employers and workmen. This aid will not be effective unless the present somewhat hostile feelings are converted into harmony between employers and workmen. The sources of this hostility are to be found in the history of the human race. A remedy seems possible.

If the great national industrial forces are hostile or indifferent to schemes of progress, the work of government cannot be done. Far from being able to carry out a reform against the wishes of those forces, it is necessary to the Government, Government actually requires, that the reform should be strongly desired. The result is much the same if the possessors of either form of the two great national capitals, labour-capital and the capital that sets labour to work, are hostile or indifferent. Hence it follows that, to carry out its part successfully, the Government requires the willing aid of the employers and workmen. To obtain the required result, it is necessary, therefore, that employers and workmen should

act harmoniously, that they should recognise the common object, realise that nothing can be achieved by hostility, and that the problem before them is a great problem, demanding early solution by the removal of misunderstanding, and the substitution of a true aim for insufficient aims.

It is scarcely necessary to prove, for it is patent to all, and is, besides, the subject of common talk, that, all the world over, the relations between employers and workmen are most unsatisfactory. It is almost impossible now to take up a daily newspaper without hearing of a strike somewhere or other. Yesterday it was in France, to-day it is in some province of America, both these coming on the top of other strikes in England and Wales. Strikes are not confined to any particular people, they are on all scales, and they do not occur under one form of government much more frequently than under another. The German Empire has lately been troubled with strikes on a large scale; not long ago France, one of the great republics, was threatened with an almost unparalleled strike; in the United States of America, the great sister republic, strikes seem to be always occurring. Canada, though not a republic, is a country enjoying nearly complete freedom, and yet here we have seen huge railway strikes, tramway strikes, lumber strikes, and coal strikes. In the British Isles, a limited monarchy, if there were a temple of Janus, open only during strikes, its doors would be but rarely shut.

Nor do the workmen of any one trade assume

pre-eminence in the world-wide conflict. Sometimes the men of a particular colliery lay down their tools, sometimes all the pits in a whole district are idle. Sometimes it is the cotton-spinners who strike, sometimes the boiler-makers, sometimes the bakers. It may be the electric lights of Paris that are put out, it may be the dockyard hands that refuse to work, it may be a whole railway system that is disorganised, it may be the vineyards that are deserted. It is impossible to predict with certainty where the next heavy blow is likeliest to fall.

Now, a small strike here and there occasionally, soon ending in an adjustment of differences, might not indicate anything seriously wrong with the system of work pursued. But strikes are very far from being small and occasional, and differences are very far from being rapidly and easily adjusted. It is becoming more and more difficult to control strikes in such a way that their apparent causes are quietly removed, and their recurrence rendered unlikely for some time to come. For which there are two reasons: that the apparent causes are seldom the real causes, and that the desire for peace is seldom a general and genuine feeling. It is this that makes strikes an index of the relations, bad and not improving, between employers and workmen.

It is believed that this state of affairs may be traced to two causes originating very far back in the history of mankind.

A true history of morals has yet to be written.

It is Carlyle who tells us that the history of mankind is at bottom the history of its greatest men. If we had such histories accurately written, and knew how to read them judiciously, it might serve; but we have them only in part, or written in such form as to serve only as numerous quarries, in which the coming historian may hew out materials for his work—a final work on the progress of the morals of mankind. If there is as yet no sign of such a work—and there is none—we still do know enough to enable us to construct a certain number of scenes and pictures which may serve to show how mankind has made the advance from barbarism to civilisation, along one of the many lines of progress. Here, in this particular case, two or three such sketches will suffice.

Savages, long ago, like those of to-day, had their simple moral codes. Certain acts were held by them disgraceful, other acts highly meritorious. We know, from unimpeachable evidence, that there are now savages who would not thievishly touch, nor allow others to touch, goods committed to their charge; and these same men will set forth, and be honoured for doing so, to find a victim in some neighbouring, not unfriendly, tribe, and fight with him for no reason but to cut off and bring back his head in triumph. And what, as a rule, has been the behaviour of such savages, through all time, to those they held as immeasurably inferior to themselves—their women? Most brutal. From the beginning of things, so far as any tradition exists,

it seems as though there always had been that line of division between those truly powerful and those confessedly weak, the powerful taking from the weak all they could squeeze out of them, and shirking no savagery in the process.

It is, of course, a wide leap from the world of ancient savages to the world of the Roman Empire ; but it serves here to make it. The physical remains of that empire show that, in many respects, a high level of civilisation, in its luxurious aspect, had then been reached. There are signs, still to be seen in unearthed Pompeii, of life rivalling in comfort the life of to-day : the private bath, for instance, with its system of hot- and cold-water pipes, is almost the same as our own. But there are quite other signs. Over his wife and family the Roman of the Empire had the power of life and death. He could, and often did, sell his wife to another man for money. It is recorded of one well-known Roman that he not only sold his wife for money, but afterwards tried to buy her back again. But it was not chiefly in his domestic affairs that the Roman showed his native barbarity : that he showed in his relations with his slaves. For Rome was a slave-holding empire ; and that is here the moral fact of prime importance. Not that the Romans were the first to institute slavery : savage races deal now largely in slaves, and probably always did so. The Roman Empire was the first world-wide power holding slaves, of which we know a good deal historically.

Here it is that we first see, so clearly as to realise it, a plain line of demarcation between one set of men and another set: the one set holding all the authority, forcing the other set to do all kinds of hard work, and doing with that inferior order exactly as the will approved. To the Romans the possession of slaves was deeply important; to mankind in general that sanctioned custom was to become still more important.

If we glance at the state of Europe in the Middle Ages, we again find two, and only two, quite distinct classes of men. In the real upper class were the nobility and the immediate retainers—possessing, ordering, fighting—men of real mental and active physical power, of great skill at arms, and taking full advantage of their quite unquestioned position. In the lower class were the thralls—the hewers of wood, the cultivators, the herdsmen of swine—allowed to work hard and live, not necessarily miserable, but absolutely in the hands of their lords, to be done unto as those lords might choose. The slaves of Rome had become the thralls of the Middle Ages. It is possible that in those times, when communications were not merely bad but scarcely existed except for the well mounted, when education was wanting and books unknown, might was necessarily right; and these hard, dangerous days had to be lived through much as they were. The fact remains that until gunpowder was invented, printing discovered, and the uses to which iron can be put fully realised, the

bulk of the working men were simply slaves. In Russia they remained so until quite modern times.

A hundred years ago England had long been a free country. Every man in England was then, in a certain degree, a free man; that is, he was as free as it was possible for him to be under the British laws of those days. The Poor Law of the time ordered that any man quitting the parish to which he belonged should be sent back to that parish, to work if he could. A man thus treated was not a free man, as we now understand freedom.

Descriptions of the life and condition of British workmen during the early part of last century have been given by several writers; among whom were three whose writings are now standard works. Strangely enough, these three writers were women; but they were women of great capacity and powers of observation and expression, and they wrote of matters they had studied at the places where they dwelt. Mrs. Gaskell did for Manchester what Charlotte Brontë did for Yorkshire, and George Eliot for Middle England. The pictures drawn by these writers show employers standing apart, determined to carry out their plans of business without interference from anybody, and not perhaps very anxious about the welfare of those who had to work for them; and they show working men, also standing apart, sometimes banded together, sometimes disunited, generally in their hearts rebellious, and always struggling against what

they, at all events, thought injustice, oppression, and wrong.

It is not our object to examine here on which side really lay the injustice and the wrong, but to point out that we seem to see here a hard division into two distinct classes, just as there was at the beginning, when men first handled men. Once on a time there were the all-powerful Roman and his slaves; then came the, if possible, still more powerful baron and his thralls; then, after many discoveries and inventions had helped to modify institutions and soften manners, the strong employer and the workmen, free in name, free in many ways, yet hemmed in and circumscribed in other ways—a division still, though a changed and softened division, between two sets of men, and the child by descent of the old division. No one would pretend that the workmen of to-day are hemmed in and circumscribed as they were a hundred years ago; but the old tradition has been handed on from generation to generation, and is still a sufficiently living power to keep going a sense of difference, almost of warfare, between the one set of men and the other.

We come now to the second phase of an historic struggle. Not warfare this against the employer, but against work itself.

Long ago, when man was a hunter, and had to kill and cook his own game, it was a part of his business to fashion and sharpen his own weapons, and to attend to the wants of his horse, if he had one. He divided labour chiefly in one way, and that with his squaw, to whom fell the duties

of tending the children and roughly cultivating the soil, for the sake of a little grain and a few coarse vegetables.

As population thickened, the principle of division of labour came to be, not only practised, but understood, as a mere necessity of life. Thus, in process of time came, with ever fast growing numbers, the great mercantile struggle, to obtain success in which it became essential to still further subdivide labour ; until now at last there is scarcely any work in the factory or the mill which is other than, in appearance, an aimless, objectless, uninteresting fraction of some far-distant whole of multiple parts, of which the workman probably never thinks. Many years ago, when all things that can be made with tools, and even the tools themselves, were fashioned by human hands, division of labour was practised, of such fineness that already the work of manufacture had become extremely monotonous : this still goes on, but for human hands have been substituted to a large extent ingenious machines. These machines do the work, but it is necessary to watch and guide them, and to do this one thing all day, and day after day : so the monotony is there just the same, and perhaps is even intensified. Now the point is that there is no going back to primitive days ; there is no way in which to produce all that is required except by division of labour of the first degree. And that being so, as long as work is carried on exactly as it now is, that fine division of labour must continue to carry with it its inevitable

consequence—the feeling of dull monotony, which is a prolific seed-bed for discontent and readiness to strike.

It is this feeling of perpetual discontent that prevents employers and workmen converting their traditional opposition into harmonious action.

In support of these statements we shall bring forward evidence, tending to show that where there is division of labour, but not practised to any degree of fineness, there is not the atmosphere of discontent that seems inevitable where work has become monotonous.

The first witness to be called is from a village of British India. The inhabitants of an Indian village divide labour so carefully that the boundary between one trade and another is perfectly clear, and so strictly drawn that no man would dream of ever crossing that boundary. The son of a village carpenter is always himself a carpenter, not by choice, but by national custom. In the same way, the son of a village blacksmith always himself becomes a blacksmith. Thus certain families in the village are composed of and contain all the carpenters; certain other families are composed of and contain all the blacksmiths. It is the same throughout. The coppersmiths are solely coppersmiths, the watermen always watermen. The cultivators of the soil work at that business only; the men whose trade it is to take to the road and drive animals never do anything else. And so the division is simple and clear: it is almost a religion.

Those who know this village life often speak of hardship, but never of discontent. Nor can it be truly said that the genuine village people are lazy. He who passes that way at evening will see the village elders settling village affairs, under a great peepul tree, but he will find the able-bodied hard at work, and these will continue to work on as long as they are able to see. Suppose the carpenters of a large village to have in hand the construction of a number of carts; then no doubt if one set of men made the naves of wheels and nothing else, another set the felloes and nothing else, a third set of men the spokes, while other carpenters were limited to the pole, and others to a particular part of the body of the cart, then interest in the day's labour would be reduced to nothing; and if this were the practice, not of a day or a week, but of a life, then no doubt there would creep in weariness and discontent, from which the workmen in the villages are now free; and are thus free because they are not deprived of a real interest in their work; they can see always, when it is reached, the whole result of their varying labours, the completion of a design, the consequence of thinking while they are working, instead of working along numbly without thought.

Most of the large towns in Europe can furnish evidence that where the workman has a vital interest in his work, though the work be of one kind only, that work has been a mainspring of life, and not a cause of discontent. It is but necessary to enter some of the cathedrals and

abbeys of England, or France, or Italy, to find, from this point of view, a subject for earnest reflection. In these buildings there is, in plenty, stone tracery so lovely as to rival in beauty, in variety, in originality, the wondrous wood-carving in the temples of Nikko. It is interesting to think of the stonecutters who wrought there: these men were certainly never discontented; they must have gloried in their work.

In a measure this is still the same. There is a statue in Verona, on the base of which, some years ago, an Italian stonecutter had work to do. In the evening, when his work was over, he, of course, quitted it; but in no hurry, for his thoughts were with his work. It has happened that, after quitting his work, he even returned to it, just to get clearly in his mind some point on which he might reflect at leisure. It may be said that he was half an artist, and had an artist's yearning to do better and better work; and that the cathedral workmen, though just workmen, were all really artists. It does not affect the argument.

The result appears to be just the same in the case of workmen certainly not artistic. Let a workman have an interest in his work, although he is strictly limited to work of one kind, he will not be a hater of work; he will be contented and happy. The bricklayer has to undertake a good deal of rather monotonous work, but sometimes he has not only to apply his skill but to think hard. In laying ordinary courses of bricks from the ground upwards, there is no

difficulty in what is called "breaking joint"—that is, in keeping sufficiently separated the vertical joints between successive layers of bricks. But now and again, at a corner, this difficulty occurs, and some men get over such difficulties of their trade in one way, some in another. It happened to the writer to come across a young bricklayer who turned the corner in a way of his own. Having reached his difficulty, he took measurements; and the same evening, having in his leisure at home thought it out, he made a drawing, showing how he proposed to lay each brick; and he took his drawing with him in the morning and worked by it. It is impossible to suppose that work, to that man, was monotonous or hateful.

It is quite possible to see, by means of an illustration, what happens when interest once wanting is restored to work. We can see it in the training of the British Army, we can see the difference in value that has followed the conversion of an army of soldiers uninformed and indifferent to an army acquainted with its aim, and become determined to reach it.

In the days of the great Frederick it was not judged necessary to explain to the troops the why and wherefore of each movement; and, indeed, the men at least knew, as certainly as the general, that they would not fire a shot, nor hear the whistle of a bullet, until they had arrived within a few yards of the enemy they had seen while still far from his position. The officers, then young, adhered to the old notion when,

years later, it came to their turn to lead the great divisions of the army. They adhered to it, and taught the youths they trained simply to adhere to it; and these in their turn passed it on as a sacred truth, that no one must ever know, except a couple of trusted staff officers, the secret that is in the general's mind.

An army thus kept in ignorance, marching hither and thither, suffering often hardships the need for which it does not understand, is not the finest instrument of modern warfare. Put an end to the ignorance of the battalion, let it well understand its task, place before it the meaning of the call, then it will so march and endure, and so attend to the call rather than to its sufferings, that it becomes worth more to the general than two, or perhaps three, battalions of the old style.

It is the dislike of work, which has arisen from the absence of interest, that prevents men working steadily in agreement with employers for a common end. If men hardly want to work at all, except as a means of obtaining wages, of what use to ask them to work, as they think, harder?

It will not do to lose much time if an attempt is to be made to give back to work the interest it once had, and has now here and there. For another vast change is occurring, the consequence of widespread education and the invention of rapid modes of communication. A generation has now sprung up to manhood which has added to the former leverage of the workmen's power

the extra length that is due to wider knowledge, to the power of more rapidly forming ideas, more easily exchanging those ideas with others, and acting more effectively in union. And if speed is necessary, it is also more necessary that any action taken by these men should have a right direction, and not a wrong or doubtful direction.

Is it not true that the workmen everywhere have great need to be reminded of this?

It would be impossible now to revert to primitive times, and do away with the modern fine division of labour: that must remain, not merely because it is only by working thus a nation is able to hold its own in the general commercial rivalry, but because it is only by working thus that the present population of a country can be so fed, housed, clad, and amused as to be able to live usefully. It is impossible, therefore, to alter the existing conditions of modern work, and what must be done is to introduce some entirely new condition that shall extinguish the monotony of work and give it interest.

This, then, is the object of the change that has to be made. The new condition must so act as to thrust out of sight the feeling of monotony, and make the abiding feeling something quite different from monotony. And the change must go farther than this. Its action must be such that the old feeling of antagonism between the employers and the workmen is for ever obliterated; and such that in tending to

introduce harmony where now is division, it may hasten and not thwart the coming of the supreme object of the nation. What possible change is there, by which conditions so different may be simultaneously fulfilled? Hitherto all that has been done has taken the form of compromise. Men who must have known well the workmen and their employers have spent all their energies in advocacy of this plan. Only lately a well-known British statesman declared compromise to be the one and only remedy. Yet, by its very nature, compromise cannot get far beyond the fringe of things: it tries to alter a little here and a little there, to soothe and hush and induce acceptance of small advantages; or else it is not compromise. It never really touches, it shrinks from touching, as too dangerous, the true deep-seated ill.

What is compromise but a palliation? If compromise be only a palliation, it must be condemned as not equal to what is called for now. It tends to keep in existence the evil it just puts a little out of sight, to simmer on in preparation for the next palliation.

The conditions of the problem seem to be pretty clear. It is not compromise that is wanted; compromise fends off change for a time, but it leaves work just as monotonous, and men just as discontented. It is a change that is wanted, a change that adds one new condition to existing conditions. Who is capable of saying exactly what that change must be? It is quite possible some one will arise, to whom will appear

simple what to ordinary minds is so difficult. He may arise, though Great Britain, high as is the average of her intellectual power, rarely produces a mind of tremendous force, such as a Shakespeare, a Newton, or a Chatham.

In this place a suggestion only can be made, a suggestion of a course that might be examined by experienced, thoroughly informed men, willing to undertake the task: men representing not only employers and workmen, but also the Government of the country, and those great bodies which so largely influence the thought of the country.

The suggestion is this: that for the present methods of carrying on the industrial work of the nation should be gradually substituted general co-operation, to be then by law established, with modifications for cases where co-operation is unsuitable or impossible.

There are in different countries at present practised instances of co-operation, sometimes successful, sometimes not very successful. But rare and piecemeal co-operation is quite useless for the purpose in view. Suppose a business to be run on a true co-operative basis, the workmen receiving a certain portion of the profits, and acquiring by this means a suitable proprietary share of the business. What guarantee would there be that such a business must always continue successful? And in case of bankruptcy what would become of the workmen's profits involved in the loss? To be effective, co-operation must be general, and not merely voluntary; it

must be a part of the law of the land. Then by means of insurance, also general, and under Government control and guarantee, the safety of the workmen's share of the business might be securely guarded.

## CHAPTER X

### EMPLOYERS AND WORKMEN (*continued*)

If it be granted that, instead of workmen constantly striking, or thinking about striking, the nation wants a condition of affairs that admits of labour-capital and the capital that sets labour to work vigorously striving to attain a common object, then it is now to be explained in what way general co-operation appears a possible step towards the ultimate solution of the problem.

Limiting the explanation at present to that large class of men whose work is extremely monotonous, and who are not in Government employment, we have to find to what new quality general co-operation gives rise, a quality strong enough and definite enough to divert the thoughts of the workman from monotony and carry them elsewhere ; not so as to make him forget his work, but, on the contrary, to keep him concentrated on it, with a clearly defined purpose.

That new quality might be called a sense ; it is the sense of ownership, ownership that looms clearly on the horizon, or ownership that is already come. There is no lack of examples tending to show that a quite ordinary man will

work very hard at almost anything, provided he knows all the time that the result of the work is going to be his own, and can be missed only by some fault of his own. On a common farm ploughing, except perhaps in a competition for prizes, is tolerably monotonous; yet the simple farmer, on his little holding, will plough cheerfully from dawn till dark, never shirking an atom of difficulty, and gathering up all the time thoughts for his evening at home, thoughts connected with the daily task and what he hopes will come of it. This goes on in thousands of homesteads, right through the Canadian autumn, and again in the Canadian spring. It is essentially a human tendency, and therefore it is permanent. Give a nail-cutter or a riveter just that thought, that he is bound to become an owner, not at his cottage where he sleeps and eats, but there where he works; give him that thought, that he is not doomed to live and die in absolute sameness, and he has something to draw him on, and the very work he is doing becomes one of the strings that so draw him.

It is to the advantage of men thus working that they should work hard and well, because in doing so they are hastening the advent of the time when automatically their condition will change; they are helping to make the property that is coming to them all the greater; for they are conspiring, as it were, to give their particular factory or mill some advantage over other mills, owing to the excellence and quickness of their own work.

It would be to the advantage of the men to do a great deal more than merely to work hard and well ; for that would increase profits only in a simple ratio. They would desire to increase profit at a faster ratio than that, and so magnify their stake in a growing business. Therefore they would find it to their advantage to keep their best thoughts on their work, in the hope of discovering or inventing methods of improving the tools or machines used by them, and thus materially cheapening or expediting the manufacturing processes of their own particular mill or yard.

Such a result might perhaps be also obtained by a system of rewards. Here it would be obtained automatically, and would cost nothing in rewards ; for the inventors would obtain a reward far higher than any employer could offer.

Nothing is more important than the way in which workmen use their leisure. Numbers of workmen now do not exactly use it. The men who hoped to invent would have ever before them an object inducing them to read, to study, to reflect ; and this would make far better men of them ; it would improve the whole stock of men, and still more their children and their grandchildren.

If these supposed results are not overdrawn, the employers would benefit equally with the workmen. They would obtain exactly what employers must wish to have, if it came to them in the ordinary course. Coming in the manner proposed, what change might be

expected in the relations between employers and workmen? In one sense these relations would come to a summary termination, because employers, in precisely the old sense, would no longer exist. Organisers they would still be, great would still remain their stake in the business, much would they have to say to its direction and management; but in all these things, except organisation, the men would come to have some share.

Therefore the whole human hive would come to have a basis for harmonious working, a reason for travelling along a road leading to a common object, with eyes looking forward, instead of nowhere in particular. Might not then the antagonism of the centuries die out for want of fuel?

Is such a scheme practically possible? That there would be difficulties to face is certain, and no small ones.

In the first place, it has been widely thought, it was once perhaps universally thought, that in almost any undertaking of importance the best work is done when all guidance in that work springs from a single mind, that the organiser of the work should be, and must be, its real manager, however many sub-managers he might have. To anything like multiple management objection would once have been absolute. This need not be so now.

The government of a nation is seldom conducted by one brain. At the beginning of the last century the men of England sighed for the

advent of Pitt, but at that time the nation was in dire distress. In all ordinary times the government is by cabinet: it is so in most countries. Armies and navies are controlled, not by one man whose powers are unlimited, but by many men seated at round tables. In all countries there are at the present day vast undertakings managed in each case by a directorate; such are important lines of railway and of steamships, great distributing agencies, breweries, insurance companies, collieries.

Finally, great numbers of undertakings once entirely the property, in each case, of a single person or of a family, have been converted into public companies managed by a directorate. It is true enough that, where a business is managed by a Board, there is, there can be, only one president or chairman, and that he may be strong enough to rule almost absolutely. But that is not necessarily the case. The most capable member of a Board may be some one other than the president; it is quite conceivable that the opinions, the judgment, even the tact, on any particular Board, of a man representing the workmen might chance to be more valuable than these qualities in any other member of the Board. Therefore this particular difficulty is not insuperable.

In the second place, the settlement of the proportion of profit, in general co-operation, which should belong to the workmen, presents a difficulty; because a fixed percentage of the profits of one particular business would mean some-

thing different, even in the same business, taking separate years, and something very different from the same percentage of the profits of some other particular business.

Let us suppose that this percentage were fixed by law as to its minimum, then if there were a loss or if there were no profits the men would get simply their wages ; but if there were profits, then the men would be legally entitled to that minimum, and to no more. Yet the actual share taken might on some occasions be more than that minimum, because such greater profits, as on those occasions came in, would be very largely the consequence of the better work done by the men ; and to encourage such better work a greater distribution than the legal minimum would often be made. Companies at present give their shareholders very often a bonus ; some do so year after year. It would be to the interest of all concerned in any business that the workmen should, year after year, earn a bonus. The share taken by workmen, in general co-operation, is a bonus to a part of which they would have a legal right.

At bottom it comes to this, that excellence of work would bring in a higher bonus than indifferent work. This is opposed to all communism, and therefore would be resisted by a certain number of men, especially of the talking sort, be stoutly resisted : hence the difficulty. The solution of this part of the problem appears to be that communism ought to be opposed, and would be opposed by a nation which still desired and hoped to approach the

high ideal, just as a healthy man fights a discovered disorder. The best way of fighting communism is to show the workmen a road that leads to better days for those who are willing to attend to their own interests.

In the third place, workmen would often wish to leave one business for another, as many of them are now constantly doing. It would be held a grievance if difficulties, liable to be misunderstood, were placed in the way of such perambulations. The power to lay down his tools whenever rebuked is a power held dear by numbers of workmen, and they would hate to let go that power. These men were not perhaps originally restless, but they have become so: they cannot endure rebuke, cannot admit they are wrong; probably rarely, if ever, feel they are wrong. It is natural. The man of means can, as a rule, well afford to admit he may be wrong, and sometimes that he actually is wrong; he can try some other plan.

The man who depends entirely on his wages cannot afford admissions; he wants his wages; he must be certain he has earned them; he is certain; he can stand no statement to the contrary. But though it is necessary to protect the workmen, it is equally necessary to protect the business; and hence arises the third difficulty. For to be obliged continually and suddenly to reduce, even by small amounts, the capital of the business, that is to take out of the business in this way part of the profits put into it, would be detrimental, as well as exceedingly trouble-

some. Therefore a means would have to be devised of safeguarding the business, while leaving to the workmen their undoubted right to move on at pleasure.

There are two ways in which this might be done. It might be made compulsory to give adequate notice of intention to withdraw capital from a business in this manner, and, on the expiring of the notice, the shares to be priced at their market value and bought in from the reserve fund; or the business might be protected against the inconvenience by insurance, just as the shares of the workmen are protected.

But a workman, instead of desiring to leave a particular business, might make a habit of being idle; or he might often absent himself from work. It is not the business at present of industrious workmen to take any notice of the idle; but that would not be the case when the future of the workmen as a body, and the future of the concern, had become one. Therefore it is not probable that the workmen who wished to succeed would long tolerate in their midst a drone, nor that they would share their advantages with the habitual holiday-maker.

It is supposed by some that co-operation can never be general, since it is inapplicable to the case of any new undertaking. The reason assigned for this is that new undertakings are competitive, and must therefore meet the determined hostility of existing undertakings in the same line. Such large sums are required to overcome this hostility that no new undertaking

could, it is said, afford to part with anything beyond bare wages to its workmen. To put the matter shortly, where there are no profits there can be no percentage for workmen.

New undertakings may be divided into three classes. First, those which are urgently and really required, such as the railways now being constructed in Western Canada. As works of this class earn profits from the outset, nothing more need be said about them. Second, those undertakings which would succeed if a strong monopoly were broken down. This is just one of those cases where Government should interfere, though it very seldom does. It is not in the interest of the State that monopolies should be allowed; they should not be permitted to establish themselves; they are of the nature of a trust, than which there is nothing more injurious to the welfare of a people. It follows that those new undertakings which might come under this head only do so where proper precautions have not been taken by the Government of the country. Third, those undertakings which are not really required, or are brought into existence prematurely. Schemes such as these, being intended for the enrichment of individuals, or small groups of financiers, at the expense of the public, are objectionable; and it would be only proper that the inquisition into their prospects should be made much more severe than it now is.

But, after all, these difficulties, and many others, are not nearly so great as the two to be now

mentioned. Employers often do now give up a part of their profits as an expression of satisfaction. It would be a very different thing to be compelled by law to part with that much, or even more: it would seem to the employer like robbery of that which is absolutely his own. So it will continue to seem until he is convinced that, in this case, what an apparent robber extracts with the right hand from one pocket is more than restored by the left hand to the other pocket. Many times have directing Boards resisted demands of railway workmen for higher wages, or, what comes to the same thing, shorter hours of work, on the ground that if such demands were complied with dividends must be much reduced: a robbery of Peter to pay Paul. Yet, when public opinion has made it necessary to comply with those demands, the Boards have given way, and the dividends have not ultimately suffered; improved methods of work having brought about sufficient savings of material to make good the increased cost of labour. So exceedingly numerous are now the Board-directed undertakings in the British Isles, the prospect of inducing employers to listen to some such argument as has just been advanced, in mitigation of what once would have appeared downright oppression, does not seem hopeless.

Some workmen would doubtless welcome a scheme that changed the monotony of their working-day lives into a prospect of ownership. Others would not see the promise, much less any chance of its fulfilment; among whom would

be, probably, those who have become so accustomed to work up to only a part of their power that now a part of their power is all they care to bring into play. Therefore it might be urged that a scheme of general co-operation is full of deceit, and is really deliberately intended to put a division between workmen—to make them hostile to each other, to draw the more industrious to anti-socialism, and make it more difficult for the less industrious to live. This, of course, is not so; the object of the suggested scheme is to make the lot of the industrious still better, and to try to induce the less industrious to commit themselves to greater exertions; and to bring this improvement about, not by merely picking pockets, but by so increasing the output that profits also increase, owing largely to the greater demand of people in an improved condition. No doubt it will be very difficult to persuade great numbers that the scheme is honest; more difficult still perhaps to persuade them that when the status of one class improves, the status of another class need not *pari passu* decline. We might just as well argue that as the sons and daughters of a family grow to maturity, the father and mother must of necessity shrink into mere specks. A nation grows greatest, in all real greatness, when the advantages of its greatness are shared by all in their several degrees.

Workmen in Government employ, as in dockyards, cannot become part owners, though much of their work is monotonous, exactly as it is in the case of others on whom the division of labour

presses. For them it is suggested a system of rewards might be instituted ; a bonus to be given for any invention resulting in an important economy or appreciably saving time, in repairs of ships or in construction : a smaller bonus to be given for a perfect time-sheet with unexceptionable work. But would this lead to favouritism ? The system is already in vogue in the navy and the army. There, for certain qualities, a man becomes a petty officer or a non-commissioned officer, as the case may be, or he receives a rise in his rate of working pay. It has never been said that in either service the system has worked ill.

The employer in this case being the Government of the nation, antagonism between workmen and employer there is none. Hence it might be supposed unnecessary to offer any rewards at all to dockyard hands. But there is a reason. Suppose the work conditions of artisans elsewhere to be greatly improved, then all artisans will desire to share those work conditions, and Government dockyards might be deserted. To avoid so serious a result it seems necessary to place before dockyard hands some improvement in their own prospects. If this be done with judgment, the nation loses nothing ; for better, quicker work is cheaply bought in exchange for a little money, when the question at issue is the rapidity with which a great warship can be turned out.

There is a class of workmen, the men in the building trades, who practise the division of

labour almost exactly as it is practised by the inhabitants of an Indian village, as described a little farther back. The bricklayers, masons, plasterers, carpenters, painters, and others have their own special trades, are very particular not to trespass on others, and are jealous of any trespass on themselves. There is little monotony in the work of the men; on the contrary, there is variety; they see its progress from day to day, and they can see its completion and purpose. Great numbers of these men by no means work continuously in large establishments; rather they complete one job and then find a new employer, under whom they complete another. Many of them, on the other hand, work in threes and fours in some small business, to which they remain faithful; and many wander about, taking a job here and part of a job there, as the spirit moves them.

There is likewise a large class of workmen, represented by the navy, who scarcely practise the division of labour, but work otherwise much in the same fashion as the builders.

It is typical of these different trades—builders and others—that their condition depends on the good or bad state of trade in general, while the good or bad state of trade in general does not depend on them.

What the workmen we are now considering require, therefore, is plenty of employment at suitable wages. To bring this within their reach it is necessary to do as much as possible for trade in general. When Government has, by

wise legislation, done that, it has done all that can be done to provide for the happiness and contentment of builders, navvies, and all the workmen whose lot is so cast that it would be quite impossible they should become owners or part owners of the business where they work, except in those rare individual instances where a man of peculiar energy, intelligence, and thrift succeeds in raising himself and becoming an employer.

Just as the building trades depend on general trade, so trade in general, and more particularly the carrying trade, depends on the coal trade. It is therefore important to Great Britain to keep her colliers steadily at work. The description of collier life in France, given by M. Zola, makes no pleasant reading; and the conclusion one draws is that the labour of these men is sweated labour. M. Zola does, however, allow that the men love their work. Those who know British colliers say that they too love their work; it is not monotonous work; there is too much fascination and danger in it for that. The son of a collier has for his chief ambition the life of a collier; he longs to go down the pit. There is also no doubt that colliers are sufficiently well-instructed to make life interesting to them apart from mining. Their homes give no idea of comfort and very little of sanitation, but very likely the men do not look on these matters as of any consequence. Whether it is that the consequence of a great coal strike being so serious, great attention is paid to all disputes

between employers and workmen in the coal-fields, or whether it is that the peculiar character of the miner makes his quarrel more bitter than those of other workmen, strikes of colliers seem, at all events, numerous, widespread, and sternly fought. It is worthy of consideration, therefore, whether, since great coal strikes cause such suffering, even in remote districts far from any colliery, and such loss of national capital that can be ill afforded, it would not be judicious to give all the older and very experienced workmen the opportunity of becoming part owners.

If all trades, including the great carrying trades, are dependent on the activity of the colliers, no less are all trades dependent, for their very life, on the great carrying trades, on the services by land, and on the services by sea. No very exact comparison can be made between the amount of interest furnished by one kind of work and the amount of interest furnished by another kind. It depends partly on the men themselves, and particularly so in the carrying trades. Simply because of their importance in the national industrial life, being to that life as veins and arteries are to the body, it is suggested they be treated exactly as it may be decided to treat the coal trade.

So important is the case of agricultural workmen that it is relegated to a section by itself.

It remains to consider whether, and if so, in what way, the suggested general co-operation requires, for its greater utility, the changes described in the second proposition.

First we take universal service. Is it not true that co-operation is more likely to be successful as the physique of the workmen is good? And it is precisely by universal service that this would be brought about. So certain is this, that it may be predicted of the work done by men fully trained as soldiers, that in bulk and quality it would overtop that of men not so trained, in spite of the apparent loss of the two years or so of civil life to the soldiers. Therefore the extra employment gained for the men of Great Britain, by the introduction of universal service, would be real employment, a preparation of the highest value for the busy life to follow.

All that has already been said of universal service still holds good here, but with added force. Only in an active army is discipline more valuable than among workmen acting together, who are about to become part owners. In their case also, true discipline is not to be understood as merely cheerful obedience to a command. Where only one man is obedient, discipline is not called upon; discipline implies the absolute, unconditional, hearty obedience of all: and hence it has come to mean perfect, unquestioning reliance on comrades and on leaders. Such reliance is of vast importance where a number of men are striving together towards a single end. When that end is something which is to improve the condition of all, the result of the common effort must be such as to accumulate the additional resources, by which alone the required improvement can be effected. This can be accomplished

best where the minds of all the workers are free to study how their work can be better done, to find processes by which work may be expedited or cheapened. This implies the confidence of one workman in another, reliance on community of feeling—which is discipline. That discipline, in a properly trained army, has become a habit.

There is also another feeling most important, when workmen are becoming part owners where they work, and that is a deep sense of the value of, and necessity for, justice; in each workman a desire for justice, justice for the organiser and leader, justice for fellow-workmen, and no more than justice for himself. Where can that be learned better than at the outset of life, when the very idea of the service a youth gives his country is based on the notion of justice for all alike? This may be an ideal, but it is by having such ideals, and striving after them, that nations advance.

Next we take the Aliens Act. It is, of course, essential to the success of general co-operation that there should be no difficulty in getting work. An Aliens Act would contribute to this, as already shown, and as every one perceives. It is not necessary to repeat what has been said in the second chapter on this point—all of it holds good here; but there is an important additional point. Suppose co-operation to be general in this country, and aliens to enter the country freely; then those aliens, if skilled workmen, would largely become part owners of property

in Great Britain, and this would be most objectionable, so objectionable that it would be necessary to prevent it by Act of Parliament. Such an Act would be itself an Aliens Act; and it would be far preferable to have a complete Act, doing the greatest good, than a small measure, doing the least possible good.

Viewed in relation to co-operation, the Small Holdings Act becomes very important, so important that its consideration is deferred to the next chapter.

In addition to these changes, a careful reform of the tariff was stated, in the third proposition, to be a probable necessity in due course. What is the object of Tariff Reform? It is to induce manufacturers to fill the home market with goods of the kind they make. A certain amount of additional employment will be the consequence, partly owing to the greater quickness of returns in the home trade, and to the increased demand for commodities set up by this increase of employment. This additional employment will be partly the consequence of retaining at home capital at present going abroad to pay, sometimes the whole, sometimes a part of the duties levied by foreign countries on goods sent to them in exchange for their own goods.

Additional employment is exactly what is wanted to make a scheme of co-operation successful. As long as a number of men, capable of doing good work, are unemployed, the scheme is not successful.

Every Chancellor of the Exchequer has been

more or less a tariff reformer; and it is well he should be so, as the British tariff requires reform, even for the purpose of raising revenue on correct principles.

The tariff can be used, no doubt, as a weapon, for coercing some correspondents and befriending others, but it is not part of our plan to enter on this.

## CHAPTER XI

### A REVIVAL OF AGRICULTURE

*Ninth proposition.*—The employers and workmen whose aid is required are especially those on the land. Therefore a revival of agriculture is essential to Great Britain.

Man might be defined as the animal that presses into his service all the rest of nature. Whether nature does more for him in agriculture or manufacture is a point on which political economists differ. There are certainly countries in which nature does more in food production than she does anywhere to aid the manufacturer. But as manufacture and agriculture are both indispensable to man, it is not perhaps important to decide in which the greater fortunes are made. It is more important that man gets from agriculture what he can get in no other way. Most countries therefore attend carefully to that industry.

In the winter of 1910-11 a Canadian agricultural official lectured in America on agriculture. Wishing to impress on his audience the importance of the subject, the lecturer named some great countries giving the most careful attention to agriculture; but he did not mention Great Britain.

It may be said incidentally that this lecturer was not dealing with his subject solely as a means of creating wealth; he dwelt much on its importance in its effect on man's physical, social, and moral improvement, thus taking to some extent the view adopted in this book.

It seems rather strange then that in Great Britain agriculture should have been suffered to decay. A certain statesman used to say that what prevents the success of British agriculture is the British climate. This is a very doubtful proposition. Each country has climatic ills of its own, as every one knows who has seen the oft-recurring famines and floods of the tropics, and has witnessed the loss of crops in Canada, due to hailstorms, drought, and frost. Great Britain was formerly in no unsound situation agriculturally: her climate was just the same then as now. He who doubts this might read Evelyn's diary: it can be bought for two shillings.

The decay of British agriculture appears to be due to two causes—the inpouring of cheap food, and the desertion of the land by able-bodied labour.

When cheap food is poured into a country the least fertile land in that country is no longer cultivated, as it does not pay a full profit. Then, almost at once, according to the doctrine of Ricardo, the rent of all land falls, and there is less employment available.

The flight from the land may have been partly due to this cause, but there can be little doubt it was also partly due to the conditions as to

wages, housing, and mental occupation in which the labourers lived. They fled from the land, and continue to fly, some to the towns, some abroad. It was not from work they fled, for they find harder work where they go, but it is work under different conditions.

Cheap food must always be very necessary to Great Britain; no one wants to prevent that coming in. But the flight from the land is a disaster, because only the land can give to a large section of the British population what they require, if that population is to march towards its ideal.

A revival of British agriculture is therefore necessary, for the following reasons:

First, agricultural life shares with seafaring life the offer of work in the pure open air. Hitherto it has offered little else, and that is why it has failed.

Second, although cheap food is a necessity, it is at the same time desirable that the amount of food produced in Great Britain should be largely increased, provided this can be done without any inconvenience to the public generally.

Third, by this revival employment would be found for a large number of men who are not, and never can be artisans, and nevertheless are as important a part of the population as any other.

Fourth, a large proportion of these men will be composed of those who, after the introduction of universal military service, annually complete their period of such service, and for whom immediate employment is essential.

Fifth, a smaller proportion of these men will be composed of those who receive pensions on completion of periods of long service in the navy and in the army.

Sixth, such a revival, under certain conditions, will greatly reduce emigration of those men Great Britain cannot afford to lose.

Seventh, the number of men to be dealt with being large, to the Government, endeavouring to introduce reforms, the willing support of the agricultural industry is most important. Therefore a revival scheme, which shall set farmers and their men all working along the desired line, is necessary.

It is not needful to say more about the open-air life: its value is apparent to those accustomed to it, and workers in towns would perhaps willingly revert to it, if they could do so hopefully.

In the following table are given the quantities of food, imported and home-grown, annually consumed in Great Britain, so far as shown in Board of Trade statistics :

		<i>(Millions of tons)</i>	
		Imported.	Home-grown.
Wheat . . . . .	5		} 1 $\frac{3}{4}$
Flour . . . . .	$\frac{1}{2}$		
Rice . . . . .	$\frac{1}{4}$		nil
Rice Meal . . . . .	$\frac{1}{7}$		nil
Sugar . . . . .	1 $\frac{3}{4}$		?
Potatoes . . . . .	$\frac{1}{5}$		3 $\frac{1}{2}$
Onions . . . . .	$\frac{1}{8}$		?
Fish . . . . .	$\frac{1}{7}$		1
Butter . . . . .	$\frac{1}{5}$		?
Cheese . . . . .	$\frac{1}{8}$		?
Bacon and Hams . . . . .	$\frac{1}{4}$		?
Beef, Mutton, etc. . . . .	$\frac{1}{20}$		?
Total about . . . . .	9 $\frac{1}{2}$		6 $\frac{1}{4}$

In addition to the above there is a consumption of meat from animals slaughtered, and of numerous minor foods and drinks. Only half the total quantity of potatoes grown is entered as food, the other half being presumably used as food for swine. Assuming that the figures given fairly represent the case, the food grown or raised in Great Britain is about two-fifths of her whole consumption; that is, she now feeds herself for nearly five months out of twelve.

The average potato crop of Great Britain is at the rate of six tons to the acre. There is no reason why this average should not be advanced to eight tons. If the best kinds were planted, the method adopted best calculated to utilise every gleam of sunshine, and the most suitable fertilisers used, then the general production of eight tons to the acre is a mere question of labour. The whole of the potatoes thus raised would make good food, and much-relished food, if only cooked in the best way. Let it be supposed that by this means home-grown food is increased by one million tons. The growing of onions being solely a matter of applying sufficient labour in the right way, there is no occasion for Great Britain to import a single onion.

No vegetable is perhaps so easy to grow as beetroot, and in no other case does the gardener take so little risk as he does when he grows beet. It is not supposed there is any doubt in the minds of those who have for years grown this root as to what Great Britain might do in the

way of raising her own crops and manufacturing beet sugar. She might add to her home-grown foods, if she chose to grow beet, anything up to one million tons a year.

The amount of wheat threshed annually in Great Britain varies so much that it would be rash to predict to what extent she might increase permanently her outturn. In 1898 she produced nearly seventy-five million bushels on 2,158,401 acres; in 1909 she produced twelve million bushels less on an acreage less by nearly 300,000. The price of British wheat in 1909 was about three shillings more per quarter than in 1898.

It is evident that Great Britain can to some extent, at any rate, increase her product of wheat. And so also might she increase her product of oats, which is quite a good food cereal, though not greatly used as such. If labour were forthcoming, and in all cases only the best seed were used in ground thoroughly prepared, it is reckoned Great Britain might easily feed herself for two hundred days in the year.

The knowledge that Great Britain had taken measures to secure this result might very well act as a deterrent to those anxious to make war upon her, and hoping to gain their end by starving her in her citadel.

Under all circumstances Great Britain is forced to import the greater part of her raw material and much of her food. If to the weight of food stuffs imported be added that of imported food for animals, about twelve million tons are brought to Great Britain annually. The weight of raw

material imported is roughly about twenty million tons annually.

Therefore the addition of each million tons to the food home-grown means a reduction of three per cent. in the shipping to be protected during war time. It would be easy, if Great Britain chose, to make this reduction, by growing food at home, at least seven and a half per cent. The Admiralty of the day would find such a reduction of their responsibility in war time a very welcome relief.

Any addition to home-grown food implies a corresponding reduction of manufactured goods sent abroad. On the other hand, the work done in raising the extra food will soon come to mean an increased demand for commodities; the returns of the extended home trade would also come more quickly than when this part of the food-supply was by foreign trade. Therefore in time the falling off of manufacture would be made good.

A certain number of ships would be laid up for a time, but it does not follow there would be less employment for British sailors.

To what circumstances then is the revival of British agriculture to be indebted? Farm labour cannot be taken back to the old conditions; it would not go. Nor can farm labourers well become part owners of large farms: if they become owners, it must not be as part owners.

The proposal is to revive the old custom of apprenticeship, sending as many young men as possible to established farmers. These men to work on the farms, carrying out all farming

operations for suitable wages, and to learn thoroughly all they need to know, who intend to begin farming on their own account.

Without some experience such as this, men on small holdings would merely add to the agricultural disasters of the times. When it can be certified that an apprentice has thoroughly learned all he needs to know, then he should be placed on a small holding of his own, with access to a local agricultural bank, whence he would obtain the funds necessary to start him. It is assumed that such holdings would always be so chosen as to have the quality of soil and locality necessary to make success possible. And the holding must be the man's own. For his own he will work as he never would nor could for a landlord, least of all for Government or Local Board as landlord.

If some such scheme as this were early put in hand, introduced gradually and carefully, but with the full intention of extending it to an army of small holders, and presently universal military service were demanded and became law, then there would probably be but little trouble in sending to farmers, as apprentices, the young men just done with military service, the apprenticeship scheme being then already in full swing.

The apprentice going to a farm would, of course, be at first of little use as a farm hand; but when it is remembered that, from the outset, there is before that farm hand a future full of hope, there is no difficulty in concluding that he

will not be long in becoming useful and worth good wages.

But the conditions of living must be right. There must be suitable accommodation and the means of studying the whole subject of agriculture always at hand. Not even in a period of probation should anything like the old dead dullness be possible. Just as each member of a true Army Intelligence Department would take a part of each district in which war might be waged, and obtain complete information of every detail a commander would desire to know, so here the Board of Agriculture should take district by district in Great Britain, and find out the possibilities and wants of each as a school for farm apprentices and for an agricultural revival. Some expenditure would no doubt be necessary; but it is difficult to conceive any way in which the State could spend its funds more wisely, nor with better assurance of an early and manifold return.

It is very largely to these men, as small holders, that we should look for a heavy increase in the national production of food of certain kinds. For example, beet, onions, and potatoes are especially adapted for spade labour, and therefore for production by men who, though their individual acreage may be small, can, by working together, obtain a great result.

If the premises stated here and the conclusions drawn are in the main correct, then the changes and undertakings to be pressed forward are, in the order of their urgency:

The collection and publication of home trade statistics in full—not piecemeal, upon any account—as an indispensable preliminary to a sound scheme of Tariff Reform.

A stringent Aliens Act, drawn with careful provisions for its strict and unremitting application.

Inquiry by the Board of Agriculture into the capabilities of each county for training farm apprentices and taking up of small-holdings' areas.

Preparation of the public for the proposal of Universal Military Service and Tariff Reform.

An inquiry by Commission into the advantages of introducing General Co-operation wherever possible.

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