

we are not here concerned with the ethics of the matter, but with the facts only.

Grasp well before proceeding further this fundamental difference between Tribute and Earnings, and realise that everybody's income is resolvable into one or the other.

We shall express the class that lives on tribute by the letter T, and the class that lives by work by the letter W.

TRIBUTE CAN ONLY BE PAID BY WORK.

W can only pay T by work, that is by producing goods or rendering active services for him. (For brevity's sake, and to avoid having constantly to give double illustrations, we shall say—by goods.)

But though the tribute can only be paid BY goods, it is not payable IN goods but in money. T is not obliged to take W's goods, and yet can insist on payment all the same.

If T received his tribute in goods he would have to live up to his income or lose a portion of it. He would have to USE the goods, for many of them would spoil immediately, while all would begin to deteriorate, besides incurring costs of storage and guardianship. If the goods consisted of articles of maintenance or enjoyment, food and clothes for example, the food would have to be eaten and the clothes worn as soon as possible, or they would spoil. If they consisted of "wealth devoted to production," of tools and raw material for example, of goods whose only use was to produce other goods, they would have to be applied to the work for which they were adapted, or they too would begin to deteriorate, and go to waste.

The result would be that nothing would hang on sale, lie

idle, or go to waste. Everything would be put to the use for which it was fit without delay. There would be great consumption widely diffused ; there would be rapid sale of goods, incessant demand, employment for all, active industry, circulating money, rising wages.

If T received his tribute in money, but spent that money at once, the result would be the same.

T, however, does not either receive his tribute in goods, nor yet spend it all. He receives it in money, and he finds it quite easy to save that. That does not spoil by keeping, nor yet incur expense of storage. On the contrary, it brings him in interest. So he saves, not by storing goods nor hoarding coin, but simply by contracting his expenditure, and leaving the unexpended balance somewhere as an unsatisfied claim. He abstains from taking from W goods equivalent to the full amount to which he is entitled, and yet does not waive his claim. In other words, he refuses to allow W to pay his debt in the only way in which he can pay it, and yet charges him for not paying it.

What is W to do? T's refusal to buy lessens the general demand for goods, contracts the market, brings down prices.

W cannot use the rejected goods himself because, owing to the differentiation of industry, each producer lives by producing a single article, or class of articles, often of a kind that is of no use to him at all, always more in quantity than he can find use for, even if they are the kind of articles he uses. The farmer, for example, cannot eat all the grain he produces, the clothier wear all the clothes he makes, the cutler use all the tools he manufactures, and even if he did, it would not enable him to find the tribute required of him. Nor can he dispose of these goods amongst his fellow Ws, for, as a class, they are generally in the same plight as himself, and for the same reasons. Some of them there are whose business is simply to buy and sell (shopkeepers, dealers, etc.); these we may call

vendors. Others there are whose business is simply to render services, or produce goods for the vendors to sell, they themselves receiving wages; these we may call labourers. The vendors, in whose hands the goods are collected, can neither use them nor sell them to each other, and the labourers cannot buy them because, after satisfying their most pressing wants, they have not money enough left to buy anything else. In short, the poor cannot buy the goods, and the rich won't. So trade becomes dull, employment scarce, earnings fall. There is no scarcity of real wealth, *i.e.*, of goods, yet there is distress among those who produce it because the money—the purchasing power—has accumulated in the hands of T, who won't spend it, but only lend it.

To put it another way. Let a farmer and a cloth-maker represent the workers, one owing £20 a year rent to a landlord, the other £20 interest to a money lender. Tribute day arriving, the workers expect to be able to find the tribute due by the sale of their products. What they sell to each other amounts to a mere exchange of products, beneficial to each no doubt, but of no use in helping to find the tribute. For this they look to the Tribute receivers to buy, *i.e.*, to take their tribute out in goods. T, however, won't; he intends to save, so the workers have to scrape together all the ready money they can get, and with which they had intended to carry on their business, and they hand that over—£40 in all—to T, who promptly puts it into the savings bank.

Now, money being taken as the sign of real wealth, the politician, the statistician, the economist, seeing £40 in the bank, which was not there before, announce this as the year's savings—as the national accumulation for the year—whereas a moment's reflection will show that there has been no saving or accumulation of real wealth at all. The farmer has simply got his usual yield of farm produce, which must be presently eaten (unless it is left to rot), and the cloth-maker has got his usual

output of finished goods, which also must be presently put to their destined use (unless they are uselessly put by for the moth and rust to corrupt); all that has happened out of the usual way is that the £40 which was in the hands of the workers, is now in the bank, to the great loss of the workers, who, having now no ready money to go on with, are obliged to go to the bank and borrow the £20 each they require to carry on with. Next tribute day comes round, and the workers have their usual output of goods only, but now double their former liabilities, and more; they have each his £20 rent or interest to meet, and the £20 additional they borrowed from the bank, with interest added. And T still persists in "saving" and won't buy, but yet insists on his tribute.

Now, if T had not economised, but taken his tribute out in goods, there would have been no apparent saving, but the workers would have met their liabilities without either parting with their cash or borrowing, and industry would have gone on as usual. It was T's "saving" that wrought the whole mischief.

Of course in real life a general break-down does not come to pass in a single year, because T does not—cannot—do what for sake of illustration we have supposed, and save his whole income; he only saves $\frac{1}{10}$ or $\frac{1}{11}$ of it, and therefore a crisis only occurs once in every 10 or 11 years; and when it does occur it is not a complete break-down, because not all the Ts save, and because numerous unnoticed little breaks-down are continually happening which ease the accumulating strain, and avert a complete catastrophe. Money is so identified in our minds with real wealth as signifying it, and being convertible into it, that we fail to realise that the sign does not imply the existence of the thing signified. 100 sovereigns in any one place does not imply the existence of £100 worth of goods in that place, any more than the existence of the goods implies

the existence of the sovereigns. Still less, if possible, does an entry to credit in a bank imply the existence of either goods or sovereigns.

Still a good part of the rejected goods can be got off to the richer Ws, for the Ws are of all grades, from the Prime Minister with £10,000 a year down to the out-of-work with nothing. At these extreme points W may be said to pay no tribute; the rich, because they are so independent that they need incur no liabilities (as for the rent they may pay, that is purely voluntary and for their own convenience, seeing they are rich enough to buy their own land and houses if they want to). The poor, on the other hand, having no credit, can incur no liabilities, broadly speaking, so they also pay no tribute. Really, they bear the whole burden of it, but they bear it in poverty and toil, in non-receipt of wealth, not in visible transfer of it as tribute.

The business of *finding* the tribute falls mainly on the Ws who lie between the extremes of rich and poor, and cover the general class of employers. These can, for a time, continue to find the tribute required of them, notwithstanding T's refusal to buy their goods, partly by lowering their prices and inducing the richer Ws to buy, thus reducing their own earnings; and partly by cutting down the wages, and lengthening the hours of their employés, thus taking it out of *their* earnings. Of course they never adopt the former course till they have carried the latter to the furthest point practicable.

The employer is the base on which the whole system rests. For the landlord and the money-lender as such produce nothing, and the labourer, though he does produce, does not come into possession of what he produces; *that* belongs to his employer.

To the employer comes the landlord for his rent, the money-lender for his interest, the labourer for his wages.

If the employer fails, all fail with him; and if he fails in

one point he fails in all. For if he fails in his own profit he cannot live, and there is an end of him as an employer. If he fails in rent the landlord ejects him, and stops his work, and his work ceasing, the money-lender's interest and the labourer's wages cease with it. If he fails in his interest, the money-lender sells him up, which also stops his work, and with it again the landlord's rent and the labourer's wages. As for his labourer, as he is usually paid weekly, monthly, periodically, somehow as the work goes on, he has rarely much to claim, so we may leave him out as a probable danger. But rent, interest, and wages, all depend on the employer, and failure in any one liability brings down the extinguisher on him, and extinguishes the others as well as himself; all four incomes disappear together.

But besides the Ws who provide *T's income* there grows up another class of Ws who enable him to *spend* it—who live by supplying his wants, so that when his accumulated tribute demands break down W who supplies them, and his income goes, too, these others lose *their* income. So that a whole series of incomes disappear together.

When a crisis comes there is as much distress amongst the Ts as amongst the Ws. Above the cry of the foreclosed farmer, of the sold-up tradesman, of the unemployed labourer, there rises the cry of the wealthy gentleman of "independent means," whose great and sudden fall from opulence to penury attracts special notice; of the widow and the orphan who have lost all their "savings," and who attract special and deserved pity. And, really, everybody seems to imagine that a pile of accumulated real wealth has suddenly and mysteriously disappeared, when what has really disappeared is the power of a number of persons who do no work to claim the earnings of those who do. All the real wealth is just as abundant as it was; the stock of goods, of actual utilities is not lessened an iota. Nothing has disappeared but incomes—claims. Yet the

business relations of society consist of such an interlacing network of these claims that their cessation throws everything into confusion, and the wheels of the great industrial machine slacken, its output diminishes, and wide confusion and distress result.

But since T does not hoard his money, but invests it (*i.e.*, passes it on to someone else to spend), it gets spent after all. True. But the expenditure is now taxed, and the tax falls on W. If T has £1,000 coming to him from W, and spends it on a house for himself, employing W to build it, then so many men are employed, the house is built, and the claim is wiped out.

But if he lend it to someone else to build a house, then, as before, so many men are employed, and the house is built, but the claim is *not* wiped out, but continues incurring interest, which the worker *somewhere* has to pay.

No doubt the borrower who builds the house benefits in a way by the loan, or he would not borrow. But the mischief is that T's refusal to buy his goods compels him to borrow, for if T spent all his income as he got it, the demand for goods would be so great and continuous, and the money—the purchasing power—instead of accumulating in the hand of a single class, would be so quickly and widely diffused that W would be under no necessity to borrow, and could build his own house with his own earnings.

Money lent, though it is spent as truly, and by the same person, when he borrows it, as if he had received it by sale of goods, is not spent in the same way—in the way wanted—that is, in relief of the congested market, but only in keeping up the congestion.

A producer who cannot sell, except at a loss, all that he has produced, may, if his goods are of a durable nature, occasionally borrow, merely in order to live till prices rise, and so avoid bankruptcy and ruin, and this may be said to be borrowing for an unproductive purpose.

But speaking broadly, borrowing is always for productive use, else there could be no repayment of the loan, still less interest on it.

So long as the poor cannot buy all they want, and the rich will not spend all they have, and production is for sale, not for home use, the market for goods must be contracted at both ends, and there will be what is called over-production; that is, a glut of goods which do not go off at a profit, notwithstanding that millions want those goods badly; consequently there will be a struggle for existence amongst the workers, amongst the employers for custom, amongst the employés for employment, bringing down both profits and wages. And the only cure within sight is increased consumption amongst the money owners to set checked production going again.

Merely to lend money to the producer to enable him to keep up the over-supply (instead of buying, and so working off the over-supply) will not mend matters, but make them worse. It does not provide the missing market nor lessen the cost of production, it only adds to the load of debt under which the producer is already struggling.

Saving money, so far from adding to accumulations, as the authorities teach, diminishes them by checking production; for goods are produced only to be consumed; and if A, the customer, refuses to have them, B, the producer, will not produce them.

To most people it seems a mere truism that the greater the consumption the less the goods. But it is not true. The very converse is the truth. For the greater the consumption the greater the demand, and the greater the demand the more active the production. Consumption calls forth the goods that it consumes. Indeed, it calls forth more than it consumes, for by far the greater part of the articles we require—all, indeed, except food, tobacco, and a few other things—are more or less durable, outlast their first use, outlast many successive uses,

and so are produced faster than they are worn out, and thus give rise to accumulations. This durability of most of the articles we produce is indeed the chief cause of accumulating wealth.

Saving money then is not saving goods, but only throwing them on the market unsold, causing what is called "over-production," bringing down profits, embarrassing trade, checking production, and lowering earnings.

The goods remain unsold, not because nobody wants them, for millions want them badly, but because the money, the purchasing power, the command of goods and services, has accumulated in the hands of the fortunate few who don't want them, leaving in the hands of those who do not want them barely enough to supply their most pressing wants.

And precisely because T already has so much, he can get more still, with no effort of his own. Because he commands the present he can also command the future; for whatever fresh opportunities of wealth-producing come to light, W is too poor to take advantage of them, so they fall into T's hands.

Does someone discover a new method or devise a new machine? It cannot be tested, perfected, brought into use without money; therefore T, who has the money, buys it up for a trifle.

Does someone else find valuable minerals? T generally owns the land and claims them. Even if they are on Crown land W has not the money to develop them, T has, so he buys it up again, and W has to work for him as a hired servant.

Does Government open up fresh lands by new roads? They are too far away or too densely timbered to be of much *immediate* profit, so W, who can't wait for the distant golden future, either lets T take them up, or if he does take them is sooner or later bought out by T, who *can* wait, and who,

letting the land for a small profit in the present, can sit comfortably waiting in his chair for the later but inevitable rise of land value.

So no matter what the enterprise may be, nor how promising, nor how thoroughly well able W may be to manage it, so far as knowledge and skill go, it falls into T's hands, and W has to work under him for mere ordinary current wages.

So T saves habitually; and the richer he is, and therefore the less need there is for him to save, the more he saves.

No matter how well assured his future may be, there are always reasons in plenty to induce him to go on saving.

There is the love of power, which is gratified by the reflection that he has plenty, increasingly plenty, of money to spend *if he likes*.

There is the importance and influence with others which the reputation of having plenty of money confers.

There is the natural desire to leave one's children as well off as possible. And last, but not least, there is the pernicious doctrine, taught by the highest authorities, that these savings of his are real additions to the national wealth, and represent the fund by which industry is carried on and comforts are diffused.

Notwithstanding all that has been said, saving money is an excellent thing when kept within limits—very narrow limits—for it is a form of insurance.

Like insurance, it adds nothing to accumulations, but it averts suffering. There is no better way for a man to make provision against sickness, or accident, and for old age, and to give his children a fair start in life than by contracting expenditure, and so saving money.

By this means no goods need be put by to spoil or to deteriorate, to be destroyed or stolen; in any case to lie uselessly idle till wanted. There is no cost of storage and guardianship; and when the time for calling in the provision

arrives, it comes in money, which will command exactly what may be wanted, instead of in the shape of old and more or less damaged goods, which are sure not to be all of them just what is required.

For these three purposes, and to a limited, reasonable extent, saving money is emphatically good. Nothing is saved by it but a claim upon somebody else; but this claim-saving avoids both cost and waste, and is thus a gain to society at large, as well as a convenience to the saver. The payment falls on W, and comes out of daily production, not out of an imaginary store of previously accumulated goods; but the W who pays it himself benefits by the system, for by it he in like manner can make provision for his own future.

It is the savings—the needless and excessive savings of the rich that do the mischief. The savings of the poor do no harm, or, rather, they would do no harm but for the oppressive burden caused by the savings of the rich, to which *their* savings of course add fresh increments.

Nothing seems more ridiculous than the way in which intelligent and otherwise well-informed people point from time to time with satisfaction to the country's accumulated savings—not in barns and storehouses, but in the ledgers of lending societies, above all in the savings banks. These last are the very type and specially quoted example of the kind of savings which economists applaud and inculcate, and hardly anyone seems to realise that they are savings on paper only, not in fact; that they represent not accumulated wealth, but accumulated debt, and that the larger the sum of them the greater the burden that W, that industry generally has to bear, and the harder it is becoming to bear it; the more so, too, inasmuch as every investor, as soon as his savings reach a certain point, retires from business to live on his savings, thus taking one from the list of W to add one more to the list of T, and so making it harder than ever for the ranks that he leaves,

There is an idea that, though A, who saves nominally may not save really, yet, by deferring payment he enables B to save instead, which comes to the same thing. Yes, it comes to the same thing, for nothing is saved in either case. The goods, if it is goods, are consumed; the money, if it is money, is spent, alike in the one case as in the other. What survives is the claim. The idea, too, that if A had not lent his money he would have spent it unproductively, while B, having to pay interest on it, is bound to spend it productively is a pure assumption, and an unlikely one too. For the very fact that A has saved money shows that he is not a reckless, wasteful man, and therefore that if he had spent it himself instead of lending it, he would probably have spent it well. While the fact that B wants to borrow, though it *MAY* indicate that he is a skilful man who only wants money to carry out successfully some useful enterprise, may just as easily indicate that he is reckless in the present, or over-sanguine as to the future, or dishonest, and only wants to get hold of money somehow, or in desperate straits, and catching at any straw. Indeed, this last is a very common motive for borrowing, and often succeeds in getting what it wants. But whether the money be borrowed to secure success or to postpone ruin, whether it be employed for wise enterprise or wild speculation, whether the venture succeed or fail, in every case the investment of the savings represents consumption and expenditure, not storing up, and the result in case of success is an entirely fresh creation. Old goods have been consumed to produce new goods, and money spent to make more money.

Accumulations of real wealth are not due to saving, except in so far, to a small extent, as saving means simple avoidance of waste. What real accumulations are due to is the industry that produces more in the day than the day's wants, the improvement of instruments and processes that increase the productiveness of labour, and, above all, the durability of

most of the articles we produce, most of which (all except food, tobacco, and a few others) outlast their first use, outlast many successive uses, and so are produced faster than they are worn out, and so accumulate.

Expenditure is constantly being confounded with consumption; but spending money is one thing, consuming goods is another. Expenditure is merely exchanging money for goods. The two things change hands, but remain undiminished by the transaction. Food is produced to be eaten, fuel to be burnt, clothes to be worn; everything, in short, is produced for the purpose of being consumed, or, at any rate, of being put to use. The longer the thing lasts, fulfilling their use before they are consumed, the better; but the main thing is that they shall be put to use, and not left idle, much less rot, which they will do if not used; and whether they are consumed by the person who produced them, or are sold by him to somebody else to consume, is of no consequence.

Suppose, however, that the "savings" which figure in the ledgers of savings banks and similar institutions, and to which the authorities point with such satisfaction as evidences of an accumulated fund of real wealth, were really, as represented, a substantial something in the "capitalist's" possession, which is on no account to be dissipated, but, on the contrary, perpetually added to by fresh saving. Suppose, in short, that the great thing, especially in hard times, is to save money, not to spend it, except in clearly profitable work, the profitableness of which is to be estimated by the profit to the capitalist himself. Let us give a little parable, and see how the theory works out.

There is a crisis on hand. Trade is dull, money scarce, employment hard to find, wages falling.

T has £1,000 "put by," and looking out of the window he sees a group of labourers ragged and hungry. On one side are clothiers' and bakers' shops, with clothes and food offered for

sale. On the other side are tools and raw material for work also offered for sale. Behind are the millions of the human race with wants unsatisfied, which those unemployed men, fed with that food and provided with those tools, would only too gladly satisfy. But the labourers must remain unemployed, the goods unsold, the bread uneaten, the clothes unworn, the wants unsatisfied, because the purchasing power, the "money," as it is called, is locked up in T's possession.

T looks out of his window at the labourers waiting for work, at the shopkeepers waiting for custom, and the sight pains him, for he is a kindly man.

"Dear me," he sighs, "trade is dreadfully dull. What are all these poor people to do to earn a living?"

His wife, who is kind too, says, "Give them a shilling apiece. That will at least enable them to buy bread."

But T, who has studied political economy, shakes his head and says: "No, that would never do. Gratuitous alms only pauperise, relieving the evil for the moment only to intensify it by and by—degrading the men and impairing their usefulness."

"Well," says the wife, "suppose you clear that waste piece of ground at the back of the house and make a lovely pleasure ground of it. That will give the men employment."

But T says sadly, "No, that would be worse still. It would dissipate my savings, and so do away with the very fund that maintains labour. It would be downright sin in these times to waste good money in frivolous unproductive expenditure. There is a crisis, my dear, and we must all save so that capital may again become abundant and trade revive."

"Well," says the wife, "set them to do something really useful—to produce something that you really want—potatoes, cloth, anything."

But T, reflecting a little, says, "No, I am very sorry, but I don't happen to want either potatoes or cloth, and, in fact,

there is nothing particular that I do want just at present ; and I don't even see my way to making a profit in any way, because really trade is so bad just now that there is no opening anywhere. Everything is overdone, and goods are almost unsaleable."

So neither of them know what to do, and they feel quite sad, till T suddenly says he will go to the Premier and see if some public work can't be got for the unemployed. So he goes to the Premier. But the Premier points out to him (what he knows already) that times are bad, and the Treasury necessarily suffers. Customs have fallen off ; rates are hard to collect ; people must not be pushed. This is no time for starting fresh public works, rather for reducing them. There is nothing for it but patience, and—saving. A little private charity, perhaps ; a good deal of it indeed ; only the charity must be very warily bestowed, restricted to absolute necessities, and the men must be given to understand distinctly that it *is* charity, and that they have no real right to it, and so ought to feel very grateful for it. In short, the relief must be made pretty uncomfortable and humiliating, or there will be a rush for it, and the men will be pauperised.

But meanwhile the wife, who doesn't half understand, but does wholly detest the doctrines of Political Economy, can stand the sight of those poor men no longer, so she calls them in and says : "There, go into the garden and dig and I will pay you. I am not allowed to give you anything in charity, but set to work and earn something."

Now the garden is all in apple-pie order, so the men ask wonderingly what they are to do.

"Oh," she says, "do anything. Dig it all up, if you like, only go to work."

So they go to work. They grub up the roses, and root out the bulbs, and dig up the paths, and the fountain, and the summer-houses, and turn the whole place upside down, and

leave it a desolation. They do, say, ten shillings' worth of damages each, and she pays them ten shillings each for doing it.

This money has not disappeared, but only changed hands, but there remains an actual destruction of useful property to the amount of ten shillings by each man.

Now to trace the result.

Take the first man as a sample of the lot. He is the richer by ten shillings. He steps across the street and spends it in goods. He is still the richer by ten shillings, only it is now ten shillings' worth of goods, instead of ten shillings' worth of silver.

But the shopkeeper is also now the richer by ten shillings. True, he had to give the goods for it, but unsaleable goods are worth nothing, and his goods were unsaleable. It was a real gain to him to convert his unsaleable goods into ten shillings' worth of general purchasing power.

Granting that the goods were not absolutely unsaleable, but only unsaleable at a profit, still the owner will not sell them at a loss, unless forced to do so; and if he is forced he will either throw up his business altogether (unless it is a mere exceptional and temporary glut), or, at the best, he will restrict his output. Now the ten shillings referred to helps, so far as it goes, to avert this cessation of or check to industry, and keeps production going.

He next spends this ten shillings in employing an idle shoemaker to make him a pair of boots, and still remains richer by ten shillings. That is ten shillings' worth of boots. Here the case is clearer still, for the boots, unlike the storekeeper's goods, were not things actually in existence, but were actually called into existence by the ten shillings offered. But the shoemaker is also now the richer by ten shillings, and he transfers it to a carpenter to make him a table, and the carpenter transfers it to a locksmith to make him a lock, and so

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on indefinitely; each successive man becoming in turn the richer by ten shillings in some shape or other.

But for T's wife, none of these goods—boots, table, lock, etc., worth ten shillings each, would have been produced; so that society is the richer by the whole series of them through her act.

No. 1 wanted boots from No. 2, but had nothing to give in return that No. 2 wanted; and No. 2 wanted a table from No. 3, but could not make the lock that No. 3 wanted; and so they all stuck fast. Each wanted something from the other, but the wants did not fit and trade stood still, because the money which fits all wants (broadly speaking) was locked up in T's possession till his wife set it free. Directly she turned the tap the stream flowed forth, trade revived, and production began afresh.

So what the philanthropist and the statesman knew not how to do has been accomplished in a moment by the impulsive act of a simple-minded woman. Her apparently foolish and really wasteful act indirectly caused the production of goods many times exceeding in value the property she caused to be destroyed. But it is a poor view that estimates the utility of work by the mere production of goods. For if No. 1, instead of ordering boots, had paid his ten shillings to a schoolmaster to educate his boy, and the schoolmaster had passed it on to a dentist to pull out an aching tooth, and so on through a whole series of technically unproductive but none the less useful services, would not the result have been as well worth the outlay? But for T's wife the boy would have remained untaught, though the schoolmaster stood ready to teach; and the tooth would have gone on aching though the dentist sat idle in his surgery, and a whole train of difficulties would have remained unre-moved and wants unsatisfied just for the lack of the half-sovereign which that good woman set spinning.

Now this is substantially what happens in real life. Saving,

in the sense of cessation of spending, stops everything, production as well as exchange, for one cannot go on without the other. If A ceases to buy B's goods, B will cease to produce them, unless C buys them instead; that is, unless one man's increased expenditure counterbalances and so cancels another's saving.

Of course there must be a basis of goods already existing, or else T's purchasing power will be of small use. But in real life there always is this basis. In the worst times the difficulty always is not that there is a deficiency of goods but that the goods don't sell, and the reason they don't sell is never that the goods are not wanted, but that the people who want them have not got the money to buy them, the money—the purchasing power (no matter in what form embodied) having accumulated in T's hands through T's habit of refusing to take W's goods in satisfaction of his debt, and so piling up an accumulation of claims against him.

In the business world, what constitutes a “moneyed-man” (or capitalist, as he is generally called) and gains him command over the goods and services of others is not goods or sovereigns, but claims. Not goods, for most moneyed men have no goods except what they want for their own enjoyment, while of those who possess large stocks of goods, many can't sell them or can't get paid for what they sell, while many others carry on their business on the credit system, and owe most of their earnings beforehand.

Not sovereigns, for few moneyed men have more than a few in their possession, and what sovereigns they receive they promptly pass on to the bank, converting their “money” into a claim on the bank. The sovereigns do not accumulate anywhere (except to a certain extent as necessary bank reserves), they pass from hand to hand, as much among the W's as among the T's: it is the CLAIMS that accumulate.

Note, too, for it is very significant, that whenever a business

man talks of "realising his capital," he does not mean converting his money into goods, but his goods into money, and he forthwith converts this money into a claim, getting rid of the coin at the first opportunity.

A crisis, then, is caused by the weight of accumulating claims, mostly purely tribute claims, pressing upon and exhausting earnings, and so breaking down industry. It is caused, in fact, by savings—accumulated and invested.

As a crisis approaches, the symptoms of its approach intensify. Employers finding themselves getting short of money begin to borrow, to renew bills, to entangle themselves in tribute more and more, thereby hastening the catastrophe; so that, like a stream approaching a waterfall, the current quickens before the final plunge. People say then it was the borrowing, the reckless trading on credit, that produced the mischief, when really the borrowing and the credit were but the natural symptoms and effects of the growing pressure on the workers. They HAD to borrow in order to keep going. Tension is at its height when a bank fails, or a big firm collapses; innumerable other people are involved in the failure, these involve others, and so ruin spreads in all directions. People now say it was the bank failure that did the mischief, whereas it really represented only that crack at the weakest place that indicated the intensity of the strain and the coming catastrophe that was bound to come somewhere. Of course, accident, indefensibly rash speculation, or swindling may precipitate or aggravate the crash, but it is bound to come in any case.

In all this we have an exact picture of our own commercial crisis, and of the conditions that preceded it.

(a) Nothing necessary to the continuance of productive work was wanting. The land was as abundant and as fertile as before; the minerals were there, the labourers were there, and as willing to work; the food, the tools, and everything neces-

sary to keep the work going were all present, besides more being in course of production daily.

(b) No break or hitch had occurred in the processes of production. The harvest was (as it turned out) above the average; the mines were more fully developed and giving greater promise than ever; the fruit trade had received a new impetus; we had timber and fish, and all kinds of natural products; and as to wool, the rain fell and the sun shone, and the grass grew, and the sheep ate it, and turned it into wool as usual, without our having anything to do with it. Our whole industrial machine was in perfect order and full swing, when suddenly it stopped! Why? Because Tribute had outrun Earnings.

It is said that the crisis was caused by loss of confidence. But there was no loss of confidence—THEN.

People were over confident, not under confident. They thought the West Coast minerals were going to give abundant employment for willing workers, a home market for farm produce, and golden fortunes for investors, and in their excessive confidence they ran mining shares up to fancy prices. They thought the ocean steamers that had begun to call regularly for our fruit had already established fruit-growing for exportation as a national industry. They had such confidence in an immediate prosperous future that they cheered on the Government to borrow recklessly, and to make railways right and left in places where there was no rational prospect of their ever paying working expenses; in one case to tap a district that actually did not wish for a railway at all.

It was not till the crash of a failing bank sounded in their ears, and firms went down like ninepins, that people began to lose confidence; and even then confidence was only shaken, not lost. Investors were throwing up their shares in all directions, not eagerly, and because they had lost confidence in their investments, but unwillingly, regretfully, from sheer inability to meet their calls. And why could they not meet their calls?

Because the strain of accumulating tribute had reached the breaking point, and at the first note of danger some of the tribute leviars, taking fright, or being pressed themselves, began to call in their claims; the people called on had to call in theirs, and so it went round.

It has been noticed with surprise that just before the crisis in Victoria the accumulations in the savings banks were unusually large. Just so. "Accumulations" will always be found to be large just before a crisis, for the simple reason that they are accumulations of claims, not of goods, and are exactly what cause the crisis.

The failure of the bank that startled the whole community and initiated the general break-up, so far from being the cause of the depression, was the first movement in relief, though, like other cracks caused by intense pressure, it hurt exceedingly. And all our well-meant attempts to lighten the calamity and let the victims down easy by "giving time" for payment are only prolonging the agony and widening its area.

Because tribute having outrun earnings (that is, claims having accumulated beyond the power of payment), trade cannot recover nor work proceed as before till the excess is—not paid—but wiped out. You may enable the immediate debtor to scrape through somehow by "giving time," but this only shifts the ruin to someone else, generally from the non-worker to the worker. The loss is bound to fall somewhere; and the longer it is put off the greater will be the number of those, quite unconnected with the failure, who must suffer grievous loss by the mere stagnation of business, and the longer they will suffer.

Neither the failure of the V.D.L. Bank as a particular fact, nor the crisis as a general fact, affected the real factors of production. The land was as abundant and as fertile as ever; the minerals remained awaiting development; all our inexhaustible natural resources remained unimpaired; the men

were as able and as willing to work; the food, the tools, and all the requisites of production were ready to hand as before; but the soil and the minerals have to remain undeveloped, the labourers wander about begging for employment, the tools rest idly in back-yards or linger unsold in the stores. Why? Because the purchasing power has accumulated in the hands of the leviens of tribute (who are now losing heavily themselves, and are afraid to re-invest till affairs have settled down again), and the workers, drained dry and with unsatisfied claims still hanging over them, can do nothing.

It is the accumulation of mere claims, airy, unsubstantial, but none the less formidable claims, that has worked all the mischief, concentrating the money in the wrong hands, in the hands of the people who don't work instead of in the hands of those who do.

And the capitalist, gorged with his "savings," looks with his good wife sadly out of the window at the misery around him, and wishes that "something could be done" to set business going again.

Rent and interest saved and invested, saved again and reinvested to appear as fresh savings (in bank ledgers), cause tribute to accumulate faster than earnings—claims to outrun the power of payment. A penny put out to interest and compound interest at 5 per cent. in the time of Christ would long ere this have amounted to a sum far exceeding the value of all the real wealth existing in the world. The interest upon it would far exceed the annual earnings of the whole human race, including what was required for bare maintenance. Why, then, has not industry broken down long ago? Because (as Flürschheim expresses it) the penny every now and again gets lost; because every now and again the workers, more or less of them, fail and go insolvent, and so much of the claims get wiped out. The burden itself breaks down by its own weight. For of course industry cannot break down, production cannot cease.

So long before any great general catastrophe can occur, slight partial catastrophes called commercial crises occur; a number of great firms collapse, spreading ruin all around them; commercial relations are thrown into confusion, trade is paralysed, production is checked, labourers are thrown out of employment, and a vast amount of suffering is produced, but so many claims are wiped out, so much of the burden is reduced, trade revives, and work gradually recommences.

A commercial crisis is a calamity, no doubt, and a terrible one, but it is a calamity that averts a still greater calamity. It is a timely and partial break-down that averts a later, wider, and more disastrous break-down. It is a catastrophe in a mitigated form that is bound to come sooner or later, and that the longer it is delayed the heavier it will be. And as the catastrophe is incomplete, so is the recovery. The burden is not abolished, but only reduced. The worker is not set free, but only so far relieved as to be able to get up and stagger along again, till the ever-accumulating burden causes another partial break-down and another partial recovery. There are good times and bad times in trade, but the good times are good only by contrast. There are times when profits rise above the average and employment becomes more abundant than usual, and wages therefore rise too, but poverty and distress abide with us all through. Life continues to be to most a bare struggle for existence. While tens are doing well, hundreds are barely making both ends meet. While wages rise above the average they still remain below, far and away below, the point which would secure to him whose toil produces all wealth, not merely a sufficiency of wholesome food and good shelter, which the working horse gets always, but what every willing human worker has a right to expect, and what alone makes life worth having—relief from the monotonous, incessant round of toil for others' enrichment, some leisure for recreation and amusement, not to mention instruction and improvement, some cheering

hope of a gradual rise to a better condition, and freedom from that ever-haunting anxiety about the future.

Is the picture too dark? It is dark truly, but not hopeless. Far from it. We have but to take one step further and the light breaks in abundantly.

ALL TRIBUTE ARISES FROM PRIVATE OWNERSHIP
OF LAND.

Private Rent (as distinguished from State Rent) arises from the fact that someone has got possession of a piece of land which he does not intend to use himself, but forbids anyone else to use, except on payment of tribute—payment not for service of any sort rendered; but for mere permission to use that portion of the earth's surface,¹ which payment he will either spend on his own enjoyment or invest for fresh tribute.

And Interest arises from private rent, thus: If I have £1,000 saved for my old age, then if it consists of the actual food, clothes, and other goods that I expect to want in my old age, it will cost me much in barns, cellars, burglar-proof safes, and other precautions, with the possibility that it may be destroyed or stolen, notwithstanding all my precautions, and the certainty that many of the goods will be spoilt by the time I require them.

It would pay me well to let some responsible person use these goods gratis, on the simple condition that he would give me back a like amount of goods at a specified date. It would even pay me to pay him to take them on these conditions.

¹ I am speaking, of course, of economic or ground rent only, not of that portion of so-called rent which represents a charge for improvements effected.