

CAPITAL AND LABOUR.

The subject before us this evening is a very extensive one, beset with numerous difficulties, and requiring to be viewed from many points. It is impossible, in the time allowed for the reading of a Paper like the present, to do more than simply touch upon its principal features. My endeavour will be to speak more particularly upon that side of the question which affects us as Engineers, and let me remark, in the first place, that Capital is production.

Say argues that production is not creation, M'Culloch that labour is the only source of wealth. It is obvious that labour cannot produce wealth without material to work upon, and material without labour is useless. The origin of wealth is labour, or, in other words, the earth is the original source of all material; but the strong arm of the navvy, the skill of the engineer, or the toil and care of the agriculturalist are necessary to the production of value in the shape of interchangeable commodities. It is evident, therefore, that neither material nor labour can produce value apart from each other; it is the direct result of one acting upon the other.

Capital is, we may say, value realized in interchangeable commodities, either raw material, manufactured goods, or that which represents value—money in coin or paper. It consists, also, of necessary machinery, plant, buildings, &c., for the production and manufacture of finished articles of necessity and luxury realizing enhanced value. It will be seen that capital is production, and labour the means of its conversion into value. Some argue that cost and value are synonymous; others hold the opinion that such is not the case. Cost being that amount of capital expended for

labour and material in producing an article, while VALUE is the manufacturer's profit added to these, or the amount for which such articles could be exchanged in the market. Value, therefore, is regulated by cost and demand. It should not be overlooked that the products of the same labour and capital are greater in some countries than in others. If, for instance, the people of one country have greater facilities in better roads, utensils, machinery, &c., or are more ingenious than those of another, the same amount of labour expended upon corresponding raw material, with corresponding means of production, will produce far better results.

The productive power of labour in comparison with capital, is as a rule, practically estimated by the community itself. For instance, the designing or labour of an architect for one day may be considered by the community to be equal to the work of twenty day labourers, and he will claim remuneration accordingly, yet the capital, or stock, required by him will be less than that required by the twenty labourers.

The estimated value of the whole capital of a community, in proportion to the whole annual value of its labour of all sorts, will depend upon the arts and industries pursued by its members, and will not be proportionately uniform in different communities. The wealth of a people may, from some sudden change, receive an impulse, or check; as, for instance, the late strikes in London and also at Southampton, which paralyzed trade to a considerable extent, and shall be referred to subsequently. Cardinal Manning says "Commerce is capital in activity," and any movement on the part of the labouring classes that has a tendency to check that activity, must have a damaging effect upon all concerned. The relation of labour to capital has never yet been satisfactorily settled. One way, then another, has been advocated as a solution of the difficulty; but, so long as certain branches of trade demand more than others, so, to a certain extent, will demand regulate the labourer's remuneration; a superabundance of labourers will tend to give the capitalist opportunity to reduce remuneration, until the wages paid are not sufficient to supply the necessities of life, much less the means for education. The thriftless and improvident especially, are then plunged in want and distress; enfeebled bodies, ignorance, vice and crime result; and the community pay in poor and police rates, and in taxes for the maintenance of criminals, money that would have been far better paid in higher remuneration. Cardinal Manning says in his article upon the late dock strike, "Men become what their rulers make them;" but let me say, men

become what their circumstances make them. Yet there is great truth in what Cardinal Manning goes on to assert, viz:—"Social vexations generate animosities, which crush the weak, and sting men to madness."

Although the rate of remuneration is to-day much higher than it was twenty or thirty years ago, yet there is still a feeling between employer and employed that each is trying to take advantage of the other, an adaptation of the old adage, "Every man for himself and God for us all," and that on the part of the working-man, the rate of remuneration is still very unfair. The question of comparative remuneration for the service of a member of a respective class or profession, is but seldom discussed, but the subject of remuneration between capitalists, who are entitled to profits from their capital, and labourers who work upon, or with the capital, is being constantly brought before the public by agitators and socialists, but the solution of the difficulty seems to be as far off as ever, and the only result of these agitations has been the recent strikes, and these, it would appear, are far from being satisfactorily settled.

The great question of the percentage of profit, derived from the working of capital, that should be applied in compensation, and the comparative remuneration of skilled and unskilled labour, is very difficult to cope with, as there are so many points from which it may be viewed. The comparative value of one class of labour and another depends very much upon the tastes and luxuries of a community. We may assume that when the tastes of a community lead to a larger consumption of certain articles, the producers of those articles will be liberally compensated. If the taste and vanity of a people are shown in their dress and personal ornaments, it does not follow that all who help to produce such will have the highest wages in the community; but, that a high price will be paid for excellence of material and superiority of skill in the manufacture of those articles most in demand. We find in every civilized society that excellence in certain art, or employments will meet with far higher reward than others, and the higher the civilization of a people, the more will they appreciate excellence and skill in material and workmanship, hence greater value will be set upon them; the effect of this will cause comparative depression in ordinary products and unskilled labour, and the ordinary labourers will become more and more a distinct class. Where the community is large, and the cultivation of the arts and industries carried to a considerable extent, this class, of

necessity, becomes numerous, and their improvement and well-being are necessary to the security of wealth, the development of trade and commerce, the utilization of capital, and the general welfare of society. It is to the interests of a community to look to the members of this class, and to use all possible means for their proper sustenance, education, and moral culture, either by legislation or social influence; to maintain in them a respect for themselves and so secure respect for others.

Labour is the wheel that moves the world, and it, should be well lubricated with consideration and kindly regard to avoid friction with capital, which is the power that sets the wheel in motion. Friction between capital and labour has been the cause of the recent strikes which have proved so disastrous to our commerce and so paralyzing to trade. On October 14th, 1890, Sir Henry Parkes declared in the House of Assembly at Sydney, that the strike there was almost as disastrous as a bombardment; adding "the country would suffer less at the hands of an enemy." Some advocate the settlement of these labour disputes by arbitration; others think they can never be satisfactorily settled without an act of parliament. Mr. Ernest Beckett, M.P. for the Whitby division of Yorkshire, has placed the following motion upon the notice paper of the House of Commons:— "That, in the opinion of this House, it is desirable that a standing representative committee be appointed by the Board of Trade to enquire into and report upon to parliament all disputes of a public character between capital and labour, and all strikes and lock-outs resulting therefrom; and that this Committee have authority and power to act as a board of arbitration, when requested to do so by both parties to a dispute, of which it would be their business to take cognizance." It does not appear, however, to have any reference to a legal division of profits, and would therefore be insufficient to cope with the differences now existing between employer and employed. But any laws that shall tend to interfere with the liberty of the British labourer, such as the Eight Hours' Bill, will only hinder and embarrass; the terms will have to be severely enforced to meet any evasions that may be attempted. This enforcing of the law, and punishing men for daring to exercise their freedom and liberty as British subjects, will be irritating in the highest degree, tending more than anything else to cause a revolution. What is the secret of Britain's greatness and independence? It is the freedom of her people. Wherever the British flag floats, it means freedom; freedom of enterprise, of industry, of trade, of commerce,

freedom of action, generally, so long as it is guided by principles of morality and rectitude. Our legislature need be very careful to make laws that will in no wise be a hindrance, but a help, to adjust the proper relations of capital and labour, and that will tend to foster in a working community a deeper interest in the business of the several firms employing them, for their furtherance and extension; and thus enabling the capitalists to entertain larger orders, to quote lower prices, to contract with more security, knowing that they had men on whom they could rely.

Lord Salisbury says, "Strip us of that one advantage, make us less free than countries which surround us, and they will as much overtop us in capital, in commerce, and prosperity, as it is now our glory to boast that we do them." Although our principles of Free Trade give us, as a nation, great advantages in the importation of large quantities of grain and other food for home consumption, at a comparatively low price, and of raw material which our Island does not produce, yet, on the other hand, the continued importation of manufactured goods, which, owing to the cheapness of labour and material in neighbouring countries, supply to a large extent, the demand of the English market for a cheaper article; necessarily reducing the demand for home manufacture, and tending also to reduce the price of labour. Again, the introduction of foreign labour has had a similar effect, for foreigners come here and work for less money, simply because they have been used to poorer fare and fewer luxuries than our English workmen. Many manufacturers also demand too high a profit upon their products which, owing to the keenness of this foreign competition, it is impossible to produce, except by a correspondingly low rate of wages; these combined agencies have caused much of the friction between employer and employed.

It is fortunate for Britain that she is not the only country that has to contend with the labour question, for we see that France, Germany, Belgium, America, our Colonies, and many other countries have to face the same difficulty; and as long as this is the case we have not so much need to fear, seeing these are the principal nations competing with us in the world's market. Some alarmists would have us believe that this question of labour in England cannot be satisfactorily settled, and that we are on the eve of an appalling industrial disaster, and a gigantic commercial collapse. Others suggest that the best and only method effectually to avert this evil, and to cope with the labour question, is for the large capitalists, such as manufacturers, shipowners, &c., to combine and

raise a large defence fund to ensure their own protection, and to enable them the better to contend with or withstand any unreasonable demand that may be made upon them by the labouring community, and thus preserve to commerce that security necessary to the well-being of the nation. If this method were adopted it would not bring about a satisfactory and permanent result, but would only place the labouring community more completely in the power of the capitalist. By so combining the capitalists can reduce the rate of remuneration to the lowest possible scale, until at length the wages paid to the labourers will not more than supply them with the poorest fare and the meanest clothing and accommodation; the result of which would be the severest misery and destitution, and nothing stings men into anarchy and revolution more than to see, in the sufferings of those nearest and dearest to them, the effects of an injustice they cannot withstand.

Various as have been the projects devised for the solution of this great question, they have all proved themselves more or less abortive, and the solving has yet to be accomplished. If one may venture to suggest, it would appear that the most effectual scheme for the adjustment of the relations between capital and labour, would be an act of parliament regulating the proper division of the profits of production and commerce generally; such Act to embody the following regulations:—

1. That a committee be appointed by the Board of Trade to enquire into and arbitrate, if necessary, in all capital and labour disputes, and report thereupon to the board, and, if necessary, to parliament; also that a sufficient number of duly qualified or Chartered Accountants be engaged by this committee, and be subject to them.
2. That all firms, and individual employers of labour of five hands and upwards, irrespective of age or sex (domestic servants excepted) shall pay a fair rate of wages to their employees, and also share with them a percentage of the profits, acquired in production or business; this distribution of profits shall be annual.
3. That a proper set of books be accurately kept by every individual or firm employing labour as before mentioned; and that the said committee may send one or more of their Accountants at any time (during the usual business hours) without notice, to examine the

said books and report thereupon to the committee ; and any individual or firm who shall decline to answer any legitimate question, or shall withhold any desired information, or shall in any way misrepresent or falsify accounts, shall be reported to the committee, and dealt with by them as they shall deem fit or necessary.

4. That the said books shall be made up and audited every year at a fixed time, and that a properly audited balance sheet be exhibited in some convenient place for the perusal and benefit of the employees, also that as soon as practicable the profits be distributed in the following ratio, viz. :—The firm or individual employer to receive six-eighths of the net profits, that one-eighth be placed to a reserve fund referred to subsequently, and the remaining one-eighth be divided proportionately amongst the employees according to their salaries or wages. That the time of an employee for the distribution of profits shall be reckoned by quarters or four periods of three calendar months each to the year, and that no employee shall participate in any percentage of the profits who has not been in his present employ three calendar months previous to the annual distribution.
5. That no employee shall receive percentage of profits on fractional parts of a quarter ; for example, a man may have been in the employ of a firm for four or five months, yet he will only receive distribution of profits for one quarter, but if he completes six months before the distribution, he shall share in the profits for two quarters, and so on for the year.
6. Where the fluctuations of a business or market increase the liability of the men to be discharged at certain seasons of the year, a clause should be introduced, providing that a man who had worked three months or six months for a firm during the year, and had been discharged simply through the slackness of work, that man should receive a certificate from his employers indicating the date of his engagement, and dismissal, reason of discharge, and rate of wages he had received ; upon the presentation of this certificate at the annual distribution of profits he should receive his proportionate share.

7. The reserve fund, which shall be formed by the accumulation of one-eighth annually from the profits, shall be deposited in the bank of England, or some other bank equally secure; and used for the purposes of covering or defraying any unusual or unforeseen expense or loss, such as litigation, swindle, robbery, or act of God, etc., and, in the event of sufficient accumulation, for the aid of employees who have been injured, and for the maintenance of wives and families of men who have lost their lives whilst performing their duties in connection with the firm, also for the pensioning of old servants.

Now it will be seen that this arrangement will tend materially to establish amicable relations between employer and employed, and to the adjustment of differences that have naturally arisen between capital and labour. The advantages that would accrue from a scheme of this kind are obvious, for the men would feel that according to their exertions, so would be the benefits they should derive from the result, and they would be continually stimulated by this thought, and work with increasing endeavour to make the profits as large as possible; they would keep their time better, be more careful of tools, machinery, stores and material, and take more pains to turn out a good article that would bring credit to the firm and fetch a better price in the market. It appears to me that, under this arrangement, less supervision would be necessary, for the employees would be sufficiently jealous of their own interest not to allow an inferior, reckless, or lazy man to work with them, the men, in fact, would be a check upon each other. By this method, also, the employer would benefit to a similar extent, for not only would the firm receive a good name through the continual production of a reliable article (and so insure a ready sale,) but it would be produced at a less cost, consequent upon the combined efforts of the workmen. The employer, also, knowing the character of the men in his employ, would have less anxiety and would be able to quote prices and make contracts with more confidence, and be in a better position to compete either with other firms or other nations; although his share would be but six-eighths of the profits instead of the whole, yet one ventures to say that at the year's end he would be in a better position and receive a larger return for his capital than under the present system.

The writer does not wish to be egotistical enough to assert that this scheme will be received alike by all capitalists and labourers;

but the working classes are often blind to their own interests. One has remarked "We believe in God, in England, and in Humanity! The English-speaking race is one of the chief of God's chosen agents for executing coming improvements in the lot of mankind. If all those who see that, could be brought into hearty union to help all that tends to make that race more fit to fulfil its providential mission, and to combat all that hinders or impairs that work, such an association or secular order would constitute a nucleus or rallying point for all that is most vital in the English-speaking world, the ultimate influence of which it would be difficult to overrate."

CHAIRMAN.

(MR. F. W. WYMER.)

The author of this paper, on "Capital and Labour," has given us a large problem to solve, and one that is at the present time creating much discussion. The question of workmen moving from place to place, and not, as in former times, when many men hardly changed the scene of their labours in a lifetime, has much to do with the creating of a feeling of antagonism between capital and labour—a feeling that should not, in my opinion, exist, for the one cannot do without the other—and there is great credit due to the author for the attempt he has made to bring out a solution that shall unite the interests of the employers and the employees.

MR. WILTSHIRE.

The scheme the author has laid down in his paper, or something on similar lines, has been tried, but has not worked well, because the men had not confidence in the employers, they having a suspicion that they were not being treated in a fair manner.

MR. A. W. ROBERTSON.

It is very desirable that such a kindly feeling should exist between employer and employed, but I fear the time is not near at hand when such a method as that put before us by Mr. Shorey can be made to work satisfactorily. There are always good and bad men to be found in all bodies of workmen, and it is the bad ones who are antagonistic to the employer, and the good often have to suffer through these. The gulf between master and man appears

to me to be widening, and I fear it will continue to do so as long as trade unionism exists. I hope that, with our increased educational system men will become better educated and more enlightened, so that they will then see that it is to their advantage to work amicably with their employers, this will be the best and most speedy means of bringing about that time when Mr. Shorey's scheme will work.

THE HONORARY SECRETARY.

It appears to me that the great troubles which have arisen in connection with Labour and its equivalent value in the market, have resulted chiefly from the spirit of discontent working in the minds of men, and stirred into violent action by some of their fellows, who, along with discontent, have an overweening desire for notoriety and power. This spirit is altogether opposed to the considerations of wisdom and the modest dignity which ought to characterise the dealings of man with his fellow man, in whatever station of life. In remarking this, I am not unmindful of the elements at work, tending in the direction of causes for such discontent. An analysis of these causes lies within the range of moral philosophy, and, although I do not propose to attempt to give a dissertation on Ethics, I think that a Paper on the ethical aspect on the question brought before us by Mr. Shorey, would be productive of much profit, and prove an agreeable change from our usual discussions. The power of discriminating between what is for the *ultimate* and what is only for the *present* good, is a species of prophetic genius possessed by only a percentage of our race. I do not even say a small percentage, lest I should be misunderstood, and accused of pessimistic views in reference to the advancement of modern thought, based upon experience culled from the history of men and nations. There is no doubt that, although certain principles for the government of men, either in relation to the individual or the aggregate of individuals, may be laid down and accepted as just and honourable for all, the beauty and symmetry of the whole is frequently lost to view by the obtrusive policy of a certain percentage of the community in their eager thirst for selfish advantage over their fellows. This percentage is found amongst all classes of men, and, according to the class, so does the mode of action differ. It is easier to suggest than to enforce the adoption of a system which would at once end the difficulty or difficulties which come forward from time to time, disturbing the whole social arrangements, especially when it is proposed to bind up private enterprise by public legislation.

Patriotism is an element in the economy of social life, which tends to elevate those who are animated by it above the mere sordid aims of acquiring money and power. The desire of acquiring money and power is quite legitimate, and not by any means antagonistic to those sentiments which we admire and cherish as noble and elevating. It is only when the desire becomes a mastering passion, and blinds the finer instincts of the man, that pity and contempt are provoked into action. Nay, it is well that the desire for money and power exists, otherwise, where would the labourer find employment, or commerce its channels? I should say it is good for the nation to have few men of large means and many men of small means.

Poverty is certainly a very great misfortune, but it is inseparable from every social system, where the passions, desires and indifference of men have play, and no amount of legislation can obviate, although it may alleviate it, still less can the would-be leaders, who have recently allied themselves with extreme trades unionists, to propagate views on socialistic democracy. The higher the rate of wages paid in any country, the higher the price of manufactured articles in common use, unless these can be imported at a rate lower than they can be manufactured in the country. In the event of this being done, the industry affected is no longer able to maintain the original number in employment, the production is limited below the normal, a circumstance which itself tends to increase the price of articles connected directly with the particular industry, and poverty is engendered where otherwise comparative comfort might have ruled,—speaking generally of the community. It is remarked in the Paper that, although the rate of wages is much higher now than formerly, there is a spirit of antagonism abroad, that, indeed, the belly is crying to the mouth, I have no need of thee. Why is it so? Is it not that, with the advance of wages, desires have increased, prices have gone up, and, with the gratification of desires, what were considered luxuries, are, by habit, become necessities. Many of the desires are, without doubt, quite reasonable and natural, but at the same time it does not follow that every natural and reasonable desire should be so gratified as to allow the gratification of it to become a habit. By yielding obedience to desires, habits are formed, and by desiring luxuries and obtaining them, they become necessities. By resisting desire, self-dependence and independence are fostered. The history of the inner life of a nation, as well as the individual, illustrates forcibly the result of yielding obedience to desires for luxuries to such an extent as to make them necessities. Many of our present

millionaires and large capitalists were men with few possessions when they started to make their way in the world; by controlling desires and keeping within bounds their own habits, they became what they now are, men of whom a nation should be proud, to whom, indeed, we owe much of our national prosperity. Can we say that these men have become what their circumstances made them? I wot not. They have proved that man can rise above the circumstances surrounding him, and command the circumstances to yield and favour him.

So long as it is possible for the working man—so called—to rise by dint of his own exertions from the position of an employee to that of an employer or capitalist, it seems hardly can a social system be said to contain slavery in respect to that class, living under such possibilities. Nasmyth has been referred to as the inventor of many mechanical tools, especially the Steam Hammer, and, in connection with the question of labour and material, it is probably at once evident to those who have read the history of Nasmyth, that, in this particular case, labour and capital met and kissed each another. So it has been in many other cases. Labour is the capital of the working man, and those who recognise this and use the abilities with which nature has gifted them, can enlarge their capital and add to it bit by bit, turning it at the same time from that form of capital, which is on the seeking side to that on the sought, if desired. That this is not only in the region of what *can* be done, is proved by the many who have accomplished it, all pointing to the fact that, by the exercise of self-denial and steady application, any man *may* rise from poverty to, at least, comparative wealth. Reference is made in the paper to the wage earning of an architect, and his capital or stock compared with that required by day labourers; the fact, however, seems to be overlooked that mental power and an education commensurate with the work of designing and planning, form capital and stock. It is the best capital that parents can bestow upon their children and more useful to them in the long run than money.

Every man knows within himself, if he has examined and investigated the lessons of life, wherein has lain the secret of his non-success in life; and by non-success, I mean his non-success in moving forward from his first real start, neither advancing himself nor advancing his neighbours. I include this latter in view of a proposition, which, I take it, will be accepted as beyond controversy, "Man's success in life is measured by the good he does," although

the question of what the good is may be a controversial one. Such a man has also, I apprehend, a consciousness that he could have become a more important factor in the community, had he so determined and worked accordingly. Does this consciousness not tend, at least, to engender thoughts and desires, which, allowed to carry the mind away, lead many to try and hold back their fellows in the race, thus levelling down the *scale* of production to a lower average, and, at the same time, levelling up the *cost* of production to a higher average. It should also be borne in mind in respect to an increase in the wages of any portion of the community, and corresponding increase in the cost of articles in common use, those sections of the community remaining at their former rate of wages, have either to pinch themselves in order to maintain their former position or agitate for an increase also, and thus the strife goes on, until a reaction sets in and the previous conditions are restored, but with attendant circumstances which tend to aggravate these.

These remarks but touch the fringe of this aspect of the subject, and are more suggestive than explanatory of some of the elements at work in our midst, elements which are worthy of attention in connection with the subject introduced by Mr. Shorey in his Paper.

MR. L. P. COUBRO.

I had the pleasure of going through this paper before it was read by the author, and, when reading it, I wondered how Mr. Shorey was going to bring about this method of getting employers and employed to work amicably together, although he has shown it fairly well, yet, in my opinion, he has not gone far enough.

MR. JOHN H. THOMSON.

No system of profit-sharing will ever be complete without a sharing of the losses. The sharing-of-profits system is an old one. Supposing a steamship company having certain capital at stake; say the revenue or gross profits come to a certain amount, from which we give to the manager, superintendent engineer, chief engineers, seconds, thirds, and so on right down the scale, so much a year as their share of the profits, why there you have a division of the profits constantly going on without having all this complicated system of dividing net profits. Money received in this way is really a share of the profits. Mr. Shorey's idea of giving a stated sum, no matter whether at a loss to the employer or not, is

something like paying an insurance fee which produced a steady income. I must say that it is my firm conviction, that, in a division of net profits, there will always be a difficulty. Everyone is sharing profits if he is receiving the wages which he at first agreed upon, a complicated system of profit sharing, is, I am sure, of no good.

MR. W. W. WILSON.

I think this subject which Mr. Shorey has laid before us to-night is altogether a most difficult one for us to tackle, and the best means of obtaining a proper basis on which to formulate an arrangement between the two elements is one which already has occupied, and I am afraid will continue to occupy, the attention of many of the most able minds of the country. We have been told that what we all want is *faith* in each other. No doubt this is perfectly correct; but how, and when, is that *faith* likely to be attained. Men, unfortunately, are but mortal, and they have all feelings that lead them to think they ought to occupy better positions, be able to live more easily and more comfortably, and yet be able to look forward to the time when, perhaps, they can lay back and enjoy the fruits of their toil. It cannot, of course, fall to the lot of every one to have all their wishes realized, still they all possess the same feelings, whether master or man, capitalist or labourer, the former tries to attain his object in his own superior position, just as the latter tries to attain it in his humbler lot. We know that there are but few philanthropists in the world who neglect, what is generally termed, the first law of nature, viz:—"Man mind thyself," and, therefore, while such a state of matters exists, I cannot see that there can ever be a real solution to the problem of how to fix the proper relationship between capital and labour.

Mr. Shorey lays before us one scheme which he thinks would, if properly worked, be the means of settling all the difficulty, and there is no doubt that it looks very nice to read about, but there is a point that I am not perfectly clear upon in the arrangement. The division of the net profits at the end of the year, as proposed, so that the workman may have an interest in the success of the business he follows, certainly appears to be a very simple affair, but I should like some little explanation from Mr. Shorey. He proposes that the *net* profits be divided into eight parts, the capitalist getting six of these, the workman one, and the other goes as a reserve fund for the purpose of making up any loss that may

be sustained. What I wish to know is, is this six-eighths portion to be all that the capitalist is to have, or, is he to be allowed to draw weekly or monthly, as the case may be, a certain sum for his private household expenses, in a similar way to the workman? My impression from the paper is, that the six-eighths is all he is supposed to receive; but I say that if he is not allowed a certain amount periodically, he is not treated fairly with the workman, and the profits at the end of the year cannot be considered *net* profits if such is not done, and duly deducted as wages paid. If the workman is allowed to draw his wages weekly for his *labour*, and then participate in the profits, I say that the capitalist ought similarly to be allowed to draw his wages for his *management*, and then be allowed the share of the profits for the use of his capital. I am aware of a case, where in the infancy of a now very successful firm of engineers in Scotland, the proprietor for many years was only able to draw the paltry sum of 10s. per week for his household expenses, while, at the same time (it is now many years ago), he was paying his workmen 20s. to 23s. Now, I say, why should this 10s. per week have been put amongst the profits at the end of the year, and 1s. 3d. of it to be taken off and divided amongst those who had been receiving double the wages. I merely deduce this example to show that, however good Mr. Shorey's scheme may be, I fear there is still something lacking.

MR. J. MACFARLANE GRAY.

The opinions stated by the author of this paper are such as are at present very generally entertained by the masses, and are at the root of all the bad feeling now existing between the employer and the employed. I hope that it is only for argument's sake that he has put forward these views as if they pictured his own thoughts, and as if he believed in the justice and feasibility of the scheme of amelioration embodied in the paper. I am not entitled to speak with any authority on this subject; I know no more about it than any of you, but I have formed opinions which are entirely the opposite of those expressed in the paper, and, if you will permit me, I will set my views in order before you. In mechanics we are compelled to reason according to certain fundamental principles which are recognised to be continuously in operation all around us, and many a beautiful device has had to be abandoned, merely because the law of gravitation had been ignored in its conception. Now, in the science of human welfare there is a law, which, in its action, is quite as universal as gravitation, but the author's theory either ignores its existence or else pro-

poses to reverse its operation by act of parliament. This law is, that relative values are regulated solely by the interaction of supply and demand. The proper price of any commodity, at any given time and place, whether it be agricultural produce or mineral wealth, muscular labour or mechanical skill, a painting, a poem, or a new play, is just the smallest sum for which the required quantity of that commodity, or a practical substitute for it, can be obtained at the given time and place. In planning any enduring structure for the amelioration of the masses, the foundation and every course of blocks in the building must be designed and placed in accordance with this fundamental law. Human sentiment and governmental grandmotherliness cannot, as proposed by the author, ever be substituted for it. No wise government would ever take upon itself the responsibility of interference so harmful. By "sentiment" I mean "unreasoned thought prompted by passion or feeling."

Is there then no way of help for the lamentable condition of things described, when, as the author tells us, the remuneration of labourers has been reduced until the wages paid are totally insufficient to supply the proper necessities of life, and the result is misery, enfeebled bodies, ignorance, vice, and crime? Yes, there is a way out of this condition; it is, however, by the law of supply and demand, and not by any act of parliament for the suspension of that law. There is no place for sentiment in the problems of capital and labour. The worker will always try to sell his services where they are most in demand, and the employer will likewise endeavour to purchase the labour required by him where the competition for employment is greatest. The employer and the workman are then equally exercising their natural rights, and equally performing their duty to others. The employer, as an employer, is not called upon, either legally or morally, to consider whether the price he pays for labour is sufficient to procure the proper necessities of life for those he employs, and the workman, as a seller of labour, has likewise no call to consider whether the product of his hands is really worth the money he is getting for it. Sweep away all sentiment, and then we shall better understand what is the true relationship in which capital and labour are remorselessly bound in the structure of society.

The seething discontent, so prevalent to-day, is a movement of adjustment towards a more stable equivalence of supply and demand. The cause of the movement is internal, and, therefore, as in material things, the movement on the whole is downward.

When the state of rest is reached, the centre of gravity of the whole mass will be lower, although partial elevations will then be here and there observable. It is only when the cause of disturbance is external that general elevation can result. External causes are new discoveries and inventions,—the forces of the kingdom of heaven in the minds of men—these all tend to elevation. Internal causes are the stresses produced by the pressure of the different layers of society upon each other, these all tend to depression. In the midst of it all, however, every thinking man is hearing in his inner consciousness a glad some song echoing from every land, "The fulness of the whole earth is God's glory," and he asks himself how can that fulness be best gathered in and distributed. Our working poor, in their discontent, must bear in mind that the greater part of that fulness is laid up for man at a very great distance from this densely populated country, and it is only by well-directed commercial enterprise, put forth under the benign influence of cheerful respect for the rights of property, that any considerable portion of that distant wealth can ever be brought within their reach.

Money, mind, and muscle, are the three factors working in the, product—human welfare. By far the most insignificant of these is muscle. Not one per cent. of the man-directed transportation of material, which constitutes all the mechanical work done upon the earth, is performed by human muscular power. All the rest is done by physical slaves made captive and trained by mind to serve mankind. As long as the enlisting of additional legions of nature's imps went on, and new chariots were ever being contrived to which they could be profitably yoked, so long did the human mass move upwards; the pressure of superincumbence was little felt, and the slums of earth were transformed into the plains of heaven. These islands were first in this movement, and for a long time the demand for our manufactures continued to be in excess of the capabilities of our supply of labour. While labour was bid for in the open market its remuneration increased. That increase was not merely in the number of money counters, in which its price was expressed, but in the actual usable and enjoyable equivalents which that price procured. The cause of this increase of demand for our manufactures was that British manufacturers and British merchants with British ocean carriers offered to the inhabitants of other countries better value for their surplus goods than they could get from any other people. When a seller asks less for his goods and is enterprising in finding a market for them he can generally increase his sales in a greater ratio than that of the old price to the new. When the

reduction in price has been brought about by improved methods of production, the manufacturer can generally secure to himself increased profit by the change, but the workman will not be benefited unless the reduction in price increases the demand in a greater ratio than the facility of manufacture has been increased. The manufacturer's enhanced gains will be obtained only for the period during which he is in advance of his competitors. When other nations, following our example, adopt the most improved forms of our machines, operated by workers whose rate of remuneration has not been increased by the waves of prosperity which have been fattening our country since the beginning of this century, the demand for our productions must be much reduced. For many years we possessed the better processes, and we could therefore undersell our continental rivals; but now they have, in most cases, the better processes, and they have, in every instance, the advantage of cheaper labour; therefore, in many departments, they are able to undersell us. The British workmen in these departments are, therefore, not fully employed, and, recognising only where their own shoes pinch, they demand that the production of each worker should be diminished, so that their services may not become a drug in the market. The principles which regulate supply and demand point to just the opposite of this plan of procedure. Say that only 80 per cent. of these workers have employment at the formerly established rate of wages, which was, say, 100 shillings for a certain number of days. Say, also, that by reduction of wages to 90 shillings for the same amount of work, the market could be maintained as before, employing all the men. The result would be that every man would now have less wages by 10 per cent., but every hundred of the workmen would now earn 9 thousand shillings instead of only 8 thousand shillings in the same time. Another way of combating the contracting demand would be that the men should apply themselves more industriously to their art of production, co-operating with the employer by every means in their power to enable him to produce his goods at a reduced cost, and so maintain their place in the market in spite of his new competitors. This is one alternative for the adjustment of the wages difficulty—cheapen production, either by increased efficiency or by reduction of wages. The other alternative is the diminution of the supply of labour. The author of this paper very properly remarks upon the permitted overflowing of the surplus population of the continent of Europe into the British labour market. So long as the poor rates in this country are burdened with unemployed natives, it is, I think, incumbent upon our government to prohibit steamship owners

from acting as if our coasts were placarded "Paupers may be dumped here." The superfluous produce of a continental proletariat is, however, not the most important hindrance to the much needed contraction of the labour supply. If, in the recent processions of dock strikers, every man had carried a banner with the figure, or figures, denoting the number of additional mouths to be fed he had called into being, the number of additional pairs of hands he had brought into the struggle for employment, the true blacklegs to their fellows would then have been declared, and a new direction for picketing would have been indicated.

The excess of births over deaths in this country has been continually increasing during the last century, and notoriously the people are no worse off now than they were when our grandfathers were children. This consideration induces many a one to conclude that it must be a natural law, that God never sends a mouth without sending food for it, and so the cry is still "they come." A considerable proportion of this excess of births over deaths can be accounted for in the thousands of emigrants that have left these islands for good, but the permanent increase is, however, still very great. It is easy to draw very misleading conclusions from a comparison of that increase with the observed general improvement of all classes of society. The forces of the kingdom of heaven, which had lain dormant for ages in the "within" of the human mind, quickened into throbbing life towards the close of the last century. "There were giants in the earth in those days; and also after that, when the sons of God came in unto the daughters of men, and they bare to them the same, mighty men, which were of old, men of renown." Whence they came we cannot tell, but their coming was with power, for, at their touch, it seemed that all things changed, old things passed away, and all things became new, and these new things have remained with us unto the present day. Spinning jennies, mules and carding engines, steam engines, power looms and steamships, new iron and the newer steel, railroads and locomotives, and, last of all, electricity, so beautifully completing the whole. Each of these gave employment to additional legions of workers. The power of production was enormously increased, and new wants were invented, and sometimes even supplied before the wants had been clearly understood. If this communication with the kingdom of heaven is to remain open to us, and if things that the eye hath not seen, nor the ear heard, nor the heart of man conceived, are to be revealed to us at the same rate as in the last hundred years, there may still be found continuous remunerative employment for all our workers,

and general amelioration of their condition. We seem, however, at present, to have reached a table land in our climbing, and within view there is no higher level to be reached, and on every side we see all nations scrambling on to the same table land with us, and we cannot keep them back. The fulness of all the ends of the earth is being bid for by Scandinavians, Belgians, Dutchmen, Germans and Frenchmen, as well as by Britishers. No country has a monopoly in any handicraft. Britain has the prestige of a long-established business, and to-day it is being decided whether it will modify its old ways, so as to be able to compete with its new rivals, or allow its foreign trade to pass entirely into the hands of its commercial enemies.

I think that this is the aspect in which the problem of capital and labour should be seriously viewed in this country at the present time. The deliberations of trades unions should be wholly directed to the reduction of the cost of production and transit. Their aim ought to be, to see that the products of their trade are delivered in foreign markets, of better quality, and at a lower price than the corresponding manufactures of other nations. Even if other nations should then reduce their prices to the same level, the object in view would probably be still attained, because, then the articles so reduced in price would find an increased number of purchasers. The inhabitants of some countries, which formerly imported none of our products, would now become customers, and the produce of their lands would be returned to us in exchange for these goods. It might be that the wages of the workmen here might be then less than before, but, it must be borne in mind, that the lowering of the price of one class of manufactured goods tends to lower the price of all others. When this reduction has made the round of all trades, then, with universal money reduction of wages, the result will be that the material remuneration will be even greater than before the alteration, for then, say, 15s. will be worth as much as 20s. was worth before.

There is no suggestion here that the employer should continue to employ the same number of men for fewer hours, at the same weekly wages as before, and make up the difference of cost out of his own profits. I am ashamed of my countrymen, when I think that this is the plan of salvation believed in by hundreds of thousands of working men. They see some men, now in affluence as employers, who were known to them twenty-five years ago as working men, as poor as themselves, and they thereupon conclude that the profits, arising from the employment of labour must be very great, and quite disproportionate to the service performed by

the employer, or to the risk of loss undergone by him, and they really believe that it is only selfishness that prevents the master from yielding to the demands of his workers. They repeat among themselves the sophism, that labour is the only source of all wealth, and, therefore, all wealth ought to belong to the labourers. I have tried to create in your minds quite another idea of the source of all wealth. What has been the part played by labour in all the inaugurations of new applications of machinery? The labourers have been uniformly opposed to all improvement, and have generally expressed themselves in regard to these in riot and destruction. It is not labour, but the directing of labour that is the source of all wealth. The manager of one of the largest works in the kingdom, employing six or eight thousand men, says that the men have so disgusted him with their strikes and their stupidity, what he would like now would be to have the place all to himself, his office a lantern on the top of a tower in the centre of the works, with a keyboard before him and electric wires connected to all the machines, so that he could operate them all himself and be rid of the men. It is in this direction that all managers are now working. I do believe though, that, if this dream were ever realized, some men would still assert in regard to it that, since the joiner erects the lantern, and the engine-fitter constructs the machines, and the wireman connects them all to the keyboard, therefore, here, also, labour has been the only source of all wealth, meaning the labour which claims our streets for its strike processions, and the gates of the city for its pickets. No, that labour is not the source of all wealth. Not one-third of the inhabitants of this country could be kept alive by it.

Human society is like a tree, with boughs and foliage spreading in the air, and an equal multitude of forked roots bedded in the soil, and the same sap circulates through the whole, uniting all in one life. Now the spreading roots are complaining that they are not the branching boughs, and that they partake not in the adornment of foliage and are denied the smiles of sunshine and the kisses of the breeze. Had they only faith in the order of things, they would see that there must be roots spreading in the soil as well as branches basking in the sunshine, and that each works for the other. There may be obstacles in the way of the spreading roots and often little sap within their reach; but if the human rootlets had faith, they would set themselves with energy to seek for nourishment in all directions; stones in the soil would not stop them, strong in their purpose, they would, like the spreading roots of the mustard tree, turn the stones out of their way to

get at the water and send up the sap that is to make grow the greatest of the trees of the garden, in the boughs of which the birds of the air may build their nests. Such faith and such energy are what are required at the present time to save society. This "faith" is what has been described as "planting the feet upon things hoped for, and the seeing of things not seen." He who exerts himself in his employer's work, as if he laboured in his own behalf, does exercise this faith, and his reward will come. More feet would tread this gangway if every mind could be endowed with power to see "the things not seen." No longer would men say that labour is the only source of wealth, the labour of the hireling. Before, they thought the substance of the tree, its branches and its leaves and fruit, all grew out of the sap the roots supply; but, when enlightened, they would see that all the energy and nearly all the substance of any of our trees are really fished from out the air, by branch and leaf. A tree is grown upon a root indeed, but neither by nor of the root, save to a very small extent. And likewise in the human tree, the leafy branches called the classes are tirelessly procuring from all parts of the world, incessantly, whatever is required for life and nutriment of root and trunk—the masses, who also labour in their various spheres in work appropriate; and in this tree the roots most active now may be ere long the topmost branches, not by upheaval or destruction, but by their own activity and faith they are uplifted.

The functions of the green leaves waving in the daylight are like the work performed by written leaves, which merchants send by every mail from town to town and shore to shore. Each working man can realize the power of hammers moved by steam, and set them in their proper rank in lists of brawny arms; but seldom do they recognize that, measured in foot pounds of useful work, the penstrokes of commercial men do oftentimes far surpass in energy the mightiest Nasmyth Titan, and that these are the pulses which propel the very life of the great human tree of Capital and Labour, from leaf to stem and branch, through their most active layers, down to the trunk and roots, and up again through all the older substance of the tree. The source of energy in upper branches amongst men is not in any product of the imbedded roots beneath. It is a living power, developable in individual men, not made out of surroundings, but God-begotten in certain sons of the daughters of men, who grow up to be men of renown. To live in their day is our inestimable privilege, to plot for their suppression would be high treason to the human race, and to grudge them their reward would be the meanest ingratitude.

Some pestilent fellows have instilled into the minds of working men the poison of distrust, telling them that they are oppressed by capital, and that capital is their natural enemy. The author also complains that wealth is very unevenly divided, and he thinks it an evil to society that the aggregate wealth of less than a hundred multimillionaires should be so great. I think that the smaller the number of owners of the working capital of the world is, the better it must be for the masses; and the greater skinflints they are, the greater benefactors they are to mankind. I may be wrong in my reasoning, but it will be profitable to you to consider this proposition, also, from my standpoint. Say, that many centuries ago, before irrigation works were known in India, the people were accustomed to series of years of plenty, with, at intervals, a year of famine, which depopulated great areas of that peninsula. Then a wise man stood up and said to those who remained, that he believed that these famines might be prevented if the inhabitants would set to and build reservoirs and construct irrigation works, for they would then be independent of the fickleness of seasons of rain and of drought. His countrymen generally agreed with him that such works would be beneficial, but, they said, droughts never succeeded droughts, and as they had just had one, it would be many years before they would have another; and, besides, they were all half famished then, and little able to work as he proposed; they would do it, however, before the next drought. The wise man's motto was, "Now is the accepted time,"* and he set to work with the assistance of his sons and daughters, for in India the daughters are the hod carriers. All the savings of the whole of the family, whose head he was, were expended in procuring material, in buying suitable sites for works, and in hiring additional labour for carrying out this project. Late and early they worked, not a lazybone in any of them, as if they had found a gold mine and were gathering its treasures to enrich themselves. And his neighbours laughed at the stubborn old man making slaves of his own family, and wasting his own means and theirs, for the people were right, there was no deficiency of rain for many years. The wise man still worked on, and certainly at last a drought was experienced in that land. The inhabitants in the neighbourhood then begged for water from his reservoirs, and the king, seeing in him the saviour of the people, commanded that his rights of property should be respected, for he had communicated his plans to the king. The wise man agreed to run water on to the fields of his neighbours according to an agreement, that for the run of a pipe of a certain bore under a

*The motto is from Chordall's letters.

certain head of pressure for one hour, he would claim a days' work from the neighbour. In this way it came about that next year the reservoirs and irrigation works were greatly extended, but no one thought of competing with him, for all the others had enough to do to pay for the water they had bought. And after many years that country became very prosperous, and the number of its inhabitants increased far beyond what had ever been seen in it in any former time. The old man was glad, because he had accomplished the desire of his heart, and he rested, giving over to his sons the management of all the waterworks in the country. The sons were wholly occupied in looking after these reservoirs, and they had horses on which they rode in their journeys of inspection to keep in good condition all the dams and sluices. And now the population of that kingdom had grown to be so great that every year much of the land had to be watered from the wise man's irrigation works, and all that the people paid was to labour on the waterworks extensions and repairs in proportion to the quantity of water they obtained from the wise man's reservoirs. But after four generations the people forgot the nature of the obligation they were under to the family of the wise man, and they regarded them as oppressors, saying, "Behold these aristocrats, they do not make these reservoirs; they ride upon horseback and order us as they also ordered our fathers to build their dams and canals, so that they may gather up God Almighty's rain as with a sponge and and sell it out to us again in drops. *We will endure this no longer, this unequal distribution of the rain of heaven is an evil, a crying sin, let us curse our oppressors." It is difficult to believe that there could ever be such ingratitude or such unreason.

That these descendants of the wise man should have enjoyed free irrigation for the fields which supported them and their households would surely be only just; and that they permitted no one to draw for irrigation from these reservoirs without contribution to the work of maintenance and extension, was wholly only beneficial to the entire community, although this strictness might lead to their being called skinflints. It is also evident that the smaller the number of the families who inherited this right of ownership and supervision, the less would be drawn away from the fund of maintenance and extension on which depended the very existence of the people. It is also evident that, even if the remembrance of the wise man had been entirely obliterated from the minds of the people, it would have still been

*The last two lines are the words of an accusation made against a Mr. Willson a water proprietor in Nevada, as related by him to me in 1874. J.M.G.

best to continue the order of a limited body of free watermen, who, in return for free irrigation, should devote their whole time to the supervision of the waterworks just as if they belonged to themselves. I hope it is clear to you that the water in these waterworks is a fair representation of the accumulated wealth of a family of Rothschilds, or of any other multimillionaire. In addition to the maintenance of himself and his family, all that any of them receives is the satisfaction of knowing that his accumulations are being increased by the rent paid for the loan of them for the commercial irrigation of numerous factories employing thousands of cheerful workers, who, but for these available accumulations, would be idle and in misery.

I do not recognize any right of workmen to claim a share of the profits, after having received their wages at the market rate. A wise employer may, however, see fit to make his workmen his partners, and I know one firm of engineers which has lately done so in a much better way than that proposed by the author. The firm is a limited liability company, whose capital consists of ordinary shares and debentures. The firm has given to their workmen the privilege to invest their savings in the debentures of the company, and, while they are in their employ, they receive upon their investments the same rate of dividend as is paid on the ordinary shares. Observe that they have the security of debentures along with the full profits of the ordinary shares. Within a fortnight, forty of their workmen had applied for debentures on these terms. Several of them invested more than £150 each. The amount invested by any one person is limited to two years' wages, and then he gets the total profits, not of his own labour only, but also of another man besides, for he has become the capitalist employer of himself and another man, according to the scale explained eight lines further on.

When the author's scheme is considered arithmetically, it is difficult to understand what he conceives to be the profits of manufacturers at present. Our knowledge of the author compels us to start with the assumption that he must mean the rights of property to be respected, and, therefore, that, before the profits are declared, the market price for interest on capital must be deducted, with salaries of office staff and management. The surplus, beyond that, is profit, to gain which the capital has been staked as on a roulette table. The firms who make the engines for our steamships pay out in wages, annually, about the same amount as is their stake in capital. The author thinks that to receive one-eighth part of the

surplus profit would be, unto the workmen, a bribe so rich that all their present discontent would disappear. Say that the firm is a joint stock company with limited liability, and let the interest rate, as on a mortgage, be five per cent. The surplus profit is what the present dividend exceeds this five per cent. Say that the bonus of a man who now earns twenty shillings a week would be a sixpence every week on an average. The dividend of such a company must now be twenty-five per cent. per annum upon the capital invested. But where the dividend is now only ten per cent. his bonus would be three halfpennies only every week, and all the difference this would make upon a man's performance is hardly worth the institution of a new department in the Board of Trade. As dividends are oftener less than more than ten per cent. the benefit of bonus is now exaggerated. Perhaps the capital is here assumed too high. Then halve the capital, and say the half will yield the same amount of wages annually. The company which now declares a dividend of ten per cent. would yield a Shorey bonus, on a one pound weekly wage, three farthings only; a Sorry bonus this would be for all the trouble taken. But the author will now tell us that the men would then exert themselves as if on piecework, and profits would be greatly magnified, and it is on that he counts. That is, he insults the men, proclaiming that now they do not honestly exert themselves to do the work for which they are paid, and, for a swarm of drones he asks for legislation, to tempt them by a bribe to become more active bees.

The grumblers do not know what capital is. A hundred pounds, if lent upon security of land and building, will bring, say, five per cent. per annum, the land and stones, or bricks, may every day be viewed to satisfy the owner of the hundred pounds (the savings of five years of care), that the security is unimpaired. Say that a hundred pounds so lent has been paid in for shares, and now stands as a hundred pounds of capital in an engineering company, limited. The owner of the house, and other property, has thought the district would be benefited by the formation of this new company. His hundred pounds, before worth, say six pounds a year to him, would fetch a hundred pounds in wages every year to working people, including the five pounds for the mortgage, and there would be, perhaps, say, five pounds more of surplus profit, the encouragement which tempted him to borrow on the house and buy the shares. Who will make our working men to understand this gamble? For five pounds to himself and ninety-five to working men unknown to him he stakes his hundred pounds, and seldom is it that he gets his five expected. More frequently the interest even, to the holder

of the mortgage, has to be paid out of the rent. Against the risk of total loss, there is the chance that more than five pounds surplus even may be obtained. When five pounds surplus or ten pounds total is the dividend then capital receives, as its reward for risk, one shilling for each pound the workman gets. If five pounds more of surplus comes, that makes two shillings against each pound, say, that the workman gets. Fifteen per cent. is then paid on the shares, or, ten pounds is won for capital, five pounds for mortgage interest, and ninety-five are paid unto the men in wages. This fairly represents the game of capital and labour, which, in the minds of striking mobs, is most iniquitous. My own experience is that dividends are generally *nil*, and even then the workmen ask for higher wages. But if fifteen per cent. as dividend were common, since that is only ten of profit to the stake of a hundred pounds, and the same turn of the wheel brings ninety-five to men for work, for every ten thus paid for risk of capital, who is there has just ground to cry out in complaint? Against the many total losses there must be a few well-known instances in which a profit such as this has been secured, or, otherwise, no man would risk his hard-won savings in any enterprise to give employment to labour. The statement now set forth is incorrect, but all the error lies in one direction, and when corrected, the argument now used is only strengthened. Because, when such a dividend is earned the wages paid must much exceed the amount of capital invested. So that the workmen then receive, perhaps, one hundred and fifty pounds for work, for every ten pounds gained by him who risks the capital.

Whatever an employer gets beyond the net expenses of food, clothes, and lodging, for himself only, and what he has to pay for the use of capital, is to him profit or luxury. Similarly, whatever a workman receives beyond the price of food, clothes, and lodging for himself only, is to him profit or luxury. Amusement, beer, the maintenance of a family or of relatives, are luxuries to be paid for out of the earned share of profits. The author says, give one-eighth of the profits to the workman; I would say, give half to the workman. For every shilling the workman gets to spend on his family or amusements beyond his own food, clothes and lodging, let the employer have the same amount. Let the apportionment of profits be made on this more liberal basis, and workmen would soon be crying out for the good old time back again when employers were allowed to manage their business their own way, without any inquisition. When profits are regarded in this light it will be seen that in all large concerns, engineering companies, dock companies, railway companies, omnibus companies, the division of profits must

be now numerically approximately that asked for by the author of the paper, only it is the employer who gets the one-eighth, and the workmen get the seven-eighths.

In carrying on any business, the scale of profit must be calculated to ensure, as far as possible, that there will not be a loss by any contract. Wages in any engineering works must therefore be fixed to leave an estimated one-shilling per pound of clear profits on all wages paid; otherwise there might be a loss leading to a closing of the works, a far greater evil to the workmen than the loss of one-shilling per pound of their total wages. Where the wages paid amount, as in one case now before my mind, to £2,800 per week, this means, say £7,000 profit per annum. In 29 years this income would, if invested at 5% interest, amount to £420,000. The working-men under an employer who has paid that amount of wages for that period, and who is now worth £400,000, are apt to consider that the master's wealth has been amassed at their expense, and at their trades union meeting they will speak as if they believed that all the time their wages ought to have been four or five shillings more a-week. These men, when the master has taken a large contract will sometimes strike for more wages, sometimes 2s. 6d. a-week more, and they get it, and now they tell me that my figures are all wrong or they could not have got the increase. That they got it does not prove that the master was making that profit off them. They got him in a corner and meanly took advantage of him. The amassed capital is beneficial to the workmen, it acts as a great fly-wheel when trade is bad, and there are instances of the expenditure of the whole of a large amassed fortune to keep the place going; hoping for better times. If workmen would look at this question as I see it, instead of grudging their employer his accumulation, they would regard it as an agreeable evidence that they had done their duty.

Capital, where there is confidence, gives rise to commercial enterprise. The wages return of invested capital so enormously exceeds the capitalist's profits that the evil of strikes, by impairing confidence, is far more disastrous to the interests of the whole community of workmen than any successful strike has ever been beneficial.

A man who risks what he has already won to gain each year one-twentieth of his stake additional, providing thereby for poorer men employment, yielding every year to them in wages the equal of the total sum he stakes, is surely a benefactor to those men

although he may himself be void of all benevolence. To thus provide ten families the means of earning one hundred pounds a year for each is surely wholly good and laudable. For risk, he gets but fifty pounds a year, while unto them is paid one thousand pounds. No man dares raise his voice against this scheme as unfair to the men, but multiply this by one-hundred-and-forty and the employer has now seven thousand pounds per annum and is on his way to be a millionaire. Before, he was for them the goose that laid the golden eggs, but now he is the villain of the play. If to be the rain of heaven for ten families is good and honourable, surely to be the same for fourteen hundred families cannot be wickedness. Men! give up your strikes and let your envies be changed into congratulations. When the employer of the bread-winners of fourteen hundred families is known to have just completed another hundred thousand pounds of fortune, turn out then in holiday procession and celebrate appropriately the gratitude you ought to feel, saying "The flywheel of our engine has grown to be to-day one-hundred-thousands-pounds heavier than it was when last we weighed it, and we therefore rejoice together, for in this we have a guarantee of steady employment—accumulated energy sufficient to carry us over any dead centre of commercial disaster or financial crisis, and therefore, this day we set up an Ebenezer in this place."

The interests of capital and labour are closely connected with the question of free trade or protection. We have never had free trade in this country, but I would like to see it tried. The system of protection for the productions of foreign countries, now established in Britain, ought to be done away with, and in our own markets our own productions ought to be admitted on the same terms as foreign produce. That is to say, that every quarter of wheat grown in England has been taxed indirectly for the revenue of this country, municipally and imperially, while the wheat imported from other countries has contributed nothing to our revenues. While this inequality remains our native producers have not free trade. Our farmers have not only to pay their taxes, but they have likewise to pay high rents, which are again taxed by the state. This is all a burden upon the native producer. Until a tax, equal in amount to the total proportion of revenue now indirectly collected for every quarter of wheat grown in this country, is also levied upon foreign grain in our ports, we cannot be said to have free trade. It ought to be the same for all native productions. If this were attended to, the burden of taxation would be reduced by many millions of pounds, and

goods produced on the continent would not be so commonly worn in the dresses of British people as they are now. We have never had free trade.

CHAIRMAN.

(MR. F. W. WYMER.)

A good deal of trouble has, in my opinion, arisen from the use of the word "Money." Money only represents articles of daily use which are necessary to our existence and comfort, and which could not be stored or carried about with us; for money, whether of gold or of silver, is of little use unless it can be exchanged or bartered for articles of food, &c. With regard to the question before us, that of capital and labour, it appears to me that the wages paid by an employer to an employee is, to a certain extent, the sub-division of profits, and I do not see how an elaborate system of inspection could be carried out, especially where, as in case of new projects, great sinking of capital must take place before any realisation of profits could be expected or maintained. These are questions that have exercised my thoughts for a very long time, and I trust that they will be discussed and a solution arrived at, which shall leave all men free to act as they may consider best.

MR. F. W. SHOREY'S REPLY.

The Chairman has remarked that the wage paid by the employer to the employee is, to a certain extent, the sub-division of profits; but this cannot be, as cost of production is always included in the value of the article produced. As to the system of inspection, this could be carried out in a similar manner to the Excise. With regard to the sinking of capital in the case of new projects, before any realisation of profits can be expected; this must necessarily take place, under the present system as well as under the proposed system.

Let it be clearly understood that I do not wish to take the side of the employer or the employed; but, having occupied the position of both, it is my anxiety, if possible, to suggest some method whereby the differences now existing between them may be satisfactorily settled. It is evident that capital is becoming more than ever concentrated, and Mr. G. T. Shearman, the well-known economist, has calculated that seventy Americans own £540,000,000,

he further says that one half of the wealth of the States is in the hands of 25,000 persons, and that the concentration is rapidly increasing.

I was not aware that a scheme similar to mine had been tried ; but, assuming such to be the case and it failed for reasons as mentioned, it will be found that in my paper I have protected both master and man against each other by having a body of accountants to examine all books and accounts when necessary ; therefore, that difficulty would be removed.

I do not think it possible to bring out a perfect scheme to meet every individual case, but the one laid down will meet the majority of cases where labour is employed and is capable of adaptation.

Mr. Robertson says that he does not think that we are advanced sufficiently, to put into force the plan laid down in my paper, but must wait until men are better educated. Let me say, in reply, that we have had twenty years of School Board work, and that most of the working population should now be educated for such a scheme, and I feel sure if such were tried it would answer in the majority of cases. I cannot agree with him that the gulf is widening between master and man, although, at the same time, one must admit that there are some men who are antagonistic to the employer ; but it will be found on enquiry that they are invariably the rough, drunken, and lazy class who do not care to work, and would not agree with any employer ; and I fear we shall always be troubled with a certain percentage of such as long as the world exists.

Mr. Coubro says that, in his opinion, I have not gone deep enough into the matter. In reply, let me say that this question of Political Economy is such a wide one that it would be impossible to treat upon more than one of its many sides in one paper, and my sole object in preparing the present paper was to endeavour to show that by such a scheme the general and discontented feeling between employer and employed now existing could be altered, and a better state of things brought about.

Mr. Wilson in his remarks refers to the old proverb, "Man mind thyself," and it is on account of this universal inherent selfishness that makes it more than ever necessary that great social differences should be regulated by an act of parliament. With

regard to the six-eighths of the net profits being all the capitalist should draw, one considered this amount quite sufficient when preparing this Paper, and it could be drawn either in form of salary at stated intervals, or in a large sum at will, but should not exceed the six-eighths of the profits; and one ventures to think that under the proposed method the six-eighths would be a larger amount than the whole of the profits under the present arrangement, for reasons already explained.

In reply to Mr. Thomson, it may be admitted that the system of profit-sharing is not new, but I am not aware of anyone adopting the method proposed in the paper. Granting the case of a steamship company with certain capital at stake, and out of their gross profits they pay the manager, superintendent engineer, and the official staff so much a year as their share of the profits; this, he adds, is a division of profits constantly going on without such a complicated system of dividing the net profits. Now it has been my endeavour to show that, in addition to the men receiving their wages, they should have something extra at the end of the year, which would make them feel they were not mere machines, but men who had an object to work for, and an incentive to do their best to the mutual advantage of their employers and themselves. With regard to the men sharing in the losses, this they would do to a certain extent, as they would not participate in any profits until the losses had been allowed for. It would relieve the employer somewhat of the losses, who, at present, has to bear the whole of same.

In replying to Mr. MacFarlane Gray's remarks, one hardly knows where to begin, he touches upon so many points; he disclaims sentiment, (and, after all, indulges in it to a large extent; and what is sentiment but settled opinion or principles, in regard to subjects which interest us strongly?) He says it cannot be substituted for law. What is law, but the result of sentiment? He also says, no wise government would interfere in the way proposed. I cannot see the objection. He says again, the employer is not called upon, either legally or morally, to consider whether the price he pays for labour is sufficient to provide the proper necessities of life for those he employs, he certainly is *morally*, if not *legally*. We know that Mr. Gray has not forgotten his duty towards his neighbour, and I am surprised at this remark. "Another way of combating the contracting demand would be, that the men should apply themselves more industriously to the art of production, co-operating with the employer by every means

in his power to enable him to produce his goods at a reduced cost, and so maintain his place in the market in spite of new competition." This was my argument, and, to facilitate this method, I proposed the distribution of percentage of profits. You cannot expect men to take an interest in another person's property, unless, in expectation of some reward. It is advocated that the diminution of the supply of labour and a reduction of the number of children a working man should be the means of bringing into the world. I am afraid this plan would not succeed, as I hardly see how one can regulate labour and demand in this way. Again, he is very bold in his defence of brain-power over labour, he is quite right ; but I reiterate my remark, that labour is the original source of all wealth. What is the use of brain without matter to work upon ? Theory only, and theory without practice is of little use ; before Nasmyth could produce his hammer, the strong arm of the navy had to dig out the ore, and the miner the coal for smelting. The hammer would be of very little use in theory alone. The sculptor cannot begin his chiseling until the block of marble is cut from the quarry. Brain cannot do without material, and material is useless without the influence of brain-power upon it, therefore, they must go hand in hand. Mr. Gray referred to the tree of human society, with spreading boughs, and roots bedded in the soil ; the same sap, circulating through all, uniting all in one life, the roots complaining that they are not the branches. He did not say that the abundant foliage is due to the myriad human rootlets that draw from the earth that nourishment in the shape of various products that supply those branches with their luxuriance and provides the shelter and rest for the gay birds that flit in and out among its branches. If these rootlets refuse to do their work, the beauty of the tree will fade and it will die, and, as in vegetation in some seasons when the demand by the branches upon the roots is unusually great, they must have an extra supply of nourishment to keep up their vitality ; so, in the human tree, the life and health and well-being of the roots should be looked to as of primary importance to the prosperity of the branches. It is all very well to tell men to have faith. What is faith ? but the "substance of things hoped for, the evidence of things not seen ;" and if a man feels that there is something tangible to hope for, and a bonus for him at the end of the year, he will have faith and energy too, but not otherwise. Another remark calls for comment, "The smaller the number of owners of the working capital of the world the better it must be for the masses, and the greater skin-flints they are, the greater benefactors." Why does he not advocate a return to slavery at once ? This is practically what it

amounts to; it would be placing millions of people within the power of a few, to be ground down to the lowest, the result of which would be starvation, ignorance and misery of the worst description. If I may do so, I would quote this passage, "As ye would that men should do to you, do ye also to them likewise." The kingdom of heaven is as much for the labourer as the capitalist; let the branches provide what they can for the roots, and the roots in return will send sap to the branches.

It is quite true that an act of parliament will not settle all the differences between employer and employed, but it will go far to promote a better understanding between them, and it will certainly settle definitely some of the points which agitators are continually bringing before the minds of the working community, but it is plainly seen that what is more requisite for the development of a better state of things is that the relationship of man to his brother man should be more fully understood. Let the working man be educated to comprehend that a rise in wages means a corresponding rise in commodities, that the capitalist does not intend to reduce his income, and that if he has to pay more for production he will certainly charge more for articles produced. It is very true, as Mr. Adamson remarks, that luxuries in time become necessities. Our working men used to be satisfied with fustian and corduroy, but now they must have tweed and diagonal, their cottages used to have sanded floors now they must have carpets; they go in for pianos, and their children must learn music; the old-time wages will not do, so they agitate for more.

I reiterate my remarks, a man is what his circumstances make him. An act of parliament would (so to speak) draw the line and settle the matter. Capital will always be held by the few, and there will always be men of more than ordinary ability who will come to the front. Money can never be equalized as some would have it, and could every man in Europe have an equal share to-morrow, in a month's time we should have wealthy and poor again.

There are also drones in the busy hive of enterprise, men who are too lazy or incapable; what is to be done with them is a question yet to be solved, they will be constantly fostering discord and discontent, and doing no good either for themselves or their fellow men.