

THE BEACON.

VOL I., No 2.

JUNE 1st, 1893.

PRICE, 1D.

BUSINESS ANNOUNCEMENTS.

Communications to the Editor must be written on one side of the paper only, and must be accompanied by a signature, not necessarily for publication. Matter which does not reach the office before the 28th of the month cannot be inserted in the following number.

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1s. 6d. per annum, post free; to Great Britain, 2s., and to U.S.A., 50c. per annum, post free.

The yearly subscription may commence at any time. Money Orders or Id. and ½d. stamps preferred.

Remittances and business communications to be addressed to THE MANAGER, "Beacon" Office, 349 Collins-street, Melbourne.

The Beacon.

"Where wages are highest, there will be the largest production and the most equitable distribution of wealth. There will invention be most active, and the brain guide best the hand. There will be the greatest comfort, the widest diffusion of knowledge, the purest morals, and the truest patriotism."—HENRY GEORGE (Protection or Free-trade).

JUNE 1st, 1893.

The praises of reconstructing the banks which have decided to "temporarily" suspend payment have been sung with so much enthusiasm both by the press and the public—there is apparently such a general consensus of opinion that reconstruction is a patriotic duty—that it appears as if some courage were required for the expressions of dissent. It, however, only appears so. The public is making a virtue of what appears to be a necessity; men are attempting to act with grace in choosing what looks like the lesser of two evils. Underneath the enthusiasm there is a load of doubt; of doubt which is expressed with bated breath, that after all it might be better to accept the losses which are inevitable; to have the matter done with once for all, instead of dragging an

incubus at our heels which may retard the hoped-for recovery of business. We are decidedly of opinion that these doubts are fully justified; that indiscriminate reconstruction is full of danger to the country as a whole, for the business people of Melbourne, and for the shareholders and depositors in the banks as well.

The present condition of the banks is unquestionably due to the ease with which English deposits were obtained. The large amount of English capital available, opened to directors and managers a vista of unprecedented gains and dividends. They eagerly competed for it, and obtained more than could be utilised in sound banking business. "Wild-cat" banking was the consequence; advances were granted with a free hand on the security of land, and men were thus induced to enter into land speculation who otherwise would never have dreamed of such a course. As the speculation extended, land rose in nominal value, and with it rose the advances which the banks made thereon. When the inevitable crash came, the banks found themselves in possession of securities which were largely unrealisable, and the real value of which was largely and seriously less than the loans which they had granted. Instead of facing the situation, and making a market for the land, an action which was recommended to them even by so conservative a journal as the "Argus," they refused to let any land go at its real value, *i.e.*, at a price which would have enabled the purchaser to make a profit from its use. The total collapse of business which we witness is the immediate consequence of this insensate action; a more farseeing policy might have avoided it, and might have saved some of the banks themselves.

At the time when the banks entered largely upon the illegitimate business which we have illustrated, the united paid-up capital of those which have suspended was £6,500,000; when reconstructed on the plans suggested it will amount to almost £26,000,000.

If, then, banks had to go in for wild speculation in order to earn a tempting dividend on the smaller capital, at a time when business was active and the colony fairly prosperous, how can they expect to earn even a small dividend in a legitimate manner, when their capital has been increased four-fold, and at a time when business is more than languid; at a time when this capital is largely represented by advances on unused land, returning no interest. This clearly is a question which shareholders who are clamouring for reconstruction, and depositors who are invited to become shareholders, may well ponder over.

Moreover, the policy of reconstruction is adopted for the purpose of enabling the banks to wait until the labour of the population has increased the value of their landed securities to the amount of the advances made thereon. The banks which have not to repay any deposits for five years can complacently await the advent of this hoped-for time. In the mean time they are enabled to refuse any offer which might allow an intending user to make a profitable living from the land. The land, therefore, remains idle, and with it remain idle the hands which might be employed in creating wealth from it. These unemployed men, unemployed through the policy of the banks, must starve or emigrate. The best of them choose the latter alternative. The official records show an exodus of about 40,000 during 1892 alone. How can land values rise if we force the population to leave the country? Clearly the opposite must be the case, they must fall still lower, and at the end of the moratorium the banks must find themselves in the same position as now, unable to realise at their price, and unable to pay their creditors. The policy of indiscriminate reconstruction, therefore, must defeat itself. It is a policy which, Micawber-like, waits upon something to turn up, which it in reality chokes off.

To the business men of Melbourne these considerations ought to appeal with the force of a steam hammer.

How can they live, when large sections of their customers are compelled to live in enforced idleness or emigrate? All observers agree that the numbers of traders in every branch are even now far in excess of the trade which population, in its existing state, can offer them. What if this population is to be still more impoverished and reduced in numbers? Will it pay to make a frantic effort to save some of the sums lost, when it can only be done by ruining one's business, by killing the goose that lays the golden eggs?

These considerations ought to make it manifest to all business men that indiscriminate reconstruction is a suicidal policy for them. It is very unfortunate that no steps have been taken to ascertain the real value of the assets of every one of the suspended banks. In the absence of this indispensable information, it is impossible to definitely designate the banks which deserve to be reconstructed and those which ought to be allowed to liquidate. The statistical information which we publish in another column may, however, prove of some value in the decision of this question. But whatever else is decided upon, this much must be clear to the meanest understanding, that anything short of forcing the banks and other holders of unused or half-used land to permit of the use of this land, must prove ruinous alike to the working and mercantile classes of this colony. If they will only learn by example—by the example of a colony which has triumphantly emerged from similar depression and danger—they will see that a moderate tax on land values, all improvements being exempted, can save them, and will, through the greater activity and prosperity which it engenders, raise the value of our banks' securities in a shorter time than is otherwise possible. Why not appoint a commission to proceed to New Zealand and study there the system which, in spite of many mistakes, has rescued that colony from utter ruin and raised it to unprecedented prosperity, the system of taxing the unimproved value of land?

Mr. Trenwith poses occasionally as the leader in the movement for the taxation of land values, though he has never yet opened his mouth in Parliament to support it. The following utterance exhibits the sincerity of this occasional profession:—"An Income Tax has been spoken of, but there seems to be a desire to cover up this idea and treat it as unpopular. Yet this is the only fair and direct tax that can be inflicted."

Farmers and the Single Tax.

II.

In our last issue we treated generally of the large reduction in the farmers' taxation which the gradual abolition of the present system, and the substitution of a tax on land values, would bring about. We showed that the farmers are now taxed at the rate of about 17s. per acre and year, whereas, under the Single Tax system, their taxation could not exceed 3s. per acre and year. The present taxation we showed to arise from duties, protective and otherwise, from excessive railway rates, other Government taxes, and local rates of various kinds. We also promised to publish greater details of the more important items than our space permitted at that time. We now redeem this pledge as far as the taxation through the Customs House and its consequences are concerned, leaving the detailed exposition of the influence of excessive railway freights for the next issue.

The figures which we publish below are calculated on the basis of a farm of 200 acres, 150 acres of which are cultivated. They are, however, equally applicable to smaller farms, or farms where the cultivated area bears a comparatively small proportion to the grazing area. The figures are necessarily approximate only, but every farmer, by following the course adopted, can work it out for himself to suit his own case.

Taxes paid on household expenditure amounting to 40s. a week.

	Expenditure.		Tax.
	Per week.		
	s.	d.	s.
Butter, 1½lbs.	..	1 6	.. 0 3
Milk, incl. 1 tin con	..	3 0	.. 0 2
Tea, 1lb.	1 0	.. 0 3
Sugar, 6lb.	1 6	.. 0 2
Preserves, 4 tins..	..	2 9	.. 0 9
Salt, pickles, sauces, &c.	..	1 6	.. 0 4
Rice; oatmeal, &c.	..	1 0	.. 0 3
Eggs	1 0	.. 0 2
Biscuits	1 0	.. 0 4
Currants, &c.	0 6	.. 0 2
Beer	3 0	.. 0 2a
Soap	0 9	.. 0 3
Candles	0 4	.. 0 1
Soda, black lead, matches, and sundries	1 0	.. 0 3
Tobacco	0 9	.. 0 4½
Writing paper and books	..	0 5	.. 0 1
Total ..	£1	1 0	.. 4 0½

(a) This is the duty on hops and sugar alone.

ON CLOTHING (for a year):

	Expenditure.	Tax.
Boots	£7 10 0	.. £2 5 0
Hosiery, flannels, &c.	7 10 0	.. 3 12 6
Suits and dresses ..	20 0 0	.. 4 0 0
Hats, &c.	4 0 0	.. 0 15 0
Total ..	£39 0 0	£10 12 6

Equal to 4s. 1d. per week.

ON REPLACEMENTS of furniture, crockery, and kitchen requisites, Expenditure, say, £12 a year=5s. per week. Tax averages 1s. 3d. per week.

ON MEDICINES, OINTMENTS, &c., £2 10s. a year, or 1s. per week. Tax, 3d.

SUMMARY.

	Expend. per year.	Tax per wk.	Tax per year.
	£ s. d.	s. d.	£ s. d.
Food (£1 ls. week)	51 12 0	.. 4 0½	.. 10 10 2
Clothing	39 0 0	.. 4 1	.. 10 12 6
Replacements ..	12 0 0	.. 1 3	.. 3 5 0
Medicines	2 10 0	.. 0 3	.. 0 13 0
Total ..	£108 2 0		£25 0 8

Add wholesalers' and retailers' profits on this (60 per cent.)^b 15 0 10

Taxes on Household Expenditure per annum £40 1 6

ON BUILDINGS, IMPLEMENTS, ETC.

The tax on the dutiable materials in his buildings may be fairly assessed at £20 0 0

The tax (or the excess price due to the tariff) on his implements, harness, waggon, buggy, and furniture, assuming their cost to be £500, is 120 0 0

Total excess price paid .. £140 0 0

The yearly interest on this sum at 8 per cent. £11 4 0

The yearly wear and tear on this sum at 10 per cent. 14 0 0

The tax on reaper and binder twine (8s. tax and 2s. retailer's profit on tax), 10s. per cwt., on 4 cwt. is equal to 2 0 0

In all, per annum .. £27 4 0

Add to this annual taxes on household expenditure .. 40 1 6

Total taxation of purchases £67 5 6

Or 6s. 8½d. per acre.

TAXES ON SALES.

3. The railway rates on grain and produce generally may be estimated to be 1d. per bushel higher than they would have been, from an average distance of 200 miles from port, had the material used in constructing railways, locomotives, and trucks been free of duty.

(b) Wholesale profit of 20 per cent. on £100=£120; retail profit of 8½ per cent. on £120=£160. Total profit 60 per cent.