

Dep Col
Thesis
F669

"THE DISTRIBUTION OF WEALTH"

for

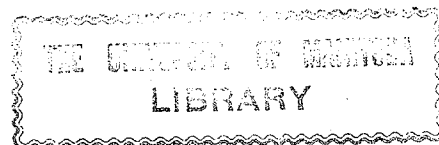
MASTER OF ARTS DEGREE

1 9 1 7.

ARTHUR E. FLOYD.

ACCESSION NUMBER

74998



The Distribution of Wealth.

Wealth.

Wealth is variously defined, but one of the most commonly accepted definitions is that it consists of all agreeable or "useful" things which possess exchange value. "When a man's wealth is spoken of simply, it is taken to consist of two classes of goods, viz: - those material goods to which he has (by Law or custom) private rights of property and which are therefore transferable and exchangeable; and those immaterial goods which belong to him, and which serve directly as a means of acquiring material goods".

The above quotation from Marshall is the illustration used by the Standard Dictionary. A classification of the "goods" which compose wealth is made in tabular form of which the following gives the substance: -

Classification
of "goods" which
constitute
wealth.

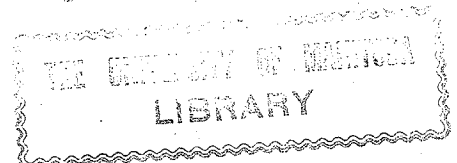
A. Material Goods

(a) Those to which the individual has private rights of property and which are transferable.

(b) Those from which a large number of individuals derive a common benefit - community goods.

B. Non-material Goods

(a) External - Good-will in business and professional service - these forms of personal relations that can be capitalized.



Two classes of goods not to be included.

(b) Internal - Skill, adaptability, enjoyment of social intercourse etc., - personal qualifications which constitute character and ability.

In discussing the distribution of material goods class (b) viz., - social goods or those from which communities derive benefits, such as streets, side-walks, lights, museums, libraries, cannot be considered much as they contribute to the sum total of human happiness. They are already "distributed" as the benefits derived therefrom may be enjoyed by all who reside in the community in which they are provided. We find the very poor as well as the wealthy and all the intermediate classes dwelling in Cities where parks, lights, walks, and all "goods" of this class are provided, and all having privileges alike regarding them; so we may leave this branch of economic goods out of our discussion of distribution.

Of the non-material goods in section (b) viz.; - personal qualifications, although some of them, such as skill and adaptability to circumstances are valuable assets to the individual possessing them, yet they lack the power to be transferred. Therefore, along with all those most valuable qualities, including the power to enjoy books, the delights of social intercourse, the appreciation of fine natural scenery, and all faculties by which man is privileged to enjoy many of the deep things of life, they must be excluded from a discussion of distributable goods. This class of "goods" so called.

can be brought within the reach of most individuals by a proper distribution of the material things to which we have private rights. The means of education put within his grasp gives to the individual the opportunity of acquiring many of these valuable personal qualifications. We shall hear more of this later.

Two classes of goods considered.

Meanwhile, we have left two classes of goods whose distribution is to be considered-(a) Of material goods and (b) of non-material goods. Both these have the power of being transferred and can be possessed by one person to the exclusion of all others. External non-material goods, such as goodwill in business, and other valuable personal relations can be capitalized and transferred quite as readily as tangible material things.

Our purpose then, is to try to discover what principles must govern a just distribution of these goods among the several factors which contribute to their production.

The factors of production.

The early French economists known as the Physiocrats, affirmed that land was the only productive economic factor. They pronounced all mercantile business, manufactures, etc., as non-productive, and designated the people thus engaged as the "class sterile". Their followers, however, passed beyond this, and we find Adam Smith conceding some share of productivity to labor, and even to the product of labor or accumulated capital. Ricardo, Malthus and Mill, although condemning usury, and trying

to keep the productivity of capital, in the background, admitted in various ways that "waiting" must be rewarded.

Nearly all modern writers of economics regard Land, Labor and Capital as the three productive agents. By Land is meant the material and forces which nature gives freely for man's aid in land and water, in air and light and heat. By labor is meant the economic work of man, whether with the hand or the head. Capital is in the main the stock of wealth, regarded as an agent of production, rather than a direct source of gratification. To the reward of these several agents of production must go the aggregate of the nation's wealth, the "national dividend".

LAND.

Land in the sense defined by Marshall, is a direct agent in the production of the raw material of almost all forms of economic goods. Looking at the beginnings of history, both secular and religious, we find man being fed on the fruits of nature's garden. The earth has yielded to him her increase as a most necessary contribution to his maintenance. When for any reason she has failed at times and in places, starvation and suffering have been his portion. In an agricultural country such as Canada, this fact is ever apparent - unless the earth does her part labor and capital are expended in vain in tempting to multiply the grains and vegetables so essential as human food, as well as to produce the raw cotton,

hides and other raw materials necessary for man's clothing and comfort. Again it is to the contributions of the earth, of the streams and of the ocean that we must look for mineral wealth, fish, pearls and other valuable goods. These things have been included in our definition of land.

In the days of most primitive society we must suppose that land was a free gift of nature, and any portion not already occupied could be claimed by any one. This is not the case now, even in the least settled countries. When the French discoverer Cartier first landed on the banks of what is now the Saint Lawrence River, he took possession of it in the name of the King of France; When Raleigh founded his settlements in Virginia, he took possession of the surrounding country in the name of the Virgin Queen Elizabeth of England. Hence the early settlers on the American continent obtained a parcel of earth on which to dwell, from the head of either of these two nations.

"Land under community ownership".

There are many evidences that in early society a single individual was not allowed the exclusive right to land. Large sections were regarded as the common property of a whole community of people. The tribes of North American Indians who resorted to Agriculture cultivated their plots in common. The Russian "Mir", still in existence, is an example of land being regarded as common property. Here the land is divided into three parts, of which one is sown in the spring, one in the Fall and the third lies fallow. All the mem-

bers of the "Mir" labor together, and divide the products according to the needs of their families. There are traces of this common ownership in India, in Switzerland, and in the village communities of ancient England. At a very early stage, and especially in the more progressive countries, some individuals began to assume control to the exclusion of all others. In India and Russia it was the tax collector; in England the ancient community land was soon absorbed

feudal system
sowed seeds
of private
ownership.

into the possessions of the feudal lord. The head of the feudal system was the King.

William I. of England secured acknowledgement of this by requiring all holders of land to take an oath of direct allegiance to the king; from whom they got a right to the land. This king and his strongest successors performed the first functions of good government, i.e. in maintaining a fair field for the play of economic forces. Thus, though no doubt unconsciously, they led the way for the substitution of an industrial for military organization.

Each individual was given the right of cultivating the land held by him with more or less freedom and in comparative security in return for certain services. Later the substitution of money payment for payment in kind or in military service gave the land holders greater individual rights.

Traces of
feudalism
still with
us.

Now-a-days when we buy a piece of land, use it at our will, sell, transfer, or bequeath it to whom we please we are inclined to think of it as the exclusive property of the one holding the Title. In theory, however, the land still

belongs to the King. The most recent form of land patent in use in Manitoba begins:- "His Majesty the King, in the right of our province of Manitoba doth grant, etc, to such and such a person

"Economic
rent"

No matter what the former method of tenure, progress has tended towards individual ownership and control and land has come to have scarcity value. The best portions and especially those nearest the villages are occupied and fail to yield sufficient to support the increased population. Poorer and more remote lands must be cultivated. This gives rise to a differentiation as the more fertile and better situated will yield more to a given amount of labor and capital than the poorer and more remote parcels. If the poorer lands can be made to yield sufficient to repay the labor and capital expended, the better part must be yielding a surplus and this difference of the amount yielded in return for equal amounts of labor and capital expended is what has come to be known as the "Economic rent". It is the portion due the fortunate holder of the more fertile and better situated land.

This difference in the value of various pieces of land which must soon appear whenever a country begins to be populated, is greatly enhanced when the pieces so owned happen to be near large cities and it reaches a climax in the case of land on which great cities are built. Land on Manhattan Island which, when taken possession of by the Dutch less than three centuries ago was obtained for the asking is now valued at many thousand dollars a foot. Coming

much nearer home, we find that portions of land in Western Canada on which settlers homesteaded not twenty years ago, are now the subdivisions of growing towns and cities; ^afifty feet frontage commands the price of several acres a few years ago. The owners have needed to do nothing but wait until the development of railways, the influx of settlers, and the movements of society have given them position and value. This land is very valuable, not because land is scarce for such is not the case, but simply because great numbers of landless people ^u pursuing commerce and manufacturers, have been drawn by circumstances to dwell on or near it. Here arises one of the great social questions; what portion of this vastly-increased value should go to the ~~tax~~ man who happens to hold the title-deed of this land, and what part to the society of people whose presence gives it value?

Unearned
increment.

This increase in value has been termed the "unearned increment". Prof. Ely, in his book entitled "Studies in the evolution of Industrial Society" points to this as one of the main factors working towards the concentration of wealth. Some economists maintain that all or nearly all should go to society. The "Single Tax" idea which proposes to make the land support the social machinery is an outcome. It would take for the state a large share of the wealth accumulated by "site value". The idea does not seem to be gaining ground very fast, the economists of note have grave doubts as to its success even in this country where speculation has been rife.

Land does not get all its increased value from

from society alone. Industrious cultivation, proper rotation of crops, wise use of fertilizers, and such increase the value of land up to a certain standard, where the law of diminishing returns begins to operate so strongly that further improvement is unprofitable. To show how strong a claim man has to the increased profit, professor Marshall refers to List, Carey, Bastial and others as contending that the expense of bringing land from its original to its present condition would exceed the whole value now, and hence they argue that all its value is due to man's labor.

It is clear that land on which man has spent much labor and intelligence in improvement stands to him in the relation of invested capital, and a share of the profit assigned to "waiting" or capital is justly his. Socialists advocate returning to the community possession but progressive countries have substituted private ownership for community possession. We no doubt have gone too far and a paternal government to regulate the greed of the capitalists may be needed. For instance, we have in our own western provinces many broad acres adjoining towns and cities that should be producing food, instead of lying idle just because some man holds a patent title to them, while settlers are driven to more remote and sterile sections to earn a livelihood. The benefits of private ownership which stimulates enterprise are on the whole considered to surpass those to be derived from community ownership, and are less likely in the end to cause gross swindling and fraud.

Besides a part of of all the increased value arising from situation, the extra profit on crops raised over and above the amount necessary to sustain the labor and replace the capital invested in implements with ordinary profits, goes to the owner in the form of rent which is regarded as interest on his capital invested in land, i.e. what has been ~~wkx~~ called the producer's surplus is claimed by the land-owners. Society takes back a certain amount in taxes, and no doubt, in cases where society gives the greater part of the value it has a right to take a larger portion. The inheritance duties and other schemes whereby the state takes a large portion and in some cases the entire amounts, above a certain limit, should apply to the fortunes consisting of an unjust accumulation of land as well as of other forms of wealth.

Forms of
taxes

Modes of taxation are in a flux at present and are being tried out in various countries, so we may look for a fair and just settlement between the land owner and the state in the form of improved taxation. Individual ownership with government regulation and government ownership and control are two principles struggling for establishment in the case of land as well as in the case of distribution of other means of wealth.

Land differs from all other economic goods in the sense that it cannot be duplicated nor can it be consumed. When one man possesses ^a the part of the land, it means that no other person can have the same, no other similar piece can be produced. When land comes to have

a scarcity value, therefore, its division calls for special regulation. We see this going on constantly where parts of the land already "held" are reclaimed by society for the establishment of railways, public buildings, etc. Again as in the case of Ireland, and at one time the Province of Prince Edward Island, owners of large tracts have been obliged to sell, however unwilling, to settlers and tenants. Society and public opinion demand this redistribution, but land as the most necessary factor in production must have a share of the wealth, produced. That must be the producer's surplus and part at least of the enhanced site value arising from social conditions.

LABOR

primitive
labor unaided
by fixed
capital.

Nature and man are the two essentials of production, implements, machinery, and all the capital, organization and knowledge are but the result of man's labor combined with Nature's gifts. We can imagine a Robinson Crusoe on his lonely island digging up the soil for the first time with a stick, learning to fashion his sticks with the aid of sharp pieces of stone, sharpening one stone against another, using one implement to help in the formation of a better, until he becomes possessed of some that assist him greatly in providing for himself the necessities of life.

The native ~~of central~~ of Central Africa rubs vigorously two sticks together, until the heat engendered by friction ignites the soft dry material at hand. In such cases however we see that capital is not entirely absent.

Labor was spent in selecting the stick which took the place of a rude plow, labor again was needed in collecting the material that would ignite readily. To have the product of labor or accumulated capital. Thus while in theory man and Nature are the only two factors necessary in production, yet in the earliest society capital in the form of crude implements is always present.

However, the person with whom we have to deal today is not the man of primitive economic society, but man as he has been transformed by his environment, man born into an industrial world where scientific cultivation is practised, where cities are awakened with the hum of machinery in the factories, where we have combinations and monopoly, labor difficulties and all the manifold complications of modern life. To look back a few centuries and note the condition of the laborers and to see how changes in the industrial world have wrought corresponding changes in their lives, may help us some in obtaining an intelligent understanding of the present situation, and in reaching some conclusion as to what part labor plays in the field of production, and consequently what part of the products should go to the support of the worker.

Self-contained
and self-
supported
people a
Utopian idea.

The question of a just distribution is easiest in a self contained home, such as that of the peasant farmer before the industrial revolution. Here the family, working together, produced from their few acres food sufficient for their maintenance; the wool from the flock was spun and woven into cloth at home, boots were supplied either at home or by the shoemaker

of the neighborhood, who was paid in kind. What remained over and above that consumed was sold or exchanged for articles of comfort, and the land was, or might have been, refertilized and sustained.

When we imagine the man as owner of his own land which is capable of producing materials for food, and those from which to make clothing, to provide fuel and building material, we have a self-contained family which presents a pleasant picture. To think of one individual alone living thus, does not give a satisfactory illustration of our conception of what life should be. The family picture satisfies us for we imagine a division of labor. The ~~mother~~^{mother} and other female members care for the household, prepare the meals, and make and prepare the garments, while the father and sons labor in the fields, care for the flocks, bring the fuel and perform all the more strenuous tasks. It is easy thus to picture a self-contained family dwelling in peace and rude plenty, self-supporting and self-sufficing.

Human development demands division and change of labor.

A moment's reflection shows that even this condition would not be satisfactory. It allows for only the crudest forms of human existence. With the fruits, silks, tea, clothing and manufactured goods from nearly every part of the world being daily used within the homes of our most ordinary villager we see at once that there must be a greater division of labor, and that between individuals widely separated. Our complex lives demand the products of the whole earth, and this is not exclusively a modern demand. In the record of the building of the Hebrew Temple at Jerusalem we are told that cedars were brought from

Lebanon, gold from Ophir, and precious stones from India. The men of Phoenicia made long and hazardous journeys in their small craft all the way to Britain in search of tin - they found it necessary to go abroad. A self-contained family even with any degree of developed civilization is quite a Utopian view of life, and probably has never been the rule in any country. Since the days of written history, there has always been a division of labor, and a differentiation of classes. The Ptolemies of Egypt reared their mighty pyramids by the employment of large numbers of cringing slaves. Masses of people labored to do the will of the few or of one man even.

Always a differentia-
tion of
classes.

In India since earliest records peoples have been divided into castes, - rulers, soldiers, traders and slaves. Such early philosophers as Plato, never thought of all men as being free and equal. Division of labor and distinct classes were a part of his theory. Some must think while others work. Slaves were fed and clothed out of the product of their own labor, (often forced from them) while all the surplus went to the use of their master. Thus records begin with thralldom as the portion of great numbers of human beings.

In broad outlines one can trace the historic developement of freedom for these masses. In the beginning there were the castes of India, with the great slave population, the slaves of ancient Greece and Rome where a man's wealth was measured largely by the number of human beings over whose lives he had almost complete control. Then by the eleventh century a change had taken place - serfdom became the lot of the mass of workers. In this condition they were better off than slaves

in that they were allowed huts of their own and had a sort of family life; but their time for so many days a week belonged to the Feudal Lord- the product of their toil was largely at his disposal. The institution of money payment for wages was the entering wedge for the emancipation of the worker.

Freedom
from
serfdom.

In order to obtain money for the Crusades kings and lords sold freedom to many and accepted money payment instead of payment in kind. Thereby they lost their hold. After the Black Death had greatly reduced the number of workers in Britain, the remaining laborers were able to exact increased wages and to dictate terms to the land owners whose crops were spoiling for want of harvesting. The land owners made some efforts to regain the power they had lost but were unsuccessful. The Peasant's Revolt and Matt Tyler's Rebellion are some of the most important struggles of the working man in Britain for freedom and better compensation. On the continent, most notably in France, this was accomplished by more serious revolutions. The Feudal system was doomed and in time passed away.

Following the disappearance of feudalism the middle and lower classes, although having no part in the law-making institutions made gradual progress. By times they suffered from such legislation as brought about the destruction of the Monasteries, and the enclosure bills which robbed them of the common lands; but by the beginning of the seventeenth century, Britain had a fine, hardy, freedom-loving middle class who were the backbone of the nation.

The Industrial Revolution during the eighteenth century made great changes in the lives of these people. It put an end to home industries, hand spinning and weaving being no longer profitable. The introduction of machinery called for a complete readjustment in the lives of the working classes. The factory system necessitated their removal to the cities. Girls no longer could find employment in their homes and much of the comparatively light work to be done in factories brought child-labor into great demand. Wages were low, hours of labor were long, and the working classes were dragged into a new kind of thralldom.

A series of factory acts removed the most glaring abuses, in that they shortened the hours of labor, rescued women from the curse of mine labor, and provided some education for children. Still this class of people has not yet become free from all the evils of the factory system. It has alienated them from the land and caused them to dwell in great cities. Their slender wages confined them to unattractive tenement districts. Here the rising generation are subjected to great temptations, and the lack of individual control of property and a subsequent pride in home making detracts from the moral strength of the people.

Political
emancipation.

The Reform Bill of 1832 was the political emancipation of the middle classes, and the further reforms of 1867 and 1884 brought like privileges to the lower classes and orders. In all the enlightened countries now the common people are nominally in politics supreme.

Men not yet
"free and
equal."

By all comparative statistics, the great masses of humanity are better off than they were a century or even fifty years ago, and yet men are not free and equal. Freedom to live and develop himself at will means nothing to a man who has neither the means nor the desire for such. Instead of tyrannic rulers holding a sceptre over ignorant and superstitious people, in most countries now-a-days we have oil-kings and steel-kings, ^{railway} magnates, and party leaders who attempt to control even the people's elected law-makers. The control of these men has extended over nations and their iron wills are felt in legislation halls. They have their authority not by right of family lineage nor by the voice of the people but by the power given them by the material goods under their control. The daily wages of thousands of people are paid at their offices; therefore people are slow to offend or oppose them. They own such large stocks of goods and ship in such vast amounts that their patronage means the very existence of transportation companies, therefore better rates are given them than to the smaller concerns. Their money gives them power. If an independent manufacturer starts up in any section of the country they "dump" large quantities of their goods even at a losing price into that section and kill out the would-be competitor. Accumulated capital and industrial organization have given them control.

In the United States at present about 90% of the great wealth of that country is in the possession of about 5% of the population. In Canada although we may not have quite such extreme, yet we have the same tendency. Already our railway presidents, government contractors, and such men

are millionaires. That these men have been able to accumulate such fortunes within a single lifetime, while the masses toil hard for a mere subsistence may be taken to indicate a wrong distribution of the wealth produced, even if one makes the most of allowing for extraordinary individual ability. Ability and industry may have given them a start, but the industrial organization is surely out of balance that allowed such rapid accumulation to the few.

As was stated earlier in this paper, beginning with the Physiocrats, many economists have denied productivity to the merchant and entrepreneur classes. The idea has changed. Marshall points out that no man creates material things. The farmer but places the seed where nature can cause them to grow and multiply. The furniture-maker can do nothing more than shape a log into a chair, the garment-maker fashions the cloth into a suit, ~~that is~~, the so-called productive classes create utilities out of the material at hand. So also do the men who transport coal from the mines to the City, where it is needed, or the organizer who uses the energy of the country for the movement of the products of land mine and sea, and who brings necessary utilities to a place in which they can contribute to human happiness and growth. The question is, does not ability \times of organization, aided as it is by capital, get too great a share in the wealth produced?

Iron law of wages.

At one time economists taught that the ^{rate of} wages of labor was set by the requirements of mere subsistence. If they got more than this, Malthus' law of population operated and the increased number of laborers forced down wages once more to the bare subsistence level. Soon after the establishment of free trade when "laissez faire" was the accepted doctrine employers imbued with

the idea, exempted themselves from responsibility regarding their employees. However philanthropists and sound economic thinkers doubted the truth of the doctrine. The laborer's needs were not limited by bare necessities and an increased standard of living brought increased efficiency. They saw that increased intelligence and not vice and poverty was the proper regulator of population and that low wages meant often dear labor. The American economist, Walker, emphasized the doctrine, "High wages increase efficiency".

Wages fund theory.

This doctrine was set forth both on the continent and in England. It taught that wages depended on the ratio of wage-capital to workers for hire. There was so much accumulated capital out of which to pay labor. Some followers of Rousseau claimed that for this reason, some men would be better without capital, as they would then get a greater share of wages. An increase in the number of workers, would decrease the share of wages to be given to each, and capital could only grow at the expense of a wages. Among the exponents of this thought were Comte, J. Stuart Mill, Cairnes and Fawcett although Cairnes had modified views of it. They seemed to have overlooked the obvious fact that an increase of labor would under certain conditions (e.g. in new countries) increase the national dividend and thus increase the allowance due to both labor and capital.

"Better terms needed for the laborer."

Both these theories have been exploded and in the light of the development of modern industry it seems

only fair to say that manual labor has not got a just share of the results of its efforts. The success of the men who rise depends much on the fact that they can employ human labor. The ease with which men who can show that they possess organizing ability, energy, and foresight can borrow capital in an aid mostly to the middle classes. Once they have ascended a few rounds of the ladder, if the lords of trade frown not on them, they may climb rapidly for in many lines the law of increasing returns operates until great heights are reached--"money makes money". That capital can be borrowed and used with great profit is of little use to the laborer who has never reached that stage of enlightenment where these advantages appeal to him.

Human labor essential.

In addition to organizing ability and borrowed capital which the entre-peneur must have, and notwithstanding the introduction of machinery into all branches of industry, in many cases no substitute can ever be found for human labor. Again machinery is not a competitor to the exclusion of labor, but one depends on the other. The introduction of machinery expands industry until more labor than would otherwise be required, though in an altered form, is needed.

Labor unions and aid.

Labor unions and collective bargaining have done much to make the ambitious employer realize the rights of the manual worker. In the case of great corporate companies with much accumulated wealth behind them, the lesson is harder to drive home, but the contest is on. Nation-wide strikes, such as the railway strike today awaiting settlement in the United States, or a simillare strike in Canada some months ago which caused so much anxiety, the great miners' strike in Wales, and countless factory

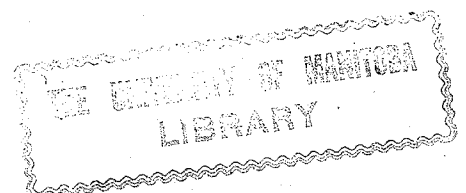
disputes are all reminders of this struggle for a better adjustment of wealth between employers and employees.

In the case of industries in which a "tie-up" effects the whole country so directly, public opinion presses for a settlement and the heads of the nation lend their influence for a satisfactory adjustment. For this reason, such a strike is more apt to be soon settled than one in which smaller numbers are concerned. The force of united action on the part of the workmen is undeniably.

Casual
labor and
seasonal
fluctuations.

The greatest question of insufficient pay arises in the case of the "casual laborer" and in trades where the men are employed only part of the time. Thus we have many occupations subjected to seasonal fluctuations, e.g. during the winter, wharf laborers, farm help, men who operate mills and all who engage in such occupations must be laid off. The daily wages on which they have lived during the months of employment has not been sufficient to provide for them during the slack time. On the other hand the employer has probably laid by some "cool" thousands and can now afford to be idle for a ~~time~~ *while*.

Some of the men thus thrown out of work may find employment for the time in other occupations, but all will not be likely be able to do so, and in any event, time is sure to be lost. Even worse off than those last mentioned, are the casual workers, who form the great reserve army of laborers. Many occupations call for "extra hands" at certain seasons. This means that unskilled labor must be on hand to meet this demand. A few days of work, perhaps only one day, to be paid off at night on the subsistence



allowance and await his chances of employment again in the morning, or even to tramp to some other place before obtaining another dollar is the lot of this casual labor. We may say that they should seek more regular employment, but such trades demand and depend on such workers. Their education, their training and above all their occupation is against them. Here again the industrial organization is out of joint.

This is one of the many cases where a paternal government can lend valuable aid. If seasonal and fluctuating industries must be carried on, the public has a right to protect the men on whom these industries depend for success. Instead of the laborer tramping from place to place looking for work, thus consuming time and energy, government employment bureaus should be established, through which these companies must employ their labor. The men would resort to these bureaus and from them be sent out to where they knew employment awaited them, provided they were up to a moderate standard of efficiency. The better part of what are now casual laborers would have regular employment, and those who are mere parasites on industry could be cared for as paupers in the ordinary way.

Better
training a
necessity.

The demands for specialists and skilled laborers is increasing; their position, although not what it might be, is really good in democratic countries, and without doubt, increased efficiency on the part of all laborers is the best remedy for the disadvantages under which they suffer.

We have already spoken somewhat of the large share the profits of industry that is claimed by organizing ability, combined with accumulated capital. Let us consider more in detail the claims of the latter.

CAPITAL

Capital and Wealth are often used synonymously, but when we have used the term wealth in this paper, it has had the meaning of things which are the result of production, subjects of consumption or those which yield pleasure in possession, while capital is considered as external goods which a person holds, expecting to sell for money, or which he expects to produce things which are sold for money; e.g. the factory or business plant of a manufacturer, machinery, raw material, food, clothing, or house room held for the use of his employees, and the good will of his business are considered as Capital. To the things in his possession, we must add the things to which he has a right, and from which he is drawing income, including loans, mortgages, and all command over capital which he holds.

As previously mentioned productivity and hence any share in the wealth produced was denied to capital by the early economists. Money and material things, even they were essential to production, were considered as dead matter, by the early economical writers. Especially was this applied to money from a very early time. Usury was condemned by Greeks and Hebrews alike. No doubt however, this severe condemnation arose from the fact that money in those times was loaned to individuals for personal use in times of distress. The great uncertainty of ever recovering the amount forced the lender to exact a high rate of interest, hence the collector of usury was considered hard and extortional.

When capital came to be viewed as the stored up product of labor and the result of waiting for gratification,

instead of putting it to immediate use, a more lenient view was taken, and this result of waiting was assigned some share in the wealth produced through its agency. Earnings saved for the future instead of being immediately consumed ought to be rewarded. It requires effort to abstain from spending, when such absence means doing without gratification.

Waiting is an element of cost as truly as effort is. Men with prudence and foresight deny themselves many immediate gratifications in order that they may have some greater pleasure in the future. By saving, the industrious man provides a home for his old age; if, instead of using that money for his own home, he lends it to another surely he has a right to recompense in the form of money payment of interest. Again there is a general correspondence between the causes which govern the supply prices of material and which govern the supply price of human capital. In the case of two fathers, both urged on by their interest in their sons, one may labor to obtain the money to keep him at college, so that, when fully equipped, his skill will earn for him a good livelihood, - while the other labors to build up a good business, or to store away some "capital" that will yield his son an income. Material goods and human capital are both the results of labor and waiting.

stitution. Again we find material things accumulated by labor and abstinence competing with human labor in the arts of production. Here the principal of substitution is at work. Each is used to the limit to which its efficiency is greater than

that of the other according to cost. The same competition takes place between machinery and human labor, as between skilled and unskilled labor. There is this difference, however, that while machinery may displace laborers for the time and may displace certain kinds, especially of unskilled labor, for all time, yet in the very production of machinery, human skill is needed. The machinery produces more in the same time with the same capital, and thus in turn provides more to be consumed, lowers the price of such commodities, increases capital and thus aids in the opening of new industries and the employment of more labor.

At the time of the industrial revolution the hand laborers of England thought that the introduction of machinery spelled the ruination of the working classes. Some distress was caused at the time, but true to the saying that "revolutions never go backward" it resulted in the improvement of the conditions of this very class in so far as it cheapened production.

What share
should capital
get.

As capital is the result of labor increased and compounded by waiting, it must have allotted to it some share of the wealth produced. What share shall that be? What ratio to the amount invested should capital get in return? As already mentioned there is a similarity between wages of effort and earnings of capital. We might say then if wages are high, interest on capital should be high. This cannot be taken as a general rule however, owing to the complex condition of both money and labor markets. Accumulated capital in one country can easily be transferred to another, for example, American industries have been developed by English capital, China's railways are being built and Africa's mines developed with English and American

Capital more
mobile than
labor.

money. It is easily transported but this is not the case with English and American skilled labor, at least, not without liberal reward. Capital, until it has assumed the form of fixed plants is more mobile than labor. In these days when businesses are often run entirely on borrowed capital, perhaps the "current rate" of interest adjusts itself to the proper value of money, as well as, or better than, any rule that can be laid down. In the case when large amounts are invested in fixed machinery which is both wearing out and becoming antiquated, sufficient must be allowed for its replacement. As the returns to labor must allow for its replacement in the long run, so the returns for such capital must allow for its replacement. The profits should be sufficient to yield a quasi-rent on the investment, and to replace the machinery when worn out.

Different
investments
must yield
different
rates.

Then, the amount of risk taken by the investor, must influence the rate of interest. If the prospects of getting the capital returned at some future time are not very good, if the material purchased with the money is exposed to exceptional danger of fire, so as to make the rate of insurance exceptionally high, or even impossible (and insurance must always be reckoned with before profits are declared) the rate of interest which he will receive should be much greater than if he invested in perfectly secure government bonds, or in some industry where danger of destruction is almost nil, or where there need be no count taken of wear and tear.

Quick sales
increase the
amount of
interest.

Some capital is invested where quick sales are made and thus the same capital is made to produce interest several times during the year, while other capital is invested in goods which sell slowly and some must of necessity be tied up for a great length of time. Rate of profit on goods of the former sort can afford to be much less than in the case of the latter. Capital invested in goods capable of a quick turnover is made to yield several profits in place of the one yielded by goods sold more slowly. There is usually more trouble in handling goods of this class, but they are for the most part of light weight and call for no expensive appliances for moving. On the other hand those lines of goods which from their nature are not in general demand or which are slowly consumed, must yield a greater rate of interest, just because sales are slow and money must be tied up in them for a considerable time- some indeed for several years.

There are many instances, where, the plant being already on hand, the owner can afford to accept a rate of profit which will only compensate him for labor and raw material with reasonable interest on this immediate expenditure; but this can be the case only for comparative short periods- ultimately the amount invested in fixed capital has to be reckoned with. In the long period we get the true rate necessary for sustaining industry.

The earnings of management must be kept separate when calculating the interest on capital. This is very often not

done by the average man when estimating the returns a small business yields. In large corporations this is more easily done, as the Manager and all the officials are paid fixed salaries to be deducted before dividends are declared.

A fair rate of interest for perfectly safe investments, where trouble of management is not incurred has been in the neighborhood of 4% for the past few decades, where British and American capital have been employed. The rates of course increase in proportion to the risk and other features mentioned. Some lines of business where the risk is great claim with justice such a rate as 20%, others in proportion. However when they take such a rate on large investments, in which little or no risk is involved while the employes receive barely a subsistence allowance, capital gets an unjust share. Its successful employment depends on human labor and that labor is not sufficiently rewarded. Industries which pretend to become monopolies are liable to gather such disproportionate allowances,

Elaborate offices are furnished, expensive equipment of every kind is gathered around the management, and sinking funds provided for so that the rate of dividend when declared will not be so great as to startle the public. A lower price for the goods to the public on whose patronage the industry depends would be more in accordance with justice.

Here is just where one of the greatest injustices has arisen in America; -Standard oil is advanced two cents a gallon, and this draws an extra contribution to millions of homes. Small as it may seem from the individual, the pennies thus accumulated are sufficient to raise the income of a mighty capitalist several thousands of dollars daily. The same may be said of American steel and iron, of flour industries and any others which are controlled by a few great corporations, headed and directed by as many strong wills.

There are some cases of natural monopoly, for instance if a man owns a piece of land the gas well discovered in it is his, and there may be other industries in which monopoly should be allowed, although no argument as proof positive of this can probably be advanced. In any case, the right of the masses should be protected by law when they have not the power to protect themselves.

Public ownership of public utilities and of industries tending to monopoly is being tried out in many cases, and in many ways - most notably in New Zealand. There it works well, but the small size of the country aids in Government control. Few countries are so well suited to this plan. Several Western Canadian Cities own their own Street Railways and light and power plants. Often it is difficult to operate them without a deficit, while private companies can operate the same line and declare good dividends. The Govern-

ment ownership of the Intercolonial Railway is a notable instance of this. Many times this road has had a deficit of hundreds of thousands of dollars, while the company-owned and company-controlled Canadian Pacific Railway, running through no more favorable section has had most acceptable dividends. The lack of personal interest on the part of the officials, and the difficulty in securing economical contracts for government work seem to be the chief reasons for the difference in profits.

Taxation

The taxation of these large companies is a matter wherein much difficulty is involved. In order to get railways built the government offers large subsidies and exemption from taxation. In the case of our first Canadian Transcontinental, 25,000,000 and 25,000,000 acres of land were given. The company accumulated most valuable sites, the land granted increased in value, dividends arose to the height of 15%, after all possible deductions had been made - and yet the company paid no taxes whatever. C.P.R. property exceeding in value perhaps one hundred times a house and lot near by, pays no tax, while the owner of the small property feels his taxes to be a real burden. Without doubt the railway is a public benefit, and the country owes much to the enterprize of its promoters and investors, but now that they have reached a rich harvest, it seems unjust that they go on piling up dividends, and enjoying all privileges, while the land the industries occupy escapes a just share of taxation. This seems especially unjust when

we consider that many of the men drawing the largest incomes from this enterprise are not residents of our country, and so pay no tax, direct or indirect. ¶

This same difficulty has arisen many times in this country and in the United States. Cities and municipalities in order to attract industries, have offered exemption from taxation for a long period of years. The taxes for local purposes become very heavy and yet these large sites are exempt. In the Province of Manitoba, the competition for industries has been so keen that a number of country towns have thus made matters very difficult for their citizens. The Provincial Government at last passed legislation to prevent the municipalities from thus embarrassing themselves.

Again the devices adopted by large corporations in order to escape taxation have been most ingenious and some of them are wilfully unjust. Oftentimes the influence of these companies is so great with the political parties that they are consequently "immune from taxation"; perhaps their business has increased a hundred fold and yet their assessment remains stationary for many years. In such cases, the general public is so ill-informed about the real condition of affairs, that if the officials fail in their honesty or are too cowardly to proclaim the injustice being done, such conditions may continue almost indefinitely.

Perhaps for no similar amount of money spent, does the individual often receive a better return than for that paid in direct taxes. By this means we are provided with streets, facilities for education, protection, and many blessings most essential to our civilization and comfort - and yet direct taxes are usually objected to. For this reason governments are obliged to resort to indirect taxes in the form of custom duties and excises. By this means heavy taxes are placed on the necessities of life and people bear the burden with small complaint. Sugar goes up three cents on the pound, or woollen cloths are advanced in price, and people accept it as a dispensation of Providence, never suspecting that the extravagant expenditure of governments and officials are thus being provided for.

Bismarck is credited with saying: "The system of indirect taxation is indirect antagonism to civilization." Henry George speaking concerning Ireland said; "I was struck with the ease and certainty with which indirect taxes could be collected". The Irish people in the famous Tithe war proved that the whole power of England could not collect direct taxes which they were resolved not to pay; But the people could not strike against indirect taxes placed on the commodities they needed."

Ease of collection seems to be the best recommendation for these indirect taxes on necessities. An unjust proportion falls on the laboring class. Someone has called it,

"An inverse income tax", i.e. the smaller the income, an increasingly larger percentage is taxed. Indirect taxes are usually shifted to the consumer, and great expenses are involved in their collection. The English government resolved to place a tax of two shillings per gallon on ardent spirits which would give a revenue £1,000,000 - The liquor dealers immediately raised the price 8s 8d per gallon. When it was calculated how much water was added in order to reduce proof spirits to the proper strength, it was found that the people were paying 15s 4d in order that the exchequer receive 8s. These indirect taxes get security from the great length of time necessary to bring about the political upheaval due to the disproportionately-placed burden.

Income tax.

An income tax levied on the "stoppage at the source" plan with an exemption of a moderate living allowance, and a progressive rate on large incomes is a means of claiming for society a share of the extra profits due it, and can be well adjusted to the "ability to pay" of the individual. Since the days of William Pitt, this tax has steadily gained ground in England, until the present Lloyd George income tax is considered as an equitable and lasting means of revenue and equalization of wealth.

Inheritance taxes and succession duties are progressive arranged with a view to claiming for society the "unearned increment". They are both subjects for discussion which meet with varying

objection in different countries, and which must find their due place after being tried in the crucible of practical experience.

Besides taking from the rich for the assistance of the poor, the lower orders must be aided and encouraged to save for themselves. Insurance, aided by labor organizations and government and old age pensions, towards which the laborer during the years of his greatest vitality contributes in proportion to his means, are excellent aids, in that they save the worn out laborer from the disgrace of charitable assistance and bring him to a comfortable close of life, and make Browning's lines,"

"The last of life for which the first was made, etc "

seem more appropriate.

All writers agree that the people suffering most from the present unjust distribution ^{are} ~~is~~ the day laborers, and the thing most needed for their emancipation is increased general efficiency. To secure this, we must begin with the rising generation of laborers, and the forces operating on their behalf may be summed up as follows:-

1. Education (broadly considered) Their faculties, both mental and physical must be developed and trained. Technical education, free libraries, low university fees, scholarships, and occupational colleges, all help greatly.

2. Public control (not necessarily ownership) of corporations and public utilities such as railways, and other industries tending towards monopoly.

3. Changes in taxation so as to make the burden of maintaining governments fall on those most able to bear it. Taxes must take more of the unearned increment and add less to the cost of necessities of life by means of indirect taxes.

4. Development of the idea of property as a trust. Our property is for use and through it, as a medium, our opportunities for enlarging our services are increased.

5. Labor organizations and institutions in favor of the wage-earning and economically weaker classes.

6. Saving institutions, government insurance and old age pensions.

The distribution of wealth is a broad subject constituting one of the main branches of the science of political economy. In this paper the writer has given in outline the course of the historic development which has brought us to the present social condition in regard to the distribution of economic goods. He has endeavored to show to what contributing factors shares should go, and to give

some idea of the working of the principal laws which govern this distribution. The readjustments suggested are in accordance with the opinions expressed by prominent economic writers.

The following authors were read in this connection;-

Marshall -"Principles of Economics."

Nicholson -"Principles of Political Economy".

Hobhouse -"The Labor Movement".

Ely -"Studies in the Evolution of Society".

Matthews -"Taxation and the Distribution of Wealth".

Clarke -"The distribution of Wealth."