

THE GENESIS OF CAPITAL.

BY HON. A. GARRAN, LL.D., M.L.C.

ERE is no economic question that enters more into the tangled controversies of the day than the relations of labour and capital. It may help towards clearness of thought, and towards getting rid of some misleading confusion, if we can keep definite ideas as to how capital originates. We can conceive states of society in which capital never originated, or in which its development was arrested at the very earliest period; in fact, the native tribes of Australia do not well realise that idea, as they have either no capital at all, or only such small amount as is stored up in a few ornaments or trinkets. If we suppose the primitive hunter using only nature's tools such as stones or sticks, or a string of bark to capture his prey, he might live from hand to mouth, and use up every day in food the whole of the day's industry. In such a case it would not be possible for him to save, because his whole daily force would be exhausted in providing what was necessary to recoup the expenditure of force. Next let us suppose that in the day he gets more than the day's food. He could take his good fortune out in the shape of luxury by sleeping for half a day. But if he has the germ of civilisation in him he can save the precious gift of time in improving his implements, and if he does that he has gained a step. He has escaped from the hardest and severest compulsion of necessity, and placed himself in a slightly better position to face the work and the risks of the future. He has made one step towards becoming a capitalist. He has saved up half a day's labour instead of wasting it. That embodied in an improved tool, and will be a perpetual advantage to him in the battle of life till the tool is worn out or lost, or destroyed. This is the most elementary conception of the genesis of capital. It is the result of frugality whenever good fortune gives a surplus on the day's industry. If there is no surplus, capital cannot be formed; if there is no frugality, the opportunity is lost. In short, therefore, capital is the child of two virtues, industry and self-denial; and it is well to remember the respectable ancestry of this form of capital when we are told that all property is theft.

If we take the tribe as a unit, which, industrially speaking, it properly is, the principle is the same. The tribal surplus belongs to all, just as the proceeds belong to all, though the disposal of it may belong to the head of the tribe. If one tribe wastes the happy surplus in gluttony and idleness it can have no accumulation. If another turns a good account by storing its food, or by improving its implements, it puts itself in a position of advantage; it has a buffer between itself and misfortune, and is better equipped for the battle of life. This superiority carries with it the consciousness of it, and this consciousness will in time in giving self-confidence, in increasing courage, will operate physiologically to improve the breed. When the test of the survival of the fittest comes, the tribe that has most saved and that has best invested its surplus will show to the most advantage. We need not go, however, to rude times or rude ages for illustrations of the way in which capital is formed by self-denial, or, as economists like to call it, by abstinence. We can trace the genesis of capital in this way around us every day. Every man or clerk who saves a portion of the week's wages, through a building society acquires his freehold home;

every servant girl who puts a quarter of her earnings into the savings bank, every professional man who lives within his income, and puts something by for a rainy day, is creating capital by saving instead of spending the fruit of his industry. With less industry it would not have been earned; with less frugality it would not have been saved, and by the union of these two virtues capital comes into being. I have referred to the investment of savings, because that is uniformly the rule. Capital would grow even if the savings were kept in a stocking; but wherever there is security the saver puts the savings out to interest, and capital grows by the accumulating interest on investments. The smallest saver becomes an incipient money-lender and looks forward to an income from interest, without having to work for it. How much is added to the capital of New South Wales every year in this way it is impossible to say, because the money is invested so variously; but the amount is considerable.

Let us now pass from the study of the industrial unit to industrial combination, and the simplest form of co-operation is that of partnership on equal terms. Instead of one man working by himself and for himself, let us consider two men working together and dividing the proceeds. If they were equal every way, physically, intellectually, and morally, there would be no just division except an equal share to each, and if in case of a surplus each invested his surplus with equal self-denial and skill, they would grow together as capitalists. If all men were really born equal, society would never have known any other industrial relation than that of partners. The inequalities which we see now in respect to the possession of property have their origin in the primal inequalities in the constitution of men—inequalities which become amplified and exaggerated as the resulting advantages become accumulated in the hands of persons who can turn them to account. To him that hath shall be given, and from him that hath not shall be taken away even that which he hath. Our modern systems of education, on which we pride ourselves so much, tend to prevent anybody starting on the race of life handicapped by ignorance or the inability to learn, but though universal education has an equalising tendency so far, it does nothing towards correcting the inequalities of capacity which result from the hereditary tendencies, and which are quite beyond the control of law to prevent. This superiority working in the industrial sphere enables one man to outstrip another, and the advantage gained takes the form of enabling the possessor of capital to command the services of those who cannot fight the battle of life alone, and who in order to live sell their labour and sometimes their liberty with it. This advantage leads to the making of profit, and to the further creation of capital by saving some of this profit and re-investing it in productive enterprise. We are led on, therefore, to study the genesis of capital as it grows out of the use of property, either by lending it or by buying labour with it. This is the more difficult and complex part of the subject, and the part that is most mixed up with the popular passions of the day.

If capital had never originated except out of personal work and personal savings, there would have been little cause for grumbling or envy, but when it grows out of the advantage which one man acquires over another, this discontent arises. What we have to do is, without passion or prejudice, to analyse as well as we can the genesis of that portion of capital which is produced in our competitive age by the co-operation of individuals who are differently cir-

cumstances, and who contribute differently to the result. It is the dispute over the distribution that gives the strong personal and class interest to the inquiry. Under the competitive system, each gets all it can, and leaves as little as possible for the others. The modern cry is for a better distribution. But where is the new test of fairness to be found? By what rule or measure can we say, so much ought to go for the use of money, so much for labour, and so much for superintendence? If we say the distribution should be according to merit, where is the test of merit? Socialism does not answer the question, it simply ignores it. It practically denies that there is any question to solve. It disowns the claim of merit altogether, maintaining that each should work according to his talent and opportunity, and accept as his desert an equal share. Trade-unionism alters the distribution, but it does not alter the principle on which the distribution rests. It simply makes labour more powerful, and in a position to get more. But its measure of right is still might. Co-operation approximates to a solution, but struggles with the difficulty of apportioning to grades of labour a proportionate reward, for the associated partners contribute in different degrees to the result.

The formation of capital, when only the labour and the abstinence of one person are concerned in its creation, is simple. Where we have to analyse the effects of associated labour the problem becomes more complex in proportion as the association is more extensive, and is varied in its constituent parts. Probably the earliest form of associated labour was that of the family and the tribe, in which, so far as we can gather, there was no question of distribution. The property as well as the authority vested in the head of the tribe, a form of despotism that was suited to a fighting age, when divided authority would not suit, and which has occasionally been reproduced in more civilised and complex societies, when extreme danger necessitated the appointment of someone with dictatorial authority, and with power over the lives and property of all. But, for the purposes of economic analysis, the simplest form of associated labour is, as we have said, that of partnership, say, of two persons engaged in a common enterprise, and sharing the results. The inequalities of talent and opportunity already alluded to become hereditary, and whole families are born with the inferiority of opportunity that makes even superiority of talent unable to assert itself. In this way the world early drifted into industrial and political slavery, and those who had the whip hand were able to command the labour of those who did not start with an equal chance. Reflecting on this fact, some writers, indignantly rebelling against its injustice, although it was an inevitable result of the conditions of human life in the evolution of society, have contended that all accumulation of capital was due to the exploitation of labour, and that all property was simply the workman's share that had been stolen from him. This is the doctrine of Karl Marx, and indeed it is the foundation of his whole system. But though he asserts it with great vehemence, and with constantly contemptuous reference to the employer whom he dubs "Mr. Moneybags," and though he mixes up his passionate invective with an incongruous affectation of mathematical formula, as if he had really given an algebraic demonstration of a truth that algebra can neither discover nor prove, he has committed the obvious mistake of putting the part for the whole. The fact is that capital may spring from any source from which profits may spring, if those profits are saved and re-invested productively; and it matters not to the subsequent operation of capital in its economic working whether the profits

were made righteously or otherwise. Profits have been made by taking labour at a disadvantage, but they have also been made by giving labour its fair due; and in order to discriminate wisely and fairly, we must abstain from those violent prejudices which Karl Max seeks to cultivate in his readers, and look the facts in the face as clearly as we can. The word "exploit," which is so much used by one class of writers, must have been wanted in our language, or it would not have been acclimatised, but it is a dangerous word for the scientific student, because there is associated with it a quite indefinite amount of moral blame, and precision under such circumstances is impossible. Money-lending, which is a legitimate operation of commerce, and a convenience both to lender and borrower, is often called by what is intended to be the abusive name of usury, because the lender sometimes has the borrower at his mercy, and exploits him to the utmost. There are other cases where the lender's money is simply the ladder by which the borrower climbs to fortune, and where it would have paid him to give three times the rate of interest he was charged. In the same way capital is abused, because it has sometimes pushed its advantage unmercifully, while at other times, so far from getting too much, it has got nothing or less than nothing. In our own age, and especially in our own colony, the trades unions are a pretty effectual check against the exploitation of labour. The boot is sometimes on the other leg, and employers, tied by the investment of their fixed capital, and unable to extricate themselves, go on employing labour at a less profit to themselves than they could get from the current rate of deposit at the banks. Another indication that labour is not being much exploited in these colonies, is to be found in the fact that in almost every case where we note a rise in wages, we note an increase in the cost of the commodity to the consumer, except in those cases where improved processes have caused a compensating cheapness. This indicates that there is no broad margin in profits which will stand clipping. Wherever this additional charge made by labour is thus passed on, it is obvious that the controversy is not at bottom between labour and capital, but between labour and the consumer. The employer is an intermediary. If he has to pay more he charges more, and any increase on the cost of production is paid in the last resort by the consumer. But the workman does not come into immediate contact with the consumer, and therefore the controversy appears to be between him and his immediate employer, and not between him and his ultimate employer.

In estimating the contribution of the wage-getter towards the divisible profit, we must distinguish between the commodity and the profit that results from the whole industrial transaction. For causes go towards making the profit, which lie outside the sphere of the employed workmen, such as the commercial skill in buying and selling and in financing generally; and also the skill in organising the method of procedure and the distribution of labour. It sometimes happens, too, that years elapse before the accounts of a large transaction are closed and the profits can be accurately stated. The assumption that all employers' profits represent money stolen from the workmen is disproved by facts within our daily experience. We constantly see amongst business rivals that one man outstrips another in virtue of his business superiority. We see two men start together in the same business with equal chances, so far as outside conditions are concerned; they have to deal with the same markets, the same quality and quantity of labour, the same business openings, and yet at the end

of 20 years one will retire with a fortune, and the other after a hopeless struggle will call his creditors together. Why this difference? It is due to the fact that the first man has managed better than the other; he has bought better, he has sold better, he has been a keener judge of markets, known better whom to trust, calculated better in framing his tenders, handled his men with more tact, chosen his foremen with more discretion, regulated the working of his establishment with more judgment. In other words the difference between the fortune and the insolvency was due to differences in the men themselves, and not in their outside conditions—*i.e.*, due to subjective and not objective causes. Mr. Karl Marx would say that the fortune of the successful man consisted, every penny of it, in money stolen from his workmen, but would the workmen of the other allow for a moment that his failure was due to them? Certainly not; they would attribute his failure to himself, and himself exclusively, and would hold that they had done work equal in quantity and quality per day to that of workmen in any other shop. But if we are to attribute failure to bad administration, where is the fairness of denying success to good administration? The point is of more importance because in these days of severe competition the margin for profit is almost confined to the merit of administration.

Another way in which wealth accumulates without the exploitation of the wage-getter is by inventions, which during the last hundred years especially have been a great source of profit; and here let me insist on the importance of always attaching the same meaning to the word labour. If the labour of the brain is included in the meaning of the term, and if we also consider capital as condensed and preserved labour, then labour is primarily the source of nearly all wealth; but this is not the sense in which the word is used by Karl Marx, nor the sense in which it is generally used in popular oratory. When we read or hear of the exploitation of labour, what is generally understood is the exploitation of the wage-getter. But the inventor exploits not the wage-getter, but the grey matter of his own brain; he indeed is often exploited himself, for his necessities often compel him to sell the whole or a portion of his invention before it has become fully productive. But in so far as he reaps the fruit of his labour, the fortune he gains has not been won by robbing anybody. When Watt invented the steam-engine, with a view to draining the copper mines in Cornwall, he not only did that, but gave an expansion to industry that no one could have foreseen. The subsequent inventions in the manufacture of cotton also added enormously to the wealth of England. When Mr. Neilson hit upon the idea of the hot blast, he saved an enormous waste, and the fortune made by Mr. Bessemer was only a fraction of the wealth that his invention created. No workman can say to these inventors: "The fortunes you have made are due to your successfully exploiting us." What these men have exploited is Nature and Nature's forces, and Nature never grumbles at being cheated, robbed, or underpaid.

And this leads us by a natural transition to the next remark, which is that much is added to the world's wealth, and which being saved and re-invested, becomes capital, simply by tapping Nature's hoarded stores of wealth. The men who first found out the use of the guano deposits made fortunes, those deposits being in no respect due to the labour of men. Those who discovered and utilised the oil wells of Pennsylvania secured great fortunes because they

appropriated a substance that in the then condition of the world's requirements was practically wealth. Nature during the progress of centuries had distilled that oil, no workman having had a hand in the business. Our gold miners are in the habit of saying, when they have struck upon an exceedingly rich spot, that they have broken into a jeweller's shop. Nature has many of these jeweller's shops, which men rifle whenever they can discover them. In our own colonies we have had such wonderful developments as the Burra and Moonta mines in South Australia, the rich gutters of Ballarat in Victoria, Broken Hill in New South Wales, Mount Morgan in Queensland. These and others of less, though still considerable, importance have proved veritable jewellers' shops; the dividends have been out of all proportion to the cost of labour employed in exhuming them, or to the interest on the necessary capital. The surplus has been merely the plunder of natural treasures; Nature stored the treasures, and in many cases before man was born. All that man does is to turn the key, find the treasure and take it out. It would be a misuse of words to say that all the wealth thus unearthed is the product of labour, and we ought to beware of any such confusion of language. Nature sows and garners and man reaps, but the reaper cannot claim the sole merit of the harvest. The case of profit made out of the lending of money is a case in which the exploitee is not a wage-getter, or at any rate does not borrow in his capacity of labourer. It is by the trader, or speculator, or employer, that money is generally borrowed for industrial purposes. What the fair rate of interest is, is as difficult to determine as what is the fair rate of wages, but as a general rule it must necessarily be below the average profits in trade, because men will not knowingly borrow at 5 per cent. if they cannot make more than that by the use of the money.

It is not irrelevant to remark that in all these cases of profit-making, and others that might be mentioned, there will be no transmutation of profit into capital unless the money is saved. Whether it is gained honestly or dishonestly, there must be abstinence before capital can be created. If everybody who made money by whatever process were to live up to his income, and spend as fast as he makes, there would be no further accumulation of capital. The stored wealth of the world only accumulates by those who are able to do so keeping down a possible expenditure in luxury. As respects the large class of distributors, including therein agents of every kind and professional people, their incomes are principally made out of those who employ them. They render a service and are practically servants; and yet, though they have a certain number of servants of their own, if they exploit anybody, they exploit their customers, and the check upon their doing that to excess is the competition among themselves—a competition which is already declared to be too severe. Their incomes are supposed to be, and as a rule practically are, a fair remuneration for the service they render, only they are paid by profits and fees instead of by wages. But they earn their income by their personal labour, and since they are generally an industrious and fairly frugal class, their incomes make a large addition to the capital which is lent through banks, or invested in joint stock companies.

I have not in this paper referred at all to that form of capital which consists in stored up skill, and which is sometimes hereditary. I have confined my remarks to transferable capital.

labour, the Single-tax, co-operation, profit-sharing, and a more equal distribution of wealth, but these are theories which appear to me to be Socialism more or less disguised. In concluding this brief sketch, I would say that the *New York Herald* reports a recent speech of Prince Bismarck, from which the following is an extract:—"If the political parties who oppose Socialism do not unite in defence of their independence and the welfare of the citizen and the family, they must succumb to socialistic domination, until such time as Socialism is, in its turn, overthrown by the excess of misery, as inherent in it as in slavery." Few, I think, will dare to dispute the statement that at the present juncture the utmost wisdom is demanded, both of employers and employed, in order that our industrial system may not be paralysed by injurious conflicts, and permanent injury to the mother country and the colonies result from a diversion of trade to our foreign competitors.

NOTES ON DR. GARRAN'S PAPER, "THE GENESIS OF CAPITAL."

BY PROFESSOR W. SCOTT, M.A. (OXON.)

[The editor has great pleasure in being able to give the full notes of Professor Scott's valuable criticism of Dr. Garran's recent paper.]

DR. GARRAN says: "The inequalities which we see now in respect to the possession of property, have their origin in the primal inequalities in the constitution of men." Rather, the inequalities in the possession of property have their origin in the inequalities of human nature, combined with certain action of the State. But for the action of the State in enforcing its laws of private property, including the laws of bequest and inheritance, these inequalities could not exist. That the State must recognize and protect private property, and its use as capital, before the individual can, by means of his superior ability, industry and frugality, accumulate capital, is almost too obvious to need stating. But the State does more than this; it allows men who have accumulated capital to leave it to others, who may not be above the average in ability, industry, or frugality, but who yet, owing merely to the fact of owning a large capital to start with, may see that capital maintain itself and grow almost despite themselves. "To him that hath shall be given," no doubt; but under the existing law of property, that principle holds equally whether "that which he hath" be the ability and energy of one who builds up his own fortunes, or whether it be merely a second cousin who happens to die intestate with no nearer kin. Under our laws, a semi-idiot may not only own a large fortune, but increase it, if he has just sense enough to leave it in the hands of a good firm of lawyers, and not to spend more than the interest. The wealth of such a man is certainly not due to his ability or industry, and it is rather straining language to ascribe it to his "frugality," or speak of it as "the reward of abstinence," when the interest on his capital alone may yield him a large income. At any rate, the average day-labourer practises a thousand times as much "abstinence" from the material goods of life without reward. I am not now concerned to discuss whether the arguments which may be put forward in justification of this action of the State are, or are not, sufficient; but we must not ignore the fact that the State does so act.

Dr. Garran says, "The modern cry is for a better distribution. But where is the new test of fairness to be found?" Let us have a better distribution by all means, if we can get it; but as to fairness, I have nothing to say to Dr. Garran's protest, but to emphasise it. There is no test of "fairness" in such matters. A fair wage, a fair profit, either means the market rate of wages, and profits—in which case it would include the starvation wages paid by London sweaters,—or it has no meaning at all. The use of the term "fair" in this connection, is an apparent appeal to some abstract standard of justice, which turns out, on investigation, to have no real principle behind it. It is merely another form of the old delusion of "natural rights." The wage-earner fancies he has a natural right to 8s. a day, or to "eight hours and a smoke-oh;" the capitalist fancies he has a natural right to 6 per cent. interest on his capital; and both assertions are equally baseless. The truth is, that the only rational principle on which any law of distribution can be based, is ultimately the public good. Individualists say, "leave it to free competition to determine the rates of wages and profits." Very well; let them prove that this is for the public good; that it is the arrangement which best promotes the welfare of the men and women of whom society is composed; and then we will accept their doctrine. On the other hand, some socialists say, "let each workman's share of the produce be proportioned to his merit, as estimated by some State-appointed authority;" and other socialists say, "let the wages of all be equal," or "let them be proportioned to each man's needs." Very well; then it is for them to prove that this is for the good of society. As long as they confine themselves to this argument, either party is on solid ground, and they can argue it out between them; but when they begin to talk about natural rights or fairness, both alike are soaring into a region of unreal abstractions; and in that region, the assertion of the one is worth just as much, or as little, as the contradictory assertion of the other. If we must talk about what is fair, let us say once for all "it is fair that that arrangement should be made which tends most to the well-being of society," and then proceed to ask the more practical question, what the well-being of society demands.

Dr. Garran says, "Causes go towards making the profit, which lie outside the sphere of the employed workmen, such as skill in buying and selling, skill in organising." It is best to deal with the part of the proceeds which goes to reward this skill under the separate head of "wages of superintendence," and distinguish it from the profit on capital. The capitalist may be identical with the employer or organizer, but often they are distinct persons (*e.g.*, when the concern is worked wholly or partly on borrowed capital). To get profit or interest on capital as such, requires no skill beyond that of choosing once for all an investment that has some profit in it. Dr. Garran adds in this connection, "In these days, the margin of profit is almost confined to the merit of administration." But if it were so confined, investments would yield no interest.

Again, Dr. Garran says, "The case of profit made out of the lending of money is a case in which the exploitee is not a wage-getter, or, at any rate, does not borrow in his capacity of labourer." The socialist would probably answer:—To the labourer, it is a matter of indifference whether the capital is owned or borrowed by the employer. In the first case, the employer "exploits" the labourer (whatever we may understand by that), all by himself; in the second case, he goes into partnership with the capitalist to do so,

and employer and capitalist share the proceeds between them. The grievance, if there is one, is that private persons should be allowed to be either employers or capitalists; and the socialist remedy is, that the State should take over the functions of both, and use the proceeds for the good of all. Dr. Garran says, "As regards distributors, if they exploit anybody, they exploit their customers," not their employees."

Can this distinction between manufacturers and distributors be maintained? Both alike use capital; both alike employ wage-earners; and both alike get a share of the gross proceeds for themselves, as interest on capital, and as wages of superintendence. If the distributor makes his customers pay the highest price he can get from them, so also does the manufacturer; and we must not leave the interests of the consumer out of account in either case.

Taking Dr. Garran's paper as a whole, the inferences which it seems intended to suggest are these:—Firstly, that the ownership of capital, with the advantages which it gives over the labourer, is, in the main, the reward of skill and merit; and, secondly, that the accumulation of capital in the hands of some individuals is, in the nature of things, inevitable, and consequently affords no valid ground for discontent. As to the first point, I have already tried to show that it can only be accepted with important reservations. As to the second, it may be disputed. We know that individuals do acquire and increase their capital in the ways which Dr. Garran has pointed out; but what enables them to do so? Not an immutable law of nature—which it would be useless and foolish to murmur against—but the law of the State, as it exists at present. That is to say, the private accumulation of capital is made possible only by institutions which have been made by men, and which can be altered as they have been made, if men see fit to alter them. Men can acquire capital, and so can get a share of the products of other men's labour without further labour of their own, because the State allows them to own what they save, and to employ it as capital; and their heirs can live all their lives on the labour of others, because the State has permitted the first owner to leave his accumulated capital to his heirs. Now this state of things is not inevitable and immutable; it could be altered by making it the business of the State to accumulate capital and employ labour, and forbidding individuals to do so. Some people believe that this change would result in an improved condition of society; and, assuming that belief to be correct, their discontent with the present state of things is rational. Whether they are right or wrong,—whether the resulting condition of society would be, as they think, one of greater freedom and well-being for all; or whether it would be, as others think, a grinding despotism that would crush out all individuality and destroy the very possibility of progress,—that is a very large question, not to be settled off-hand, but it is a very real and practical question. Nor is it a decisive answer to those who hold these views, to say that so immense a change is impracticable, and that any attempt to introduce it suddenly and completely could only result in hideous ruin. That, no doubt, is true, but yet it is not a final answer. An ideal is none the worse because it cannot be completely realized in a day, or in a century; and those who have such an ideal before them, will be guided by it in their decision on many questions of immediate practical interest, and will vote for or against this or that measure in detail, according as it tends towards or away from their ideal, in the direction of socialism or of individualism. But that it may be discussed to any purpose, the question must

be discussed on the practical ground of the good of society,—the welfare of men and women,—and not on the basis of any pseudo-metaphysical theory of abstract fairness, or of natural right, whether the right asserted be the natural right of the English labourer to three acres and a cow, or the natural right of the slave-owner to flog his own nigger, or even the natural right of the capitalist to "do what he likes with his own."

A CRITICISM OF MALTHUS' DOCTRINE.

BY HON. A. GARRAN, LL.D., M.L.C.

To judge fairly of Malthus' doctrine we must possess ourselves of the fundamental principle out of which it grew, and that principle was the difference in the rate of fertility in the animal and vegetable kingdoms respectively. That principle rests on a fact the existence of which is at any time demonstrable by observation. But Malthus added to it what was not a fact, namely, the assertion that the difference in the different degrees of fertility corresponded to geometrical and arithmetical progression respectively. This gave a form of mathematical demonstration to his argument without the reality. It is a proof that Malthus was wanting in scientific accuracy that he should have put his statement in such a form, because there are no facts in nature to prove it. All that he could bring facts to prove was that animals could increase faster than vegetation to support them could.

The whole animal world rests on the vegetable world, for though many animals feed on animals their prey feed on vegetables. Leaving fish food out of account as immaterial to the argument, we may say that animals could not live but for vegetation. If we take the state of nature every one will admit that in that state the spontaneous fruits of the earth could not keep pace with the possible fertility of animals, because in a state of nature the fertility of the earth is practically a fixed quantity—if we assume the seasons to be regular. As a matter of fact we know them to be irregular, and a short supply of food in seasons of drought means starvation and death to animals to a corresponding extent. Civilisation, however, means artificial culture, and that was the problem that Malthus studied, and he contended that cultivation, though it led to improving results, and that without assignable limit, did so with returns in a constantly diminishing ratio with the capital and labour invested. The possibility of animal fecundity grows with every successive generation, the possibility of terrestrial fecundity tends towards zero. These two facts are not denied, and are not deniable. But Malthus drew the conclusion that as men can increase faster than the food for them can, therefore over-population is the cause of poverty. This tendency to find a single cause for a complex result, is the bane of political theorists. Let us always beware of single cause philosophers. There is hardly such a thing in nature as a result due to a single cause. In our complex world every effect is the resultant of a number of forces working conjointly. One of the most difficult tasks our experimenters have to undertake in their laboratories is to diminish the variety of forces at work, to isolate what they are operating upon, and to get it if possible into such unnatural conditions that they can study one force at a time. To do this they require most ingenious apparatus and often most complicated operations,

Table showing the difference in the values of home produce exported, goods imported for home consumption, and imported goods exported :

	Per-Statistical Register.	Per Revised Table.	Difference in Value.
Imports for Home Consumption	£ 16,674,158	£ 14,540,763	£ 2,133,395
Imports re-exported	5,872,075	8,005,470	2,133,395
Gross Imports	22,546,233	22,546,233	—
Exports of Home Produce	17,382,076	15,248,681	2,133,395
Exports of Goods Imported	5,872,075	8,005,470	2,133,395
Gross Exports	23,254,151	23,254,151	—

A CRITICISM OF "THE GENESIS OF CAPITAL."

By J. PERCY CREED, B.A.

ANY paper by Dr. Garran could not fail to be interesting and instructive, but his article on the "Genesis of Capital" scarcely seems to me quite as valuable a contribution to economic science as we might have expected. To me it seems but an expansion of the fairly-well-known fact, that you cannot eat your cake and have it; and to anyone who has experimentally acquainted himself with that fact, the conclusion at which he professes to arrive will not be very serviceable. That conclusion, as far as I comprehend it, may be expressed by saying, that as Capital originated in the earliest times, in like manner it now originates, and that as its functions were in the dawn of civilization, such they are now, a conclusion which I hope to be able to show is a *petitio principii*.

There is no need to take exception for the purpose of these notes to the analysis and exposition of the original beginnings, if you will pardon the tautology, of Capital as Dr. Garran describes it, though such might be taken. Dr. Garran's thrifty savage, who improved the shining hour to make better tools or weapons, was certainly in a better position to live and survive than his lazy brother, who basked in the sun and slept away his holiday. And the former probably became a progenitor of that curious phenomenon, a progressive race, while, from whatever physiological causes, the descendants of the other doubtless remained stationary and unprogressive. I accept Dr. Garran's account of the origin of this savage capitalist. "Let us suppose that in the day he gets more than his day's food. He could take his good fortune in the shape of luxury, by sleeping for half a day. But if he has the germ of civilization in him, he can spend the precious gift of time in improving his implements; and if he does that, he has gained a step. He has made one little movement towards becoming a capitalist. In this form, therefore, capital is the child of two virtues, industry and self-denial; and it is well to remember the respectable ancestry of this form of capital, when we are told that all property is theft." If, however, capital has not descended in a direct line, it is scarcely much use to remember its ancestry. But Dr. Garran does not stop here; he goes on to argue that as capital originated in earliest times, so, he implies, it now originates. Then, was capital the same as capital now? Now in this deduction I think he is guilty of the fallacy known as begging the question. Let

us return to the case of the savage capitalist and his prodigal brother. When they both get up the day after their holiday to go hunting, it is true the capitalist, with his tomahawk, will be in a better position than before, but unless he uses it to knock his brother over the head, the brother will be in no worse position than he has been since his parents sent him to find a living for himself; still the world is all before him, where to choose his happy hunting grounds; he loses nothing by his brother's new possession.

It will, no doubt, be said, that when the severe struggle for life, for existence, came, the capitalist would have a better chance of surviving than the prodigal. I grant it; but that is only an alternative or particular statement of the general law of evolutionary progress. The weakest goes to the wall; or, as Herbert Spencer says, the "fittest survives." Such, I know, as well as anyone, is the law that has brought the world to its present state. Precisely the same course of natural selection that has evolved the lion and the tiger, has evolved the capitalist; and I mean no disparagement by this comparison.

And here, perhaps, it would be well to say a word as to the use of the word "Capital" by Dr. Garran. As far as I remember he does not define it, but seems to use it in a sense equivalent to money. And though I am perfectly well aware that if all the coined gold in the globe could be enchanted back into its native rock to-morrow, or volatized by means of electricity, and a brass button, stamped with Midas' head, issued in its place, the world and the work of the world would go on just the same. In the present stage of the world's development, money is the representative of every necessary and every luxury of human life; and, besides, all such definitions of capital as "condensed and preserved labour," involve us in labyrinthine mazes of distinctions between floating and fixed capital, etc., etc.—a nomenclature, and distinctions that belong, in my opinion, to a science as obsolete as astrology and the Ptolemaic system; a science that may, perhaps, be described as static, or analytic Economics, the science of Smith and Mill. Having touched on this point let me now return to our young barbarians. The doctor, anticipating the progress of civilization, rightly foresees a time when the tribe of the capitalist will have a goodly store of tomahawks and spears, and the descendants of the prodigal will still roam unimproved. What then will probably occur, he however passes over in silence. Some day the strong tribe will probably attack the weak one, the lazy and worthless men will be killed, and the women and children carried off into slavery, where their lords and masters will doubtless exploit their helots' property, and still further increase their capital. With this additional example of evolutionary progress we will leave the embryo capitalist, and try to see the position of a capitalist in the present day and how he becomes one.

"We need not," says Dr. Garran, "go to rude times or rude ages for illustrations of the way in which capital is formed by self-denial, or, as economists like to call it, by abstinence. We can trace the genesis of capital in this way around us every day. The smallest saver becomes an incipient money-lender and looks forward to an income from interest, without having to work for it. Capital would grow even if the savings were kept in a stocking." This seems to me a somewhat inconsistent statement. This capital is also doubtless a child of industry and abstinence, like the tomahawk, but surely if the primitive capitalist put his weapon in a stocking it would not serve him much.

I would also ask the doctor, is it logical to speak of capital growing by lending. Capital is indeed "a monster that doth make the meat it feeds on," but the most avicious

lender who takes "a breed of barren metal of his friend" only takes part of what the friend, if the capital was his own, would himself pocket for his labour. This, however, is a digression, as it does not affect the argument, which I left at the point where we were about to examine the position of a modern capitalist. Let us take an imaginary case. Mr. A. has £100,000. Capital is the child of two virtues, industry and self denial; what a virtuous, industrious, and abstemious person must A therefore be. You and I can get no work to do, perhaps he will help us. Oh yes, we can work for him, and if we are virtuous, industrious, and abstemious, we shall have a £100,000 too? By no means. We shall have just leave to live, instead of to starve, and he shall double his capital, and double it again. This curious monopoly of capital then, unlike the capital of the savage, even though the modern capitalist does not tomahawk us, actually prevents us from earning our daily bread without the help and approval of the capitalist. The prodigal savage was not at all as badly off.

Now I do not at all want to introduce another question concerning natural rights; I am quite content to believe, for the sake of argument, that when a man comes into this world he is as destitute of natural rights as a blind puppy, and that when he goes out of it, he is equally destitute of spiritual rights. I am quite content to say that society has given, and society has taken away, if I may be permitted to add that what society has done, it can undo. But let us return to the consideration of the paper. Even were I disposed to grant that as capital once originated, so it now comes into being, I should still have to object that the latter part of the paper is really a defence of the reasonableness, if not fairness, of the relations of capital and labour as they exist at present. Let us consider this; it is, I admit, well described by the doctor. "We are led on, therefore, to study the genesis of capital as it grows out of the use of property, either by lending it, or by buying labour with it. Under the competitive system, each gets all it can, and leaves as little as possible for the others. It was an inevitable result of the conditions of human life in the evolution of society." I would ask—When society has been evolved, do the same conditions and laws hold? "Capital is abused, because it has sometimes pushed its advantage unmercifully, while at other times, so far from getting too much, it has got nothing, or less than nothing. Capitalists go on employing labour at a less profit to themselves than they could get from the current rate of deposit at the banks." Dr. Garran has fortunately given us an explanation of this anomaly, so clearly expressed, that it would be unjust not to quote it. The want of success lies in the personal element in the matter. The bank does not pay interest on deposits out of pure kind heartedness. As he tells us, "the causes go towards making the profit, which lie outside the sphere of the employed workmen, such as the commercial skill in buying and selling and in financing generally; one man has managed better than the other; he has bought better, he has sold better, he has been a keener judge of markets, known better whom to trust, calculated better in framing his tenders, handled his men with more tact. Mr. Karl Marx would say that the fortune of the successful man consisted, every penny of it, in money stolen from his workmen, but would the workmen of the other allow for a moment that his failure was due to them? Certainly not; they would attribute his failure to himself, and himself exclusively, and would hold that they had done work equal in quantity and quality per day to that of workmen in any other shop. But if we are to attribute failure to bad administration, where is the fairness of denying

success to good administration? I do not wish to deny such success, but it has nothing to do with the relations of capital and labour. Failure simply means, eliminating the element of bad luck, that the capital had got into hands unworthy of the opportunities it gives.

But I need go no further in pointing out, or trying to point out what to me seem the inconsistencies of Dr. Garran's defence of the legitimacy of the present relations between labour and capital. I shall just quote one admirable little sentence which contains a full explanation of the difficulty. Speaking of inventions and what we may term Natural treasure trove, Dr. Garran appositely observes, "What these men have exploited is Nature and Nature's forces, and Nature never grumbles at being cheated, robbed, or under-paid." It is not hard to see where this leads us. The opportunities then of exploiting Nature's forces is the real advantage that capital confers, and the land monopoly is the Palladium of capital. When I began to examine this paper, I had no more idea that it would prove itself so admirable an argument for land nationalisation, than that it would demonstrate the procession of the Equinoxes.

I do not say Dr. Garran's position is not perfectly clear, I merely say it is not logical, and that I do not imagine there would be any objection to it outside these four walls. However, I will go further and even admit that to make it logical it is only necessary to grant one condition to start with, and one too for which he can certainly quote the highest authority. Towards the end of the first chapter of Genesis we read, "And God saw everything that he had made and behold it was very good;" and granted that it has remained so ever since, even the logic of this paper is unassailable. This may be the best of all possible worlds, and the Doctor's experience may have led him to believe that if perhaps the world could not be better, it could not be different. Does Dr. Garran believe that what has been is what shall be? Does he consider that for the future as hitherto the hand of the capitalist will be against every man, and every man's hand against him—in other words, that each party will drive the hardest bargain they can? If he does his position becomes sustainable, but it is a hard saying.

Australian Economic Association.

ASSOCIATION NOTICES.

Reading Circle Meetings, 16th Sept. and 21st October.

Next General Meeting, 7th October.

ROOMS TO LET.—It is desired to be made known that the Association's Rooms can be availed of for society meetings, etc., on payment of a very moderate fee.

SUBSCRIPTIONS.—Members whose Annual Subscription is in arrear, are reminded that the Hon. Treasurer, Captain J. Hynes, will be glad if their remittances be sent to him as early as possible.

Gentlemen in the country desirous of becoming members will be kind enough to forward their names to the Hon. Secretary. The subscription for country members is 10s 6d. per annum.

RIMEMBRARE.

THE OCTOBER MEETING.—On the 7th prox. the business will comprise—

- (1.) Papers by Messrs. B. R. Wise and J. Plummer.
- (2.) Discussion of papers read at previous meetings.

THE SEPTEMBER MEETINGS.—On the 2nd inst., the Monthly General Meeting of members was held in the Rooms. Mr. Vice-President Wilson occupied the chair, and there was a fair attendance. An apology was submitted from Mr. B. R. Wise, who regretted having to be absent from the meeting owing to important country business, and asked that his paper might be held over until next meeting. A paper was read by Mr. A. Forsyth, which appears elsewhere, and discussion of Malthus' theory and the "Genesis of Capital" followed.

The Reading Circle Meeting was held on 16th September, according to custom.

DISCUSSION.

(1.) "THE THEORY OF MALTHUS."

Our report of the adjourned discussion on Dr. Ellis' paper was crowded out of last issue.

MR. BOAKE referred to the relation which the theory of "survival of the fittest" bears to the Malthusian doctrine. It was not true that the fittest, either physically or morally, survived, but often the richest, or those who in the struggle had the best capacity for acquisition; and for every case that came to light of genius succumbing to its influence, there must be hundreds we knew nothing of. In evidence of the immutability of man, we had the fact that as far back as reliable records extended, men seemed to have reached the pinnacle of individual intelligence, and even of physical structure. The whole theory of evolution was based upon the law which governed the selection of animals, and produced intensification of certain qualities; but the selection obtaining amongst the human race had escaped proper investigation. Besides the element of chance, there was the distinct law of opposite characteristics, and hence, strength or weakness, intellect or simplicity, virtue or vice, were not confined to any particular class or people. The extinction of families possessing highly intellectual qualifications was well known, and Herbert Spencer had alluded to this as a possible future check upon population; and it might well be that the higher education of woman, if pushed to its ultimate conclusion, would tend in this direction.

The discussion was continued by MR. DUCKWORTH, who pointed out that Malthus' teaching was, to a certain extent, modified by three causes, which were emigration from over-populated centres, the large increase of capital during recent years, and the law of increasing returns for manufactures.

MR. HEYDON (the President), said that in considering Malthus' theory it was necessary to look at present facts. What were the facts? The world was far more densely peopled now than it was 3,000 years ago, and the general standard of comfort was higher. The spreading of population was not the source of poverty, as the increase brought a higher state of comfort for each individual. What was more commonly given as conclusive proof of a country's prosperity than its greater proportion of marriages? He did not agree with those who considered as mischievous Pitt's saying that the father of a large family was a benefactor to his country. That statement held good for at least partially-occupied countries, such as the Australasian colonies.

DR. ELLIS, in reply, said that the object of his paper was, after consideration of Malthus' premisses, to show that though these were true, yet another conclusion was possible in preference to that enunciated; in fact, Malthus' conclusions had not been borne out by subsequent facts, although at the time his influence was great enough to influ-

ence Pitt to modify the Poor Law system then obtaining in England. It should be borne in mind, however, that now Malthus' theory could not fairly be brought forward against any fresh argument or social theory which might be advanced.

(2.) "THE GENESIS OF CAPITAL."

MR. BYRNE opened the discussion on Dr. Garran's paper with the enquiry whether capital could spontaneously reproduce itself, or if it must not have come from antecedent capital. That which now existed was the result of former partnerships, which chiefly involved the exploitation of labour.

MR. CORMACK said that the paper had well set out the two great factors producing capital,—industry and abstinence. In pointing definitely to these the case had been proved, although there were certain disturbing elements which had created the desire, on the part of some, for the change of laws now based on individualism, to others socialistic in tendency. Wealth, in some cases, as in the "jewellers' shops" referred to in the paper, had been gotten lightly, and the law gave possession to the individual and freedom to consume his gains by dissipation and extravagance, without the State receiving a share of the wealth which had been stored up for all.

MR. CARMENT said that it would doubtless be admitted that labour now required a basis of capital in order to successful production, and that civilization was higher, though, perhaps, its results were not happier, at least, for the low sub-stratum of population. There was always, in large cities, a residuum of the population, which, with all the average improvement in European countries, and despite trade organizations, could hardly secure employment. If such did not accept the so-called "starvation wages," they could not be employed at all. He did not think that Socialism would remove the difficulty, because it would prevent emulation on the part of individuals. It was not quite clear that the unlimited right of bequest was a good thing, or that present legislation should not be amended in the direction of restricting the right of inheritance from distant connections.

MR. BOAKE considered that the paper was a plea in defence of the present capitalist system, as against Socialism, and the theory of State capital. He agreed that it was expedient that a man should own that which he earned by his own labour, intellectual or otherwise, but this involved the contrary, which was the basis of Socialism, that it was inexpedient for a man to hold that which he had not earned. To obtain interest it often needed no personal effort for the investment of capital; and, in a sense, the interest was not earned. Why should municipalities have to negotiate loans at considerably higher rates than the Government, when the guarantee of the latter could be easily given to secure repayment?

MR. CREED read a paper, which is referred to elsewhere.

MR. JOHN HURST, JUN., said one view of the genesis of capital had been set forth with great distinctness by Mr. Morrison Davidson, who averred that "its genesis was in the earliest times, possibly pre-historic times, when slavery was regarded as a normal and praiseworthy institution, when the fiercer and oppressing class accumulated capital by enslaving the masses and robbing them of their earnings;" and that the capital of the present day is "the well-preserved plunder of earlier times, and gives to its present holders an unfair advantage over the bulk of the population, enabling them in this day legally, and with a show of right, to grind and tyrannise over mankind." But this explanation was

groundless and illogical, and opposed to what came under observation every day. The wealth of past days had, in a large measure, been used in ostentation, or in building pyramids, monoliths, and monumental cities, which, from extraneous causes, had become useless as fixed capital. And as to growth of capital, even under the supposition that none had been imported into Australia, but the present industrious and skilful population had settled here, and been enabled to live through the first decade, there would possibly have been as much wealth as there is at present. In a young community the origin of capital was continually before our eyes, but in an older community, where a great part of the capital had been inherited, its genesis was more difficult to trace, and might be a matter for theory. The use of wealth as capital opened up questions which vexed many minds, though the greater accumulation of capital in a community was not a menace to the workers. The rate of interest was not bound to follow the rate of wages. He trusted that Dr. Garran would deal more at length with the important subject discussed.

MR. FORSYTH considered that the paper, so far as concerned the genesis of capital, was clear and distinct. The accumulation of capital now was owing to superior superintendence, although, as Professor Scott had pointed out, some capital increased without the owner rendering good service to society.

DR. ELLIS referred to a possible inconsistency in the paper as to the relative importance of industry, self denial, and the exploitation of Nature in the production of wealth.

DR. GARRAN, in reply to the criticisms which had been made, said he necessarily assumed that capital had accumulated under the conditions which actually existed, both in past times and in the more complex circumstances of the present. Economic "abstinence" was a voluntary thing, and it could not rightly be considered that the working people who possessed no luxuries, exercised such abstinence. There were at the present time two economic systems which might be contrasted—the one where wages were fixed by the market value of labour, and out of which might be said to arise the battle of life, and the other, a socialism of compulsory equality. Between the two systems society was at present making rough-and-tumble efforts towards giving a man that which he earned. In the first case, wages were a fixity—the market rate ruled; in the other case, there was compulsory equality: there was no medium course available. Now what was a fair distribution trades' unions had been unable to show; they had power only as a lever, and did not alter the fundamental principle that "those should keep who can." It was not by fairness but by force—there was no test of fairness—that the unions did their utmost to get the best terms they could squeeze for themselves. Natural right was only a phrase, and no available test lay behind it. If interest were taken off the produce of capital, only the earnings of management or superintendence would often remain. Edward Atkinson, in relation to American manufacturing industries, had shown that their success was due to the strong energy and skill of the leaders of industry, rather than to mere muscle, and this held good largely in agriculture also; but while the masters were making fortunes they had increased the comfort of the people. He thought there was a clear distinction between the manufacturer and the distributor; the former's profits were not got by squeezing or charging unfairly, but all profit made by distributors came from the customers who purchased from them. He would reiterate that capital, as it exists, is an honourable product, and does not deserve to be termed 'theft.' If a large part has been un-

righteously acquired in the past, it is but small compared to the total got by toil of brains and brow—the proportion honestly got being very large. He had been told that on the average capital throughout the colonies had, last year, made not more than 5 per cent. He thought there was a present tendency towards the increase of wealth and wages, with a reduction of prices of products and interest, by the increasing use of machinery, and increasing intensity of the employment of capitalists.

The meeting was then brought to a close.

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freight was so high, only from 1s 6d to 2s 6d per ton was paid for discharging cargo at Colonial ports. He thought that the subsidies which foreign vessels trading abroad received from their governments could be neutralised by better laws for British shipping. Wages were an important factor in connection with shipping, but he thought that at present the industry was more productive to the capitalist than the labourer; matters were regulated by shipowners among themselves by their formation of rings, which gave the opportunity to make unfair profits.

Mr. S. BYRNE considered that the position of the shipping industry was not a question of Freetrade or Protection. British supremacy was threatened by the legitimate rivalry of other nations, whose shipowners cut down expenses in the endeavour to get trade. The British seaman was almost a myth; the principal number of the class were foreigners, and the remaining British of an inferior class. The Lascars were British subjects, and they were an inferior class. He thought that American capitalists might be largely interested in shipping though the ships did not carry the national flag. It should be remembered that the old English Navigation Laws had once existed, and the American legislation was but a modification of them. As regarded the Colonies, the ships of any foreign people could come here with any class of men, and paying any rate of wages; the only check at all existing was that of the Trades Unions. He thought Captain Hynes' paper looked at the question from the capitalist's side.

Mr. CARMENT said that there was no excuse for the State control of ocean lines. The P. and O. and other companies—perhaps because the question of efficiency of labour was involved—had never paid a large dividend. In the case of the maritime labour unions it seemed as if the men were doing all they could to try and spoil the trade of the Colonies.

Mr. GELLING said that the success of the British shipowners in triumphantly competing with foreign subsidised shipping, and paying higher wages, was a striking fact. What would be the value of the colonies' wool if there were no railways and no ships to convey it to the great centres? Shipping was a great factor, and its present position of much importance. The paper rightly condemned the labour organisations for enforcing arbitrary rules and unjustly interfering with the shipowners management of their own affairs. He, however, disagreed with the statement made by the writer that economists appeared to look on the present position of affairs with approval. It did not follow that because "the rights of labour were discussed, the single tax, co-operation, profit-sharing, and a more equal distribution of wealth," that socialism was approved of.

Mr. FORSYTH said that it was quite true the maritime trade of America had declined, but the main cause of this had been avoided by Mr. Teece. It would be admitted that the iron industry of England preceded that of the United States by a very long period, and even now the American shipping industry was not developing rapidly, because capitalists there were not reduced to such small profits as in other countries. It was noticeable that three protected Colonies were doing the shipping trade for New South Wales. Yet on the lines of the arguments brought forward, it followed that those Colonies should not be able to do what they were doing. There were no Colonial-built ships in any case, although owned in the Colonies. The United States, apart from ocean commerce, did a very large home trade.—indeed a much larger inland trade than the over-sea traffic was, and did not compete for a trade which was too poor. American shareholders held very few shares in British Companies, because of the poor results obtained. Either Freetrade or Protection was not of much

advantage to a shipping industry. It had to be remembered that, apart from the present position of affairs, the American legislation had been successful in building up the shipping industry in time past.

Mr. J. WILSON said that the treaty with Hawaii which had been referred to, rose out of arrangements made for irrigation, and was an instance where a monopoly granted by the King in connection with territorial improvements had extended to the local shipping trade also. A recent paper by the American Forestry Department brought out the remarkable result that America threatened now to acquire a monopoly of producing iron and steel rails, to the exclusion of British manufactures.

Mr. CHARD pointed out that the largest mercantile company in the world was the Messageries Maritimes Co., having the largest reserve fund, largest tonnage, and the finest fleet. The Nord-Deutscher Lloyds did a fair share of American business with their vessels.

The debate was then adjourned.

Dr. Garran's "Genesis of Capital."

NOTES BY JOHN HURST, JUNR.

IN his view of the origin and growth of capital, the learned doctor is on indisputable ground. He is treating of the *Genesis of Capital*, not of the justifiability of its present ownership, not whether it is at present in the hands of those who earned it. And its parentage, as he sets it forth, cannot for a moment be doubted.

There is that other view of the question, which is the groundwork of all Socialist theories—the view of Mr. Byrne and Mr. Boake. It may be found set forth at length in the writings of Mr. Morrison Davidson and others. Briefly stated it is:—That its *Genesis* was in the earliest times, possibly prehistoric times, when slavery was regarded as a normal and praiseworthy institution; when the fiercer and oppressing class accumulated capital by enslaving the masses, and robbing them of their earnings; that the capital of the present day is the plunder of earlier times, and that it gives its present holders an unfair advantage over the bulk of the population, enabling them in this day, legally and with a show of right, to grind and tyrannise over mankind. In short, that the capital of the present day is the actual thievings accumulated in the era of slavery.

This seems, on the face of it, so illogical, so opposed to what is going on before our eyes, that it is surprising to find how widespread an idea it is.

As disproving that the capital of the present day is the well-preserved descendant of the slavery era,—in, for instance, Egypt, where history can be traced further back than anywhere else, where, in the earliest days, nations were conquered and taken into captivity, was the result of their labours stored up? The wealth they created was consumed, spent in ostentation, in building pyramids, monoliths, or monumental cities; or, if as granaries, they, from outside causes, have become valueless as fixed capital; and any other wealth they had was consumed or wasted.

As to the manner in which capital grows: If there had been none imported into Australia, but the present industrious and skilful population had settled here, and been enabled to live through the first decade, can it be supposed that there would be no capital accumulated in Australia? There would be none of the swag of the prehistoric robber to breed money from, but there would probably be as much wealth as there is at present, and, with similar laws of rights to property and of inheritance, it would be in very much the same hands.

As showing that capital is not vested in a hereditary

capitalist class, take an instance, twenty similar to which can be given by each person present. A man who came here some thirty-five years ago, a brassfounder, who had nothing except his health and strength and knowledge of his handicraft, who got into a situation, saved a little, got a very humble little workshop of his own, worked like a horse, kept a family on 30s per week, was helped loyally by his sons, and is now that most objectionable creature—a capitalist. Is it to be supposed that what he has now is some of the swag of the prehistoric slavery era? It would be very difficult to prove; and there is no man who earns his living by work of hand or brain who should object to its Genesis until industry and thrift are dethroned from among the virtues. In a young community like this, the origin of wealth is continually before our eyes. In an older community, where a great part of the capital of the commonwealth has been inherited, its Genesis is more difficult to trace, and may be a field for theory.

But, to proceed farther with Dr. Garran's paper, one essential portion of the question has not been touched. All that has been traced is the accumulation of wealth, but the use of wealth as capital is a question that vexes many minds. No one could object to the saving of a store for philanthropic purposes, or as a reservoir on which to draw in times of depression or misfortune, but the debatable state of affairs arises when it is lent out at interest, and the owner of it lives on its increase and not on its consumption. The objection to interest is more ethical than economic. The matter would be very interesting in Dr. Garran's hands.

In all discussions on this subject it is necessary to keep to the standard economic definition of capital. When Dr. Garran says "the case of profit made out of the lending of money is a case in which the exploitee is not a wage-getter," he opens out very important ground. In all popular talk, the man spoken of as the capitalist is, in most cases, not one at all, or only one to a limited extent. He is able to command capital, but he has to borrow and pay for it. If to the popular eye he looks like one, he certainly, for purposes of philosophic investigation, should not be regarded as it, and considering him as such confuses the issues very considerably. However he may appear in the eye of his employee, there is, in fact, no partnership between him and the actual owner of the money. To put the converse of the proposition suggested by Professor Scott, in the eye of the capitalist, the employer goes into partnership with the workmen to use his capital profitably.

It is necessary to recollect that the greater accumulation of capital in a community is not a menace to the workers. The rate of interest which it can command depends on the amount available, and the profitable openings there are for it. The rate of interest is not bound to follow the rate of wages, as some writers would have us think, though they may at times move together. The net rate of interest in New York, the element of risk being eliminated, would be about one per cent. but for the combination among capitalists in the form of trusts, combinations, and rings, by which the free competition of lenders against each other is interfered with.

If a man opening up an industry could borrow the necessary capital at one or one and a-half per cent., the amount available for division between himself, for earnings of management or profit, and his workmen, for wages in the ordinary sense of the term, would be very much increased. There would, in that case, be a "spoil" for him and them to fall out over the division of; much different from what is the case in the maritime dispute now going on here, in which, for instance, the Hunter River steamers, for some time hardly competed with by the railway, and run at a loss, are being still further hampered and squeezed by the men.

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power to tear them from their allegiance. But let it be once understood that your government may be one thing and their privileges another—that these two things may exist without any material relation—the cement is gone, the cohesion is loosened, and everything hastens to decay and dissolution. As long as you have the wisdom to keep the sovereign authority of this country as the sanctuary of liberty, the sacred temple consecrated to our common faith, wherever the chosen race and sons of England worship freedom, they will turn their faces towards you. Deny them this participation of freedom, and you break that sole bond, which originally made, and must still preserve the unity of the Empire. It is the spirit of the English Constitution, which, infused through the weighty mass, pervades, feeds, unites, invigorates, and vivifies every part of the Empire, even down to its minutest member."

I desire to acknowledge the assistance I have received in the preparation of this Paper from Mr. Coghlan's most valuable statistics.

Three Systems of Political Economy.

BY HON. A. GARRAN, LL.D., M.L.C.

II.

The great writer who gave expression to the wants of the new and rapidly growing industry, was Adam Smith. His great book, "The Wealth of Nations," was published just as England was entering on her new career. Although stimulated to a large degree by French writers, he wrote under the inspiration of the conditions around him in Scotland and England. He gave voice to the wants of the new school, and especially to its great want, freedom of movement. Governments had always been possessed with the idea that they could do something for industry, and they certainly had done something for landowners. Adam Smith pleaded for freedom of trade and the abolition of restrictions. His work was the hornbook of successive generations of statesmen, and few closet philosophers have ever had so direct an influence on Budgets. All the legislation that tended to liberate trade proved a success for its special purpose, for the liberated trade answered by immediate expansion. The idea more and more took possession of people, that trade, including in that expression both manufactures and interchange, was the great interest of the country, that the one thing needed for the prosperity of the nation was to look after trade, and that all other interests would benefit in its wake. The great contest between the trading class and the older possessors of political power took place during the battle over the Corn Laws, when trade asserted its supremacy.

And now once more the centre of gravity is shifting. We find ourselves in an age when the whole trading class is condemned and ridiculed as bourgeois. The factory system, while it has realised its great aim of cheap production, has developed special social evils of its own. In this world there seems to be no such thing as an exclusive blessing. Every advantage gained has its shadow behind it. Factory laws in England did a great deal to prevent the overwork of women and young children, and the education laws secured to all children the power to read and write. But that has dealt with only part of the difficulty; the greater and more serious work remains behind. The whole adult male class is claiming, with more or less clearness and firmness, some protection against

excessive competition, and some guarantee against want of work. A wholly new system of political economy is being formulated, and it is being shaped exclusively from the point of view of the receiver of wages—a point of view wholly different from that of the landowner, or that of the trader. Marx has done the most to give form to the complaint of the worker, and to argue that he is exploited and robbed by his employer. But it cannot be said, that, the new system is definitely embodied in any one treatise, for it occupies all the intermediate ground between a system of restrictions on existing abuses and the establishment of thorough-going socialism. Still the main idea that inter-penetrates the workings of all radical reformers belonging to the wage-getting class, is that their class is the only one that needs to be considered. Let the Government do full justice to the workman, and then there will be no need to care for anyone else. Socialism goes so far as to say, that there need not be any one else, and indeed that there ought not to be—that Government ought to extinguish every employer and every form of capital, and prohibit every kind of saving, and that all members of the community should be co-equal workmen, working for State wages.

The factory system, though it destroyed the system of home manufacture, and in one sense diminished the personal liberty of the worker, in another sense prepared the way for his greater political liberty, because men in aggregation learned to feel the power in union, and the mental collision proved a high political education. The factory workers claimed and obtained a share in the suffrage, and their theory of political economy is not the dream of a philosophical student, but the demand of men who have votes to back it.

We have thus three distinct systems of political economy, each representing a class interest, each shaped from a different point of view. The one rests on the assumption of the supreme importance of the landowners, the next on the supreme importance of the traders, and the third on the supreme importance of the receivers of wages. Is it necessary to say that a complete system of political economy will take cognisance of them all, and do justice to each? Until socialism is established, the importance of the employing commercial class cannot fail to be recognised, while the prosperity of the landed class is intimately interwoven with the general well-being. Indeed it is worthy of note that in these colonies our present financial condition is forcing us to recognise more than we have done of late years how the productive use of the land lies at the basis of our prosperity. On every hand we hear the cry raised that the people are not only to be put on the land, but that everything that the Government can legitimately do is to be done to make their use of the land profitable. The cry is, let them have cheap freights, cheap money, and let them be helped to the highest price for their produce. This cry has no feudal ring about it, because the landowners, whom it is thus sought to help, are not large but small ones. Still there is a growing feeling produced by our conditions, that to recover from our deep depression we must get more wealth out of the soil, that the land only is our great resource, and if we could but make every occupier in the country prosperous, we should soon bid good-bye to bad times. We are very far, therefore, from having out-lived the theory which bases the prosperity of the community on the prosperity of the occupiers of land. We are crying out for a more numerous landed class and a more prosperous landed class, and this cry is begotten of our adversity.

[The full Report of the meetings held on 5th and 11th March will appear in our issue for April.]

colony that the general depression and severe losses which have taken place since 1890 are the effects of a set of causes widely different in character from those mentioned by Mr. Chard. The failure of Baring Brothers in London, or the political jugglery of the silver ring in America, or the incorrect assumption of an insufficient supply of gold-currency in gold-using countries, have had little or no bearing on our colonial troubles. Even the comparative losses owing to the fall in prices for our exports have to a great extent been met by bountiful seasons, larger production, and increased facilities for cheaper transport, and by lower priced imports. Falling prices are only the natural results of civilised communities having educated the millions of semi-civilised people to compete with them in the use of machinery, the production of raw and manufactured goods, in the arts of trade and commerce, with nearly equal skill but with greatly reduced cost of labour. This, in my opinion, should explain Mr. Chard's difficulty about cheaper production and falling prices, and serves to show that the more civilised communities must now adapt themselves to this new economic force, in which there can be no place for ignorant labour, demagoguery, and maudlin sentimentality. They must continue to forge ahead of these competitors or go under. Mr. Chard must come nearer home for the causes of our depression since 1890, the real source of which lies in the rotten system of professional politicians, in our democratic governments maintaining power by the wasteful expenditure of millions of borrowed money, in buying the political votes of the roads and bridges members, the shamefully overloaded Civil Service vote, and the revolutionary socialistic labour vote. The fictitious prosperity brought about through these rotten political practices developed a perfect system of intercolonial combinations of organised labour and new unionism, which, having tasted the sweets of the government stroke at high wages, resolved that this system of government employment must hereafter displace the competition of private enterprise,—and State socialism must be enforced. Therefore, with well-filled money-chests for fighting purposes, war was declared in 1890 by a general attack all along the line, and the battle-cry was—"New Union Reconstruction of Society"; but, fortunately, the blundering tactics of their ignorant leaders saved the country from more serious consequences, but the loss of confidence which this revolutionary attack upon capital brought about still remains. Failure in trade union attacks, unfortunately, led to political successes, when thirty-six socialistic labour representatives were elected to Parliament, and then commenced a repetition of the same blundering tactics of legislative attacks upon capital, resulting in the withdrawal of millions of English deposits from colonial financial institutions. Colonial depositors followed the example. Values fell, and the bank crisis followed. In the meanwhile, successive Governments vied with each other in aiding the labour party, by complying with the caucus socialistic demands: one man one vote was conceded; payment of members at £300 a year followed; the coal-mining and shipping industry, banks and other financial institutions were all made to feel the lash; compulsory arbitration between labour and capital and a penal eight-hour day must be enforced; bills for permission to carry out certain work by private enterprise are inconsistent with State socialism and received a short shrift; a State bank and an unlimited supply of paper money to carry on public works are the *ne plus ultra* of their economic wisdom; but before all things the Legislative Councils must be reduced to a set of automata, to remove their resistance to this senseless legislation. Local government upon sound principles, which would purify some of the political rotteness and lessen taxation, must not be permitted. Retrenchment of the disgracefully overloaded Civil Service may be preached, but dare not be practised. Wasteful extravagant expenditure on useless relief works, under various disguises, which in effect pauperise the manhood of the country, must be perpetuated; and the whole taxation

of the country—stimulants and narcotics excepted—must be made to fall on 60,000 people, out of a total of 360,000 in N. S. Wales, by a land and income tax, with exemptions, and an extra 20 per cent. must fall on the hated absentee capitalist. Can Mr. Chard see no economic data here to account for the loss of confidence in the security for present and prospective investments of capital in private enterprise? Is this not an economic argument to prove the cause of the poverty and distress since 1890 which he complains of? It has been truly said—"All productive employments involve larger capital and more indirect and longer processes of production, and therefore require public confidence as the basis of their successful application; without this principle of economic anticipation no real industrial advance could be made; and the more complex and progressive the community the greater will be the economic importance of confidence in future results. Anything which destroys this business confidence, or credit, can at a stroke wipe out the value of prospective investment and obliterate the unrealised results of progressive enterprise." It would be trespassing too much on the time allowed for discussion to follow Mr. Chard's paper any further; but I venture to think that one may find more reliable guidance in the economic doctrines founded by Adam Smith than in those of Carl Marx or Henry George, and that, in reiteration of Mr. Chard's opening remark, "It is the duty of economists to carefully study these things, avoiding bias, and out of their trained knowledge to speak fearlessly, so as to do justice and give practical help to their fellow men."

Mr. CHARD, in reply, said: The discussion on my paper has not been logical or satisfactory, for instead of following this important subject, which was clearly and carefully worked out in my paper, the various speakers in the discussion seem to me to have been led away from the main point altogether, to air the benefits of freetrade, or to decry the working classes for being led by demagogues. The old maritime strike in Sydney some four or five years ago was wearily raked up again, and wage earners were told to be thankful whether able to get work or not, for their sins were past forgiveness. One speaker, while discussing all that the other previous speakers had said, took no notice of my paper except to say that he did not think there ever had been any commercial depression at all! The last speaker I shall refer to, said that of course it was the object of everyone to live on interest or rent, and whether this affected the state of trade or tended to lessen the employment of labourers was immaterial. He contended that money percolated from one class to another all through society, and therefore it did not matter how wealth was distributed. The real subject of my paper not being dealt with in any clear or systematic manner, it is useless for me to make any lengthy reply to that which I consider irrelevant discussions of local or other matters quite outside the scope of my paper.

The meeting was thereupon brought to a close.

Political Economy.

In Aristotle, political economy seems to emerge as a study of the relative desirableness of economic occupations, conditions, and instructions, which he decides in favour of agriculture, philosophy, and politics as employments, of slavholding, travel, and learning as conditions, and of aristocracy, private property, and government only by men as institutions. In France, under the Physiocrats, political economy was also an inquiry into the relative utility of occupations, but modified by the influence of Colbert's example which helped to make it a theory of national prosperity through diversification of industries. In England political economy has never swerved far from a theory of class rule over a colonial empire, employing military and treaty power, protection to home manufactures or free trade in agricultural products, or subsidies to ships, or coercion of inferior races, in whatever degree would promote British trade.

Malthus first shifted political economy into a philosophy of social distress. Humanity required people to die prematurely of disease, poverty, and other economic checks on population, since, if they all died comfortably of old age, they would take up too much room and consume too much food.

Ricardo annexed political economy to deductive logic. The one thing required to be known was the power of the Syllogism. If the industrial log saws up into rent, interest, profits, and wages in distribution, then rent, interest, profits, and wages must compose it in production. This would not be true of a pine log which saws up into beams, slabs, scantling, and sawdust in distribution, but is composed in its production of carbon, nitrogen, silica, and other substances delicately interwoven by sunshine, gravity, and capillary attraction. But biological similes should not be wrested out of their place to darken economics. Ricardo resolved wealth in its distribution back into the forces which had created it—rent, profit, wages, and interest—as implicitly as, at the close of a donation party, Mrs. Jones takes back her cups and saucers, Mrs. Snooks her spoons, and Robinson his skillet.

In opposition to Ricardo's sedative, which assumed that those who get nothing must contribute nothing, arose a swarm of schools, each charging the others with Socialism, some of which thought, with Mill and George, the values which enter into land do not come to those who contribute them; others with Lassalle, Marx, and Owen, that the values which assume the form of profits are not due to the labours of those who get them; others with Marx, Hyndman, and Gronlund, that the values due to labour do not all take the form of wages, and others still with Kellogg that interest on money is a form of bondage, while Prudhon and Bakounin comprehend these several complaints in the one charge that all property is robbery and all confiscations are just. Thus the justice of every part of the scheme of economic distribution is attacked. For fifty years past political economy has been, more and more, an ethical inquiry into the social justice of the actual economic distribution of wealth which now goes on in society.

Mr. Carey conceived that the actual distribution of wealth is sufficiently defended in showing that in modern production labour receives, relatively to capital, an ever-increasing share of an ever-increasing product. Bastiat, in France, and Mr. Edward Atkinson, in America, follow Carey in this generalization with as much pride as if the chick were one of their own hatching. Unfortunately for its ethical value as a social sedative, it omits to record that the labourer's share per unit of product—i.e., per yard, per ton, or even per dollar's worth—may increase in its ratio to the share of the capitalist in that same yard, ton or dollar's worth of product, yet if the number of yards, tons or dollars' worth of product in which the capitalist gets his diminished share becomes, as his capital expands, a thousand or twenty thousand fold greater than the number of yards, tons or dollars' worth in which any one labourer gets his increased share, then the disparity in competition between employer and employed would, so far as the Carey-Atkinson law is concerned, continually become greater.

The distribution of wealth in the economic world is all determined by a process of free exchange. So far as jural law is concerned, the distribution of wealth is absolutely anarchic. The wage-worker is driven to take the rate of wage he actually takes by no law but that of the social necessity of working for some employer in order to live. But in the jural sense he is free to choose his employer, his work, and his wages, under no other penalty than that of being without either. So in the sales of goods, the renting of land, the obtaining of profit, and the procurement of control of monopolies. Every monopoly, at the time of its creation, is as freely open to be created by those who decline to create it as by those who do. Hence all monopolies begin in a valueless stage, and attain value by increment through subsequent events. Land, when and where it is first appropriated, is always valueless. Every bargain by which an Astor grows rich lies open for months to hundreds

of Smiths and Browns who could take it but would not. In economic values, as in spiritual worth, nothing is worshipped until it has been despised and rejected of men, and crucified between thieves. Then "the stone which the builders rejected is made the head of the corner," and we say, Why should that stone monopolise that favoured position?

At every point where economic value grows, the human will is free. Slavery formed no contradiction of this principle in the law of value, for the slave had economic value only as between the master who was free to sell him and the purchaser who was free to buy him. As legal rights cut no figure in creating any instance of value, so they do not affect the number of valuable exchanges any man may make, the quantity of goods he can buy, of labour he can hire, of contracts he can enter into and perform, and hence the mass of wealth he can win. Whoever can always get seven for what costs him five, would be in economics both omniscient and omnipotent. He could, if he lives long enough, absorb the world's wealth by making the rate of production more rapid and the equality of employment more perfect than it could otherwise be made. But if this were true the world would never be so rich as when he owned it all, for it would be governed by infinite economic wisdom, with the universal maximum of consumption upon the minimum of effort.

Prof. Commons, in "The Distribution of Wealth," treats his subject in five chapters, the first of which is entitled "On Value, Price, and Cost." In this chapter he seems to endeavour to combine the "Marginal Utility" formula, the "Supply and Demand" formula, and the "Cost of Production" formula into one formula. This still omits the values which are determined by the "Capitalisation of Earnings" formula, such as the values of land, of opportunities, of good will, and of "plants," and all fixed capitals. The pivotal question in the law of value now is as to the exact terms upon which the productive power, or the means of buying, of the consumer, equates itself against the productive power, or means of acquiring and holding, on the part of the seller. Upon some terms value is an equation between these two forces. The seller's facility in acquiring is a depressing force on price, while his means of holding is at times an expanding force. On the contrary, the buyer's facility in production of counter-commodities is an expanding force, while his capacity for abstinence is a depressing force. The barometer of the relative intensity of these forces is the cost of production of the dearest continuous supply. A utility, a pleasure, or an enjoyment cannot measure a value, because it is not expressible or thinkable in terms of money or any other value form. But a cost can. It is money.

The Austrian school, in their effort to measure value by marginal utility, says that it is measured by the "least intense want of a given kind which is actually supplied." It is certain that a want or vacuum or absence or pain can no more have a value than zero can have number, or silence can have music. If they could be interpreted to mean that the cost of supplying this least intense want which is continuously supplied is the measure of value, they would at least get at something that could have the value dimension. But a "want," in the sense of a lack, or a "utility" in the sense of a source of satisfaction, has not the value dimension. One might as well speak of a yard of beauty, or a pound of love, as of a dollar of want or a shilling of pleasure. A shilling's worth is a different matter, as it would mean that which would cost a shilling.

In his second chapter on "The Factors of Distribution" Prof. Commons commits, as we think, the error in logic of mistaking a quality in which all producers are like, viz., private property, for that which determines how much each factor shall get in distribution. That in which all are alike cannot be the subject of exchange and therefore cannot be the source of value. The wage-worker has "private property" in his labour-power before he agrees to work, and

in his wages when his work is done. The land-owner has "private property" in his land, the *entrepreneur* in his enterprises, and the capitalist in that which he loans. It is because of private property as a condition precedent that all appropriated things have value, but for the very reason that this element is common to all the owners who exchange, it cannot be in the smallest degree the determining force which shall decide what share any one factor shall receive.

The tendency towards this substitution of jural for economic laws is common to nearly all our socialistic writers. Mr. Mill precedes Prof. Commons in this exact error. Mr. Mill says that "while the laws and conditions of the production of wealth partake of the qualities of physical truths," in which there is "nothing optional or arbitrary," it "is not so with the distribution of wealth. That is a matter of human institution solely. . . . The distribution of wealth depends on the laws and customs of society." If Mill could be supposed to confound the "distribution of wealth" with the distribution of the property of deceased persons, there would be some justification to such a sentence. The recognition, however, of the continuity of the family during successive generations by laws and customs of inheritance, forms no part of the Economic Distribution of Wealth. In economics the "distribution of wealth" is the drawing, by the factors that contribute to production, of their several shares of the values produced. It is effected wholly by acts of free exchange or voluntary contracts, and so far as the law is concerned, it is not within its sphere in the smallest instance.

The third chapter is on "Diminishing Returns and Rent." The chapter attributes the fact that prices of agricultural products rise while manufacturing products fall to "the exaggerated system of private property in land"; it holds that, "were competition free, production would always be carried out to the point where the total product would compensate each increment of capital and labour (of equal efficiency) with equal values." As differences of return are the only means known to economic law of steering production away from products not demanded to those demanded, Prof. Commons virtually holds that if competition were absolutely free, the steering principle in industry would be lost! Competition, it would seem, needs to be set free from the oppressive burden of private property, in order that society may be blessed by so exalted a gift as that of losing its steering principle!

In his fourth chapter on "Diminishing Returns and Distribution," Prof. Commons makes the law of supply and demand underlie the law of cost of production, by making the reason why cost of production rises or falls to be the decrease or increase in the ratio of the numbers of men employed, to the work to be done. In harmony with this view he holds that the only *raison d'être* of a labour union is to keep up wages by restricting the numbers of men employed! As well say the only reason an army has for existence is to restrict enlistments, or that a college exists only to restrict education. A labour union, like an army and a college, exists because it has both a battle to fight and a lesson to teach. In order to win its game, it must, like an army or a college, raise its standard and impose conditions of admission, but its standard once set, the greater the number employed and enrolled in it the more definite its success.

The science of economics is by no means the "tangled jungle" which Prof. Commons has declared it to be. The line he has cut is not only not straight, but it carries him aside from economics itself into another field. In fact it was opened at least two thousand years ago by Plato and has been trodden by a long line of dreamers not ending with Prüdhon. They have steadily taught that private property should be abolished, equalized or in some way reconstructed by confiscation. Such economists are in the condition of arithmeticians who have not found the decimal system. To be without the power to give an economic vindication of private property in

land, is to be in command of an ocean steamer without chart or compass.—(Review published in *Social Economist*, New York.)

Woman's Rights.

M. de Varigny, in *La Femme aux Etats-Unis*, contrasts the ideas, instincts, and traditions of women under the two civilisations of Europe and America, separated as they are by a gulf, legal as well as social, which seems to him wider and deeper than the ocean which stretches between the two countries. He finds the explanation of this difference in the industrial environment rather than in the intellectual development of the American people. In the settlement of America, the Anglo-Saxon woman became the companion and equal of man in a way that was impossible in the pastoral East, or even in Europe, where so much that is feudal in life and character still remains. The Protestant Reformation gave her equal religious rights; the conditions of colonial life and the difficulties attendant on emigration and the taking up of a new continent secured to woman many civil rights and equal intellectual opportunities. She not only has schools of her own—Smith, Vassar, Wellesley, Bryn Mawr, Barnard, and Radcliff—but she very largely directs the schools and the school policy of the country.

But it is of more importance in the mind of the author that in the two generations which have passed since the second war for independence, American women have been learning how to spend the wealth their husbands, fathers, and brothers have acquired in mining, manufacture, and commerce in such a way as to elevate the home, increase culture, refine the æsthetic taste—and render woman more truly the queen in American life. Her highest and best influence is thus exercised in the schoolroom and the home, not in factory, field, or legislative hall.

It may be doubted, however, whether the growth of woman's rights is even as great in the United States to-day as it was upwards of twenty centuries ago in some of the Grecian states. Aristotle in his "Politics and Economics" cites a condition of things in certain states of Greece wherein women owned a greater proportion than men of the real estate; voted, held office, served on the police and in the army, and fought in battle. In Egypt, also, the burden of recent research indicates that the relation of fatherhood was so superseded in social dignity by that of motherhood that the family name was transmitted by the mother only, property was heritable and descendible only from the mother, and the marital promise by the bridegroom was to obey the bride. M. de Varigny can hardly contend that these antecedents of feminine precedence in social power have been improved upon in modern times.—(Exchange.)

The Foreign Trade of Japan.

The trade of the year 1894 was naturally affected by the absorption of energy and capital in the warlike operations, though the actual figures were not influenced to the extent that might have been anticipated. Japan had, in fact, largely provided for the war in advance, the expenditure on imported material during its progress having been comparatively small. The provision of transport, however, constituted a heavy item in the imports, which were swollen to the extent of £897,000 by the purchase of 38 foreign steamers. In spite of the interruption due to the war, the trade of the year was considerably larger than that of 1893, the total imports being valued in sterling at £12,682,222, an increase of £1,029,057, and the exports at £11,801,342, or £403,622 in excess of the previous year. These figures, it is pointed out, do not convey a true indication of the real growth in the volume of trade, owing to the lower rate at which the silver currency had to be converted.—(*Economist*, London.)

do their best in the interests of the community as apart from mere politics. We were now getting rapidly into the position of a young nation, and the problems to be faced by all civilised peoples were now coming to find expression in our midst, and these must be faced in the spirit of scientific investigation—not with claptrap, agitation, and rhetoric, and in the false enthusiasm of Parliament, where it was often difficult to know whether party or other strings pulled the reforming member. We wanted the services of trained and educated men assisted by those of University culture, and all this intellect and talent should be forced into the use of the State, and in bringing such together for purposes of research and discussion the Association would do good work. He hoped still to take a very deep interest in the proceedings of the Association, and as an individual, would do everything he possibly could to induce those with a talent for such investigations to become members, for we should not be satisfied in future with the attendances at many of the past meetings. On the lines he had indicated he thought it would be best to proceed, and if a programme of practical work, with not too much of theory or academic discussion, were carried out, next year the Association would attain that popularity which it had not attained up to the present time. (Applause.)

Mr. TEECE, in seconding the motion for the adoption of the report, said he had little to add to the President's remarks, which were pregnant with common sense. Especially he would emphasise what had been said as to the influence of an Association of this kind upon the character and aims of public life. It was not given to many to take part in political affairs, but in other channels as had been indicated, we could many of us accumulate a mass of information and present it in a forcible way, so that our legislators could not plead ignorance of the evidence so tabulated. He hoped the time was not far distant when merely local affairs would be discussed by our Parliament, and when the matters of great national concern would be dealt with by a federal body. That a larger number did not avail themselves of membership of the Association was to be deplored, but a cheering circumstance was that lady members continued to take an active interest in the work, and although he was not much in favour of the women's forward movement, he recognised as a hopeful feature that women were now taking part in economic discussions, and so presenting an object lesson which would not be thrown away on the rest of the community.

The motion for the adoption of the report was carried unanimously.

The election of officers for the ensuing year then took place, and resulted as follows:—President, R. J. Black, Esq., J.P.; Vice-Presidents, J. T. Walker, Esq., Hon. L. F. Heydon, M.L.C., and Captain Hynes, R.N.R.; Executive Committee, Messrs. D. Carment, F.I.A., J. Stanley Adam, W. W. Carlile, M.A., Miss Badham, Miss McKenny, Miss S. Hynes, B.A.; Joint Hon. Secretaries, Messrs. B. R. Gelling and R. R. Garran; Hon. Treasurer, Mr. J. Crichton; Hon. Editor, Mr. A. Duckworth; Hon. Auditors, Messrs. W. Liggins and R. A. Dallen.

The newly-elected President in returning thanks for his election said that he had from the first taken great interest in the work of the Association, and he failed to understand why a more general acknowledgment of its value and usefulness was not made. It appeared to him that no institution in the country afforded so good a school in which to prepare for taking a position in our public life. As the Technical College offered its advantages and instruction to citizens, so the Association afforded an opportunity, by the process of bringing out facts which would enable us to get down to the bed rock in discussions, for attaining the best preparation for the serious study of the public good. The Association needed more publicity given to its proceedings by the press, and he also hoped that in the new year the attendance at the meetings would steadily increase. (Applause.)

Discussion: "The Work of Socialism."

The discussion of Mr. Cormack's paper on this subject, printed in our September issue, was then entered upon.

Mr. DUCKWORTH briefly adverted to the statement contained in the paper to the effect that before the first step could be taken towards social recovery the ruinous habit of drinking intoxicating liquors must be resolutely fought. If this were the first aim of socialism, then it had much to recommend it to the community.

Mr. McMILLAN said that many practical politicians called themselves socialists without having any desire to go as far as the extreme theorists, such as Karl Marx and Lassalle, would have them do. The Australian colonies formed a part of the world where socialism had been evolved by necessary State interference with private enterprise in constructing railways and telegraph lines and by owning the land. As the State retained control over much of the land, there must necessarily be a large amount of work undertaken by the Government which was elsewhere left to private enterprise. There were two classes of socialists he would particularise—one class of extremists or faddists, whom nobody paid serious attention to, and another class of determined and active propagandists, who purposed bit by bit to nationalise all the machinery of our industrial life. The difficulty of discussing socialism lay in the fact that as a principle it was right enough in some directions, and became almost entirely a matter of degree, as shown in sanitary matters, where the law on high hygienic grounds was carried into effect without regard to the wishes of the individual. The Victorian exports of produce under Government supervision and State control of chilling chambers and freight rates with the shipping companies, meant in essence either that State Socialism was the proper principle of Government in Australia or otherwise that the people had not ability enough to manage their own enterprises. He thought that Governments should not intermeddle with anything that could be done independently by private enterprise, and under certain conditions it might even be expedient to dissociate the State from the ownership of our railways. If, for instance, the large number of railway employees were, by some such system of control as obtained in the United States under some of the great companies, to become organised as a great political engine at the beck and call of a central authority, great political evils might ensue. Whilst human nature remained the same, and men were what they are, the eradication of selfishness and the preferring of another to oneself would be found impracticable. For Socialism to succeed in certain conditions it became necessary that it should be isolated, but the tendency of the time was for men to get into closer relations, and we could not be fully socialistic unless the whole world became socialistic too. All systems of government offered great openings for corruption, and where the public estate was administered under Government great evils became rife, as we had found in connection with our past land legislation. If State action went beyond the narrowest limits, an evil effect would befall the lives and liberties of the people. He believed in the natural evolution of affairs, and only in this direction could we look for a permanent amelioration of the social condition of mankind.

Mr. CARLILE said that the discouragement of private enterprise was a theoretical idea of some writers of considerable repute, whose opinions tended towards the management of everything by the State, and who saw in the growth of the joint stock system and of co-operative enterprises a preparation for the State management of everything. The fallacy involved lay in taking the condition of things after they had become established. It would be impossible, for instance, for the Government to undertake the development of a gold-field by its enterprise—no State could be induced to risk its money in that way—for gambling and speculation created wealth and never the State. The principle of business was that the

individual's risk was undertaken by the inducement of advantage under the system of private property. The frozen meat industry in New Zealand was at first a failure, and how could the State have been induced to undertake the risk? In order to confute the views of those who held with Karl Marx, it was necessary to go back to Adam Smith; and to confute Henry George we should go back to Ricardo's teaching. That all values were due to labour was A. Smith's fallacy, by which the succeeding generation had been misled; and upon this false postulate Karl Marx based his theory that the whole profit of the capitalist lay in robbery from the working man. W. H. Mallock had recently well adverted to the principle that wealth was also created by ability, the possession of which was absolutely necessary to the prosperity of the community generally.

The discussion then closed.

"Australian Federation."

The discussion of Mr. McKay Smith's paper on this subject was then entered upon.

Mr. R. R. GARRAN said that Mr. Smith deserved credit for standing up with the courage of his opinions in a distinct minority. Federation suffered from a lack of opponents, and if it was true, as Mr. Smith said, that there were a number of heretics on this question, it would be a good thing if they were to give up their conspiracy of silence, and stump the country as an Anti-Federation League. Mr. Smith's heresies, however, would not bear examination. Some of them consisted of mere assertion, expressed no doubt in humorous and picturesque language, but not supported by any convincing arguments. Others, again, consisted of a cold-blooded dissection of the oratorical flourishes in Federationist speeches; as for instance, his burlesque analysis of a speech by Sir Henry Parkes. Possibly some of the flowers of speech collected by Mr. Smith were not quite defensible, but they proved nothing against Federation. If Mr. Smith was a heretic on every cause whose disciples sometimes said foolish things, it was appalling to think of the awful heresies of which he would be guilty! Many of Mr. Smith's arguments, too, arose from a misapprehension of arguments used on the other side. For instance, his dread of surrendering the "practical autonomy" of N.S.W., and his answer to Sir Henry Parkes' question—"In what way will N.S.W. be less self-governed than she is now?" were based on a misconception. Under a Federation, the colony of N.S.W. as a political entity, would of course give up to the federal government part of her federal powers, and so become "less independent;" but each citizen of N.S.W., so far from giving up any political privileges, would gain many that he had never had before. He would remain a citizen of N.S.W., but would become also a citizen of Australia; his political rights would consist of two bundles instead of one as at present, and those two bundles would contain not only all the rights which he now exercises as a citizen of N.S. Wales, but many national rights which he cannot now exercise at all. From the point of view of the citizen it would indeed be "all receiving, and no giving." Mr. Smith ridiculed the notion that our colony was only a "patch" of Australian soil, and compared it with the area of great European states. But the mileage argument was not convincing with the modern annihilation of distance, there was practically no limit to the size of a New World State—especially a Federal State; and N.S.W. was not much larger than Texas. In Europe there were good historical causes for division, here there were none. Often Mr. Smith exaggerated difficulties into impossibilities, as when he dealt with the control of the railways, or the question of the federal capital. Sometimes, too, he ignored history, as when he said that equal representation in the Senate must inevitably burst up the union. The argument for federation which Mr. Smith complained he had been unable to find, was condensed into

the most general form, this—that we were a group of neighbouring states with common traditions, and common interests against the rest of the world, though with local diversity of interests among ourselves. It was a fundamental truth that no social, industrial, or commercial intercourse could reach its fullest development unless there was a common political roof to cover them. This was the secret of the maxim, "trade follows the flag;" it was the secret of the commercial supremacy of the British Empire, and it was the great commercial argument for Australian Federation. It was an age of great political combinations, and perhaps nothing in the nineteenth century was so remarkable as the immense development of the federal system. It had been adapted to the needs of such widely differing communities as the Swiss Republic and the German Empire. But its greatest field was in the new world, and among groups of British self-governing colonies, for whom Federalism was *par excellence* the system of government. The United States had set the example which the Canadian colonies had followed; Australia would soon follow suit, and probably S. Africa would not be far behind. But if there was one country more fitted than another by circumstances and history for federation, that country was Australia at the present time.

Mr. CARLILE said that in his paper Mr. Smith had given many reasons; in opposition to the movement for Federation which ought to be carefully weighed; but as regarded the question of coastal defence, the importance of the federation of the colonial forces had been underestimated. If the forces were placed under one command and could be sent wherever it might be necessary, a great advantage must be gained. Concerning the commercial aspect of Federation, he thought we should not consent to give up the idea of freetrade with the world in order to obtain intercolonial freetrade, but should both these objects be attained, then indeed from a commercial point of view, the attainment of Federation would be of immense advantage to the colonies.

Mr. CARMENT said that ridicule was not convincing argument, and though largely relied upon in the paper, it did not thereby strengthen the case against Federation. Certain objections had been raised to Sydney being selected as the capital of Australia, but they were largely imaginary; he did not think that of necessity Sydney must be the capital city, and in the United States and Canada the federal capitals were created. Much as Federation was to be desired, it might perhaps not be effected until some common danger threatened these colonies. If fear of actual invasion were to be experienced, then many would change their views and see the advantage of a united defence force protecting our territory. Regarding the railway gauge difficulty, if it were seriously considered to be necessary to federate the railway systems, the gauge could speedily be altered, as instances in England and Europe proved, with remarkable speed and little delay to traffic. He was an advanced believer in freetrade with all the world and between the various colonies. There was not much real argument against Federation in his opinion in the paper now being discussed.

Mr. R. J. BLACK said Mr. Smith's object in his paper seemed to be the erection of a huge structure, merely in order to try and knock it down again. There was really no strong basis of argument against Federation. The history of the Anglo-Saxon communities during the last 150 years showed what a wonderful system of political federation had been established, with the accruing advantages of intercommunication and trade. If in a future emergency the question of Federation were to be hastily considered and decided, that would prove a probable source of difficulty subsequently. The present difficulty was to bring home to each person interested the benefits to which he would become entitled, and to the masses of the people the importance of a knowledge of what was involved. In order best to do this, he believed that meetings should be held in various inland towns in order that