Political Economy

Notes 1914.

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R. H. Murray
2nd year law.
The employer has a special function: he must have capital, business power, and organization. The employer has to see that each man is kept to that work in which he is best fitted; that there is as little waste as possible; that his materials are as cheaply and of as good quality as possible. The success of some businesses is solely due to the buying. Having manufactured his goods, the employer has to sell them; to advertise; to employ a staff of commercial travellers to book orders ahead; to forecast the state of the market. In addition, he has to take care with whom he deals—cash and credit. He must be a really shrewd judge of men if he is going to be very successful from these facts a very marked distinction must be drawn between the capitalist and the employer. The employer may or may not be a capitalist. This is seen most clearly in the case of an ordinary company. The directors do much the same work as the head of a large cog. They direct the business of cog. They might be very small share-holders. They are not the capitalists. The shareholders may have very little knowledge of the business, yet they are...
really the capitalists. In profits there are several elements. The reward of business power. Shareholders receive dividends or interest on their capital if the business has been successful. Debenture holders are persons who have lent money to the company and who are guaranteed a certain rate of interest for their money and are secured by a trust deed, a kind of mortgage. In addition there is a sum to be deducted equal to the cost of the premises, land and everything more will have to be deducted to provide a kind of sinking fund to guard against the depreciation of the plant. Profits will be what remains — what we can attribute to a man's earnings in management. In many cases his earnings will be a good deal more than another man running this same business with equal skill etc. — the element of luck.

What is it that determines the amount of profits? Profits are subject to the law of competition, and are dependent on it. Each firm will try to undersell the other — consequently profits will tend to disappear altogether. Profits are really a result of energy in finding the discovery of cheaper and better methods. Competitive profits are a sign of progress.
Profits are normally result, not a cause of price. When there is competition, profits are not a tax on a consumer. The only way, in these crises, to increase profits, is to lower cost of production. Competition drives the least efficient out of the market. We have this ancient record that under these crises, the man who makes profits is really a better friend to society than the man who makes no profits at all. Under conditions of competition, profits are a sign of progress, not a part of price, but a result. There is not always free competition; there are monopolies and agreements etc. These methods are not confined solely to trust; rampant in Vic. today. One of bitter  e.g.  not always proved by supply and demand!!! Profits made in these ways are undoubtedly a part of price. When there is competition, profits are result of price. One great result of increased capital has been increasing use of machinery. The argument is that with greater produc. this will be more saved; prices fall; consumer can save. To invest money in productive enterprises. This is only true in the long run. This in 18th cent was money for rapid improvement in all branches.
Profs - the wages of superstition.
Machinery benefit of profits obtained purely are used for future profit. One function of employe is to perpetually try to apply principle of substitution - Romanism efficiency in all acts of job. He has also to employ the really 'cheapest' labour. The employer has to face competitor; he has to take risks; he has not abundant capital or a good name; if he fails, his creator suffer; if he succeeds ample reward. We can define profits as the wages of supervision. Time, place, value given to product, work given from values to product. Neither must have their rewards.

What is 'the rate of profits' — we may mean the annual rate, or the rate of profits on turnover. Annual profits will be high if stock turnover serious times. Stock turnover larger no. of items during year when profit of circulating in fixed capital is greatest. Grocer makes small profit on no. of articles, but he renewers these many items during year. Draper's profit higher, but take longer to sell. Profits one wages of higher skill and ability — the remuneration for a certain kind of labour. Profits will generally fluctuate with profits. How does the company...
with the wages of real labour. The changes in wages tend to follow the changes in prices. Profits will fluctuate far more than prices. Wages will not. Wages tend to meet when profits meet, seeing that employes naturally

In some instances, there is a sliding scale system. When price of coal is 10/-, the wages will be 20/-. 12/- - 24/-. Here the wages are supposed to fluctuate as to the price of coal. Question often raised as to whether the rate of profits will tend to decline. We would believe so: the cost of production must be lowered.

Walker has a theory that profits are much of same nature as rent - they are the measure of the difficulty. The profit man's ability is the "no profit man" and his ability. Thus an unskilled employee who are no profit employers owing to spread of ed. & knowledge. Those arguing from this believe that this differential will tend to disappear owing to spread of ed. & knowledge.
Speculative profit

Requirements for speculation
34. Speculation tends to equalize business knowledge and so tends to decrease profits. Great tendency for large scale division of labor to increase judgment, steadiness, and resource needed by the employer. Profits are the reward of business power, the remuneration of superintendence, or there are also speculative profits.

Speculation may be either time or place speculation. Place speculation less than formerly, owing to equalization of prices through telegraph, not the huge differences now as once. Time speculation may be managed in without handling goods. Speculate sells what he often hasn't got.

But two main economic functions: 1. assumption of risk, 2. equalization of price. Speculation in commodities, and speculation in securities.

i. Commodities must be stable commodities, things for which a constant demand.

ii. Must be homogeneous, i.e., quality.

iii. Must be capable of division and measurement.

These three qualities essential before goods can be speculated in.
"Selling short"

"Boumin contract"

"Buying long"
"Selling short": the claim seller at present time for future delivery goods that he hasn't got; anticipating that prices are going to be lower than now, so that he sells at present price, but only pays future price himself.

A covering contract: Buyer now at certain price and enters into contract for delivery at same price in future. To variations of price don't affect him. E.g. Miller buys wheat at 4/6. Takes risk, for wheat may fall before he comes to sell his flour. He can eliminate that risk by selling that same amount of wheat for delivery at same price at same time as he expects to sell his flour. Stands to neither lose nor gain as result of fluctuation of price of wheat.

"Buying long": thinking prices will rise, the claimant buys now to resell profit when prices rise. Buys goods for present delivery.

This speculation minimises risk. Man may enter into contract, and possibility of loss covered by a covering contract.
another function of speculation is to keep prices steady. If wheat at 3/4 and every prospect of bumper harvest next season, the speculator will be inclined to sell short, the tendency of this is to lower present prices, and this means tendency towards increased consumption, which tends to reduce supply and therefore raises price for next season. So prices will not fall as low as anticipated.

This is all legitimate speculation; but speculation often the desire to get rich quick without work. To the intellect of the speculator there should be great fluctuation in price, has great interest in creation of corners and monopolies. Another element - pure chance. This apart from all calculations. But under competition, a tendency for profits in various industries to be equal; and a tendency for profits to disappear. Profits will not be measured by all. The competent and unexperienced employers improve the lower class, and profits will be less.

Profits depend then partly on those things personal to owner - skill, capital etc.
Wages

Disadvantages
Great deal depends also on his mercantile staff. How to get his goods to places where they are most wanted. So things must be properly marketed. Also a great deal of outside influence—fluctuation of prices of raw materials, influence of war, or a stock disease, or a bad season. These can rarely be frozen or provided against. There is also the possibility of bad debts. Then there is the question of his workmen, their care of his property, their efficiency.

Wages: the ordinary method of remunerating the labour. The wage system has a no. of drawbacks. It treats labour as a commodity, it forgets its moral element. Labour gives up all claims to the product of his labour in return for a fixed sum. Under our system one man only makes perhaps a small part; and the beginning of a process far removed from end.

By reason of this, the employer loses his interest in the product. Once people worked for sake of the product; now work is an object to be sought for itself. He wants wages.
Various wage doctrines

"Laissez-faire"

"Collectivist"

"Catholic"
Interest of employer and employee have grown antagonistic. More labour gets, the less the employer gets. But they have a common interest in the production being as large as possible; both thereby get a larger share.

Many doctrines of wage.

1. "Harriet"- "fair" - liberal school. Not exactly anarchy in the anarchical world; but the legislative should interfere only to remove disadvantage; and give as much freedom of contract as possible. This theory didn't bring about good results when practised. But the fact that labour met at equality when bargaining with employers; this is being educated now by trade unionism and collective bargaining.

2. "collectivist" doctrine. That wage system essentially bad, and should be abolished. The wage system is not inevitable. Other systems have been tried with success.

3. "Catholic" school. Advocates "fair wage". But what is "fair wage"? Our modern system of minimum wage, a step towards this.
"Cooperative"


Mathus on Population
“Cooperative school. Not to do away with capitalism and to abolish the employer a system of distribution. Employees themselves might furnish the capital and profits to go to the workers. In every case it will not be possible to cut out the employer; he does work that ordinary employees cannot do. The work of superintendence must be done, either for salary or profit. Cooperative societies must pay adequate salary for first-class man, or there won’t be profits for them to share.


Malthus came to conclusion that population was constantly tending to press land on means of subsistence; increased faster than food supply. Recognition of the law of diminishing returns, though not enumerated till later. New methods can be introduced, but only at greater cost. So long as Malthus dealing with his own and past time, his work valuable. But his prophecies have not been verified. He drew conclusion that failing some check on population, they must continue decreasing.
Checks on Population.
standards of living. Starvation, arsenic, malnutrition will check population. We see the truth of this in Russian territories where population dries up, and millions of people on verge of starvation. A bad harvest sweeps them off; arsenic thrives in their ranks.

Theory is that unless some other check on population, these natural means will have to do the work. If increase does not stop when there is the highest production per capita, the increase will tend to be faster. Deere to have comforts of life is one of the greatest checks on population - later marriage, etc.

In new countries, law of population not felt; civilization ethereal, not intensive. Malthus's essay written to controvert the arguments of the communists, and did so. showed that communism would mean poverty also gave rise to iron law of wages. If food increases insufficiently, tendency is reduced wages to mere range of subsistence.

Relation between population and wealth. More wealth enables more population; inventions, improvements mean possible increase.
The idea that wages will be reduced to an extreme minimum.

Nicholson I 11 p 175

Walker’s wages theory

- wages the residuum, other elements being determined by fixed laws.
Matthew's book rather a gloomy view of things. It seemed to think hard times close at hand. Does not seem to have paid any regard to the means of increasing wealth. Then are those who still hold wages will be reduced to minimum. Population increases, checked only by starvation or fever. Pop will remain to the limit and limit will be the line of more starvation, and wages will be fixed at this standard. But what are the standard necessities of life? Are they the same for a Victorian as an Australian? Woman's work increase wages by increasing standard of living, e.g., amounts of the arbitration board. Based on cost of living, which is no fixed thing.

Walker's theory of wages—worker receives what is left after profits, interest, or paid. The remainder what is left after fixed payments taken out. Walker says often share determined by fixed laws. Rent determined by Scarcity law, so as amount fixed; rent of land determined by its relative fertility. Interest determined by amount of capital invested, and Ruale.
of interest, which is determined by relations of supply and demand. **Profit**, determined by some law as that which affects rent. This rent, interest, and profit known: the labourer must get all the rest; he is the residual claimant. Whatever increases the product without increasing other three shares must increase wages. Increase in entirely is added efficiency of labour. And should not be higher; there is no more capital required; owing to workman being more efficient work of employer less, and so profits should really decrease. Thus increased product must go to the wage-earner. Wages thus increased acc. to the increased efficiency of the worker. walker assumes that actual product distributed up among the four elements base this so? Product may be increased, but its value in money not increased nearly so much. As increased reward need not go to the worker. May now do more work for same wages. walker is assuming perfect competition, but as a matter of fact we knew this doesn't exist. - agst. the worker.
Walken Sec. 23r, 33, 39, 43

Economic crises

credit shaken.
another flaw in his arguments - he assumes 
that the price is constant. Now and hence 
as his determination of profit. But by excess 
of price over cost of production this profit not 
fixed, nec. a sum!

As prices increase, instead of things going on steadily, 
prices rise extremely, as if in response of 
goods, scarcity of capital; trade disorganised. 
At such a time, then, we say, a crisis.

The sudden application of a business conservat 
no transaction, and a desire to liquidate as 
soon as possible; a desire to get rid of shares, and 
people on them. If everyone on the same 
game, it makes it very arr. for those who 
start last. Great deal of business of country 
carried on by means of credit, and when 
this is shaken, trouble ensues in the 
commercial world.

Great inconvenience to others.

36. Our production seems very capricious; 
producers produce for the sake of producing, 
without taking much notice of market. Some 
by guess - work.
causes assigned

Real cause: the diverting of capital into wrong channels.

Walker p 177.

What are causes?

i. glut.

ii. Scarcity
When trade slackens, it is occasionally attributed to over-production. Societies would attribute it to the fact that capitalists have placed workers, who cannot buy so much, in a state of under-consumption. But in that there have not been too many goods produced, but too many of some particular kind. Capital and labor have been directed into wrong channels. These commercial crises occur regularly—about 10 yrs. Have been attributed to the sun-spot, usually follow on some pest of beast. Credit begins to be contracted—difficulty of getting loans &c. Bank may call up overdrafts—this inconveniences merchants.

Many sellers, few buyers—prices fall—revert. What are the causes of these crises?

1. It may be the effect of a glut; too much of a particular commodity produced, and capital and labor have been渠道 unnecessarily from other trades. Capital has been withdrawn from elsewhere. So causes under-production there.

2. Scarcity may cause crises. E.g., American Civil War, England could not get supply of cotton. Many employees discharged &c.
Bad harvest

N.B. All causes resolve themselves into lack of coordination between supply and demand.
Those out of work do not contribute to effective
demand for goods; thus a sort of over-production
in industry. Tariffs of one industry affect all
others, and crisis results.

3. Tariffs of harvest upset canaries - food prices, and
less to spend on other things, and demand is
lessened.

4. Might be a death knell to some of factors of produc-
tion - much capital and too little labor. With increase
in capital interest falls, and get-rich-quick schemes
thrive. May be enough capital, but not enough circulating capital

Excess currency will mean rising prices. Those on fixed incomes will suffer
consequences; so also will creditors. They must curtail their consumption somehow; and this
leads to dislocations in some branch of trade

Commercial crises pose with development of
factory system.

Really causes by lack of coordination
between supply and demand; once things
made to order, forecast easy; but this happened
when markets became worldwide. Producers now
burn out their goods for sake of selling them.
Are crises natural, or are they phenomena?

Unavoidable causes, e.g.:
- Inventions
- New communications
- Tariff changes
- Infl. of times
- Overissue of paper money.
claimed for great American trusts, that they are able to coordinate demand and supply much better than by present haphazard methods.

I. One group says that normal condition of trade is economic equilibrium, this disturbed by crises, which are definite phenomena.

II. Others say that trade is always in a state of unstable equilibrium, i.e., of forces continuously at work tending to disturb industry. crises are only what one would naturally expect.

Many causes can't be foreclosed. e.g.,

By innovation, which render much machinery obsolete.

By opening up new communications, which probably stimulate against whole cities may open up new markets, in which demand appears to grudge.

By changes in tariffs, goods may be shut out, and some industries ruined.

Two trusts may be competing against each other - this will cause disorganization;

By overissue of paper money, and banks having too little reserve. 
Changes in fashion

War

Only remedy is to accurately ascertain supply and demand

and this is difficult
By some change in fashion

By war

What is the remedy for commercial crises? There have been many proposals to alleviate aches after crisis has occurred but can't they be prevented?

Only thing we can do is to get more statistical information to enable employers to adjust supply and demand

37 The crises with which we have been dealing have been but about mainly by the industrial revolution of the 19th cent. There was great stimulus given to the air of labors. Localisation of industry. Accumulation and exploitation of capital. Demand becomes more uncertain than in the past. With growth of freedom, influence of custom weakened. Now that markets are world-wide, have to go thro' many hands before they reach ultimate consumer. Producer has no exact means of ascertaining demand.

The main reason for crises is lack of organisation. Markets have grown more rapidly than individual business units. The banks claim that the limit of big will be more in profit to the size of the market. The present tendency is undoubtedly towards large scale industry. and there is certainly a tendency towards monoply.
Remedies for Monopoly?

Elimination of middleman?

Higher wages?

Robertus is summary.

Summation of products, and division accounting to labor involved.
We have now seen that where there are too many engaged in a particular industry it is prob. that those engaged in the trade will come to engagement so as to restrict competition. Often prof. combination of manufacturers for monopoly. The elimination of the middleman would obviate the appearance of crises: bring producer, consumer together. Socialist theories hold that crises caused by giants. They held that employer gets more than his share of product of industry. Demand can arise only when a person has the wherewithal to purchase what he desires. The effective demand will depend upon that which is earned by the labourers. Because the labourer does not receive his full share of the product of industry, he is unable to influence demand. Profits will keep well ahead of demand and create of consumption. But the evil does not end here: the capitalist invests his capital, and so the evil becomes a cumulative one.

The remedy Ricardo would propose would be that all the profit of labour should be received in a common stockhouse. Do away with money. Pay labourer with labour annuities. The value is assumed to be measured by amount of labor expended.
The functions of Banks:

i

ii

iii

iv
upon them. Goods cannot be valued in this way. Society rewards a man not acc. to labour, but for services he renders. Generally note that it is usually assumed that man's labour rep. the greatest part of the work. Those who supply brains are to be on a salary in every case. The theory of R. contains assumptions which are not clear. A fact, all capital is not employed for the purpose of further prood... much is expanded in actual consumption. A good deal of capital also goes to waste. The effect of this theory would be to check all foreign enterprise: standard of living would become poorer.

Legislation can do much to mitigate & prevent crises. Supply of money required is the amount that is necessary to do the work of the comptn. At times it may be advisable to issue paper money, but this should be convertible. Banks have much to do with appearance of crises.

Banks have various functions.

(a) To serve the public in many.
(b) To keep good money.
(c) To make the use of money.
(d) To remit money from place to place and conduct exchange.
(e) Provide a place of safe deposit—usually take care of your money free of charge.

(f) Serve as intermediaries in loaning of capital. The person with small amount of money finds it difficult to invest. By having no small amounts, the bank is able to lend out large sums on good security and interest. Borrower can obtain money much more easily from bank than from original depositors separately.

(g) Issue paper money. Banks still have his power: now withdrawn seeing that they have to pay tax. Tory now issues notes

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<th>Countries</th>
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How far are these crises dependent upon speculation? They have occurred mostly in the cent. Where the use of credit was of great importance and less increasingly pop. The use of credit brings about sedulously. Credit facilitates the transfer of capital: people who have no money can thus commence business on others' money. This had advantage and disadvantage. Credit depends upon mutual trust and confidence. A person is likely to use capital more recklessly when he is using another's instead of his own.
Efforts to improve conditions of workers.

(i) Factory laws

1878. Whole provisions were carried through.
bread and speculation often good; but some under
Taken merely by speculators, gamblers. Business
often depend on community; an idea that there is
going to be a family - and allewise. Money;
changer in prices. One reason of crisis is to increase
rather than diminish inequalities of wealth; threat of
for men who has money to make more.
with large scale industry the causal cause is to co-
ordinate supply and demand.
Walker asserts that usually these crises are caused
by own process in one or other branch.
wages. These facts put forward to improve the cond.
of workers are: (i) Labour legislation (ii) Labour or-
misation. (iii) Adoption of new principles of remuneration
(iv) Arbitration and conciliation

(i) Conditions of employment, cond. of remuneration,
and results of employment. The dev. of factory system
brought many abuses. It was found necessary to pass
cert. factory acts. The first was passed in 1802 - affor-
ding in cotton & wool protected. 1825 & 31 extended to all!
laws which raise the age of child employment in cotton
and wool. Afterwards extended. - No protection as
yet to women. 1864-7. Intended.

Note that laws related to children. Family
became the unit of wages in these circumstances.
Regulation of hours of labour was first applied to children - then to young persons - then women. There was good deal of opposition to these laws - argued that it interfered with freedom of contract. There was great competition for work - employers could practically dictate terms. These laws have put workers more on equality of bargaining. There are laws which protect the worker - machinery misguided. The employer was under little liability for accident. Today there are many regs on this.

The new set of laws were passed without any of the necessary conditions of remuneration. Two kinds of laws. Employers had to take part wages in goods. "The truck act" passed contains this law. Worker must be paid in cash.

Other class of legislation includes the minimum wage law. Great deal of sweating going on in particular industries. These laws were passed to give worker decent means of subsistence. The minimum wage law is binding on the whole shade. It has a number of advantages. The bad employer has no advantage in the matter of wages.
High wages not necessarily dear labour.

Employer liability.
38. The argument need not arise. Wages depend so that they produce high wages, which put the employer at a disadvantage with employers in other countries. But falling in this wages only one factor in cost of production. High wages does not mean dear labour. Experience pointing to the contrary. High-priced, high-skilled labour really cheaper than low-priced, native labour. For instance, of course this does not entirely dispose of the objection, which produces the need for protection. We must protect our good workmen against cheap labour of other countries. This too, is at the basis of the alien restriction act that we have. Influx of aliens would reduce wages by competition.

3. That dealing with result of employment, workman necessarily undergoes the risk of injury. Serious or trivial. English law held that employer injured through negligence of fellow employee had no claim against employer. Up till quite recently the employer had no responsibility for injury. Of late years a new opinion has grown up. Why should not loss arising from injury be also considered as part of
Efforts to improve conditions of workers.

(2) Labour organization

Collective bargaining.
The cost of production of an article, to be recouped by the employer by rise in prices—ultimately paid by consumer. *Employees* liability acts fairly common. They insecure new principles—that when an injury happens to a man, and this arises out of his work, he is to be compensated for his injury. Employer is liable, and so will take steps to insure his paychecks against accidents. In some countries, workers have to insure against accident and death, and payment of premiums divided between employer and employee.

II. Labor Organizations

*Trades Unions*—common action for common benefit. Born haphazardly during the last century. A century ago, they were illegal—treated as conspiracy. 1814 recognition obtained, and fifty years later they gained full freedom. Fundamental race that bonds of industry have changed so much that bargaining is wage, must be collective, so there is no real equality. With factory system we have large scale monopoly, and less competition between employers than employees.
unnos - (a) family council
(b) militant force
Employer much more essential to employer than
master - so employee is largely at mercy of
the employer - you can take it or leave it. Employer
has the thick end of the stick.

Trade unions is parallel instruction on side
of employer. Instead of competition among
employees, a mixed front is presented. Employer
has bid his labor at a wholesale rate, which
was not mean in this case a cheaper rate.

Trade unions have two functions - (some
at least are friendly societies (with benefits)
1) a military body, fighting in the interests
of its members, attempts to standardise the
condition of works, and attempts to restrict
amount of work. Amm at standard rate
of pay and a standard day, reduction of time.
Extra work must be paid for at overtime rates.
Note also that shorter hours does not mean less
work done. Some unions try to make
themselves monopolists by charging excessive
entrance fees. (Some years ago when laborers
wanted to charge £25!)

Monopoly was
mean high wages. Then there are mills
in apprenticeship not of employers giving
(3) Arbitration and conciliation

Voluntary arbitration

Definite
loss no wages, yet making them as men's work must be guarded against.

Then there is restricting amount of work done by each man. There is a common idea that one man does more work, there is less for others, and so a loss of employment. This is like the old "wages fund theory." But amount of work and wages will depend on prices and profits. Certainly there is a tendency for the best workmen to be taken as the standard, and this hardly fair to the rest.

Attempts to come monopoly have lead to disputes between unions. Tendency towards specialisation in unions.

Restrictions on amount of output are in general bad; but individual cases must be considered on their merits.

39 arbitration and conciliation. The obj. of this method of settling disputes is to avoid strikes, lock outs. Not to rectify mere price. Two kinds - voluntary arbitration - very common - but hard to get arbitrator who will satisfy both sides. Hard to get both sides to abide by the award.
Complicity.

The Commonwealth Court.
No assurance that award will be complied with on both sides. A tendency to strike or if the award against them will, arbitration a good method of preventing strikes. A court of conciliation and arbitration has been established to prevent disputes as well as to settle those that have already arisen. Agist lockouts and strikes. Indecisions to assume the enforcement of

municipal agreements.

Differs from our wages' board system which gives no special representation to unions as such. Under the conciliation, arbitration act employer and employee are encouraged to unite so as to make bargaining collective insted of individual. Once the law condemed strikes, but now it discriminates as to motives in combination. 6 to 12 months for those so guilty. Penalty for lockouts and strikes.

Once those who were prominent in unions were very liable to dismissal; but now a heavy penalty imposed on those who dismiss men who have been prominent before the court.

Provision is made for registering of organizations of employers and employees.
Legal preference to Hindus.

Conditions of such preference abolished 1911.
Awards are binding on all organizations.
President of courts is given a very free hand; not
restricted by rules of evidence; he has to make award
according to principles of equity and good conscience.
By registering under the act, these organizations practically
give up all right to strike or lock-out.
Provision in act enabling courts to give preference
as those organizations which are registered. The
mixed question of 'preference to non-members.'
By registering men give up the right to strike, etc.
and this deserves some compensation. Note—those
who do not register are allowed the right to
strike etc., etc.
Certain restrictions were placed
upon the giving of preference; they were to be
given this privilege only as industrial organ.
Ref. to be given at request of a majority of those
engaged in the industry.
President could
remove preference if the union sought to make
itself exclusive by heavy entrance fees, etc.
Preference was also not to be given if funds
of union used for political purposes.
1911 Panel wiped away these restrictions, and
now direction has to go on its own
initiative.
"Industrial Agreements"
Act makes provision for industrial agreements between employers and employees. The agreements may be registered and are then binding for a space of three years.

Australian experience shows that very few cases in which terms of agreement have not been respected. In other countries the experience has not been so happy. Strike & Boycott - certain shops not patronised owing to some reason or other. This weapon may be a very powerful one. If goods boycotted because produced by sweated labour, this is a good thing and this is in public opinion.

"Union label" attached to goods to show that they have been wholly produced by union labour. This has not been given the force of law.

Trades Unions

E.g. of trades unions has been means of great deal of progress for workers - collective and equal bargaining. Hence, all of the advances made by workers cannot be attributed to trades unions. Up till to gas ago the worker, if he and not comply with terms of his contract, was liable to criminal prosecution. But employer...
The rise of a new “unionism”

Moni demands effective and good cooperation.
only hath to acton for damages. Now the employer is in an equal position with employee.

"Trade unions" — a continuous ass. of wage-earner's in purs of maintaining

objects of trade unions have changed, once they were collective bargaining and that of a friendly society. Now unions has sprung up of later depends on direct political action. Benefits to be got by legislation, these have grown up a much closer organization. Unions have federated, no longer separate, and these are often under control of a central body, in Victoria the Trades Hall Council. Unions thus now all work for common ends. The workman now has the vote and members of the trade unions have great political weight.

What influence can trade unions exert in direction of raising wage? Great influence

when there is no easy alternative way of producing the produce. Good, this means the unions have great power and control, and are quasi-monopolists in the labor market.

Communist should be one the demand for
Wages

THE IRON LAW.

Minimum of Subsistence.
which very elastic.

2. That part of total cost of produc. which can be attributed to their wages must be comp. small part of the whole. High in wages then must not necessarily give rise to price of goods.

2. Employees must not be in such an advantageous position as the employees.

In considering wages we should consider real wages, rather than the nominal or money wages. Some munis. go for net. advantage rather than high money, and so stimulate any must from outside.

40. Marshall says wages munis. has been with diff. extended to unskilled labour. Hard to apply a test as to who shall be in the munis.

There are many theories of wages.

2. Iron Law of wages. Wages will be fixed as a minimum of subsistence. But is there any re. minimum or standard of subsistence? won't it depend on the standard of living deemed customary? Certain things regarded as necessary in certain persons in certain grades of life. Isn't it just custom that determines this? will not wage earn. be able to increase his wages.
"LAND" LAW.
by maximising that he must have more of good things of life which is postulated, the part.
necessities to each class: physical needs of all are much the same.

Wages are determined by what a man could make on the land himself. This theory assumes
all of things not warranted: assumes a man can make more of working on land than in the
city: he will not always be willing to go to the country. Our experience is just the contrary, great
tendency for city population to increase. One of main causes is the spread of education which
brings with it the realisation of a man’s capacity: a feeling that fuller life can be lived in city.

Employers’ federations as well as trades
unions: objects of each similar: ends different.

Trusts and combines are to some extent trades unions among employers.

Influence of public opinion and probability that, if it does act in that way the state will interfere
and regulate wages to be paid. Question arises as to effect unions can have upon wages:
and in no. of textbooks we find it all out
that unions can do very little good in matter
of raising wages. While strong unions wages are highest wages need much fluctuate with prosperity of industry in which workers employed. In ordinary cases wages follow increased prices rather slowly, but when prices fall it affects wages first of all. Unions' great work has been to ensure by constant pressure on employers that wages will rise when first opportunity offered wages slow to come up and quick to come down. May have been some truth in statement that the unions don't do much for wages some years ago, but now the unions of the chief unions don't clash but are federated. Have to compete within as to a certain extent, but still many actions which will be not advantageous for all are restricted by the Trades Disputes Act or whatever there is. Trades unions have as a main object the insisting on a minimum wage. This means that men worth more are paid less than they are worth, and men worth less are paid more; so the minimum wage is made the maximum wage and the average wage. (Reg. Board determination may say 40/ min. wage, year 2
Some can't shift burden.

- Farmer

- Fred niceone.
raised to £2/., a year or rather 56/., then £3/.- or.
shows that constant grading higher rate of pay
for more skilled and longer experienced men; min.
wages now not the max. wage for better class
worker. Process of differentiation going on
Rural workers. It is claimed that in other
industries employer able to shift burden of higher
wages on to consumer. But farmer cannot do
so; he cannot fix the price of wheat; it is a
world price that fixes it; he won't get more
from even if his cost of production is much
greater. Another sufferer is the man with
fixed income, public servants, etc. In this
angl. one assumption made, that the increased
cost is put on to the price of product. But increased
cost of product sometimes means diminution of
profit; some goods you can't raise the price of.
When demand is elastic increased cost must
come out of profit. Where competition keen may
not be possible to raise cost of product much,
especially when foreign competition. This is
strong angle. Put forward for maintenance of
protectionist system in Australia.
Old Protection was imposed in interests of man.
Old Protection v New Protection

Effect of Strikes
New protection to be borne by community mainly in interest of wage earners.

What will be effects of frequent strikes in trade—employer will have to put something on price of his goods for covering risk and probable losses. Profit of consumer must be taken into account; whether he will be able to pay any more for this thing or will he pay the extra. He then will purchase some substitute for it. If then demands by workers particular manufac

ache won't be encouraged, less eager to enter into it. So competition follows. But laborers and wages fall. Strikes undoubtedly do bring about increase in wages a little sooner than they otherwise would; but can't make wages rise. When industry languishing frequent strikes tend to depress wages because those about to invest money in an industry will be shy about entering into industry while strikes frequent. If not in wage thought about by decrease in profit less mismanagement to invest. Those with money in hand will invest in other countries where less risk. If the earning of capital less less mismanagement for
investment at all; capital as a whole will tend to be reduced.

... among the disadvantages that arise from strikes, these methods of raising wages are injurious to the workers in the long run because they tend to discourage industry. Capitalists will not invest their money in those countries where strikes frequent; less capital, less produce of industry, and fall in wages.

Much capital is fixed, not easily removed.

Market conditions render uncertainty probability much greater.

Prospects wages permanence, etc. had a monopoly value. Trade unions tend to improve workers.

Strikes today affect a wide area.

A court only deals with interstate disputes. So much engineering unions support each other. But general strike soonpreneur sectional strikes higher.

Strikes damage trade; avoid money. Min wage, gives long wage, prevents underrailing of firm employee.
Subjected that in press work, best man sets standard. Overwork it.

Some people work to earn min. wage — go out of work!
Wages affected by

1. Rate wages

2. Other strikes

3. Better conditions
wages can't be forced up or down contrary to economic tendencies. e.g. the
failure of the Stakers of labourers to keep wages down.

Labor legislation now mainly in the interests of the labourer, to put him in a position
of equality, and to prevent necessity of taking lower rate of wages than he is worth. Laws
cannot alter economic tendencies, but they can facilitate the working out of those tendencies,
and so give them a fair chance.

Only of comparatively recent years that
wages, have recognized power of political
motions. Some are not in mind of disturbances,
then of strikes restricts machinery; and whatmen
does this helps to keep wages down

secondly, masons should aim at
raising the standard of life. This a main
object of the older unions. Wages and prices
both have to be fair - sweating had to be
discriminated

motion often raised as to
how much must there be in the iron law of
wages - the more living wage. But wages
earnings are factors of production, and if they
Lynda. Ronnie. Strand. 2 sons.
incent in more than subsistence, there will be a tendency for wages to rise. We will expect
make of wages to be regulated by changed standard
of life. What is subsistence? We see that
as a necessary limit. It depends on state of
future opinion in a community. If a man
is content to work for very little, he will get
very little. Though wages have risen
enormously, there is just same poverty and dis-
satisfaction. Health and poverty are only
relative terms. Although wage-earner has
made progress, others have made more
progress; and so, compared with them, he is
relatively poorer.

Great many arguments in statistics
he may find an apparent fall in wages
while contrary really the case. Average wage
may rise, though every class of work reduced
in wages! This seems impossible, but
is true.

<table>
<thead>
<tr>
<th>Grade</th>
<th>Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>10/-</td>
</tr>
<tr>
<td>B</td>
<td>12/-</td>
</tr>
<tr>
<td>C</td>
<td>14/-</td>
</tr>
<tr>
<td>D</td>
<td>16/-</td>
</tr>
</tbody>
</table>

Now if wages reduced 2/- wages would fall
but money into Grade A! (400), and average 14/-!
iii. Men skill

iv. Use of all ability

v. Harmony between unions
So that when we are comparing wages of one period with another, we must consider all the elements. The relative numbers who are earning these different wages.

A third condition for raising of wages is the acquiring by the rising generation of industrial skill. Wages must be less than what the same products. This productiveness sets a superior limit on the wages. If wages become greater productivity must come.

Fourthly, unions must see that all ability utilised—much ability means no waste. Other means of production will mean better wages.

Fifth—contend between the various unions should be avoided as far as possible. In many cases injury is caused to workers by some strike in some small section—may hold up the work of thousands. Interstate between unions as to whom certain portions of the work should belong. Someone one on the borderlines, Is he a carpenter or is he a bricklayer's assistant. This is the question.
Bills of Exchange
Foreign exchange - The exchange of debt.

A is an importer in Australia. He buys goods from B in England. Of much sent, the cost of conveying may be considerable. But others have been bringing, selling. You cash notes, thus obtained. Ship Australia to England. Besides risk, there is further inconvenience that great part already will be constantly on sea ships and quite useless.

A owes to B in England. Can B get over to D in Australia. In each country upon have a credit and a debit. By means of bills of exchange, these debts are both paid without money crossing water. A will pay D, and C will pay B. Each has what he ought to have. — "An order on one person to pay money to another in somebody else." Banks act like a cheque, which is an order to the bank to pay somebody. But a Bill of Exchange may not be drawn upon a bank, and upon no one nominal, of a firm, or company.

"Mrs. after sight pay to the order of John Jones $200.00 for value received. Change received and receipt issued by ship "SS Medici." — (signed) SN.
This shows another type of cheque and bill of exchange - the latter is not payable on demand but at some fixed future date.

43. There are a no. of variations in the form of a bill of exchange.

Melbourne.
July 25th, 1914.

Three months after date pay to our order sum of £100 for value received.

G. Anderson.

To Brown, Co. Ballarat.

London
25th July, 1914.

 Six months after sight.

Rot.
If a person is going on a trip to India, the bank may give him a letter of credit to a bank in India — the bank guarantees to pay the money he draws. Take the case of A & B in England engaged in trade. Trade up to 10 units in each case. A owes 10, B is owed 10. How can B be paid by the man in Australia? The end of foreign exchange is avoided sending money backwards and forwards. The whole of these transactions can be closed by one bill of exchange. B the A exptner draws a bill on C in India. England.

A buys his draft from B, and remits it across to D. D goes along with it to C and presents it to him. C pays the bill. We can reach each other in another way. Bill may be drawn in England as a matter of practice amounts are never exactly equal. Some people will be drawing bills in one. Some on London. Let us assume trade is equal to 10. B draws bill for 8 units on C, D. D pays D pays D presents it to C, and C pays the amount of it.

These are some accounts still owing. D draws a bill for 2 units on A. A buys B's draft and sends it to D. D presents it to C, and C pays the amount of it. A pays 2 units over to B. The whole debts are thus
cancelled by means of two bills

If England and Australia traded, and nowhere else, the difference would have to be paid in gold. Take case first: one 10 quid to England or England only one 8 to Aus. The 8 can be liquidated by means of exchange; in absence of some well-developed system the balance will have to be paid in gold. But each of these countries has trading relations with other countries, so it will not have long if we are not getting as much from other countries as we are sending out. The export of gold, unless we are a large gold-producing country, will cause trade to expire under these conditions.

This trouble, the primary law of supply and demand, will correct as without any state interference at all. In actual practice, the bills are drawn on both sides: most of the bills drawn in London: most bills of exchange are drawn payable in England at the finish. The reasons are (1) the abundance of English currency (2) the greatness of English trade. Total foreign trade about $120,000,000. A bill on London is better than gold - always find a good buyer in England. A merchant buys the bills from another who desires to have money immediately; not wait.
In £100 in cash in Australia equal to a draft on London for £100, the former have the cash. There is a term - the term of equality of exchange - in common use. When one goes to the bank, they are compounding rates of exchange not on bills but on the standard coins in two countries, say France and England. This is the sovereign in England. The French franc is of such a weight that 900 can be coined out of 3,000 grains of gold.

The term contains as much gold as 25.2215 francs. If a French exporter can sell his draft on London at rates of 25.2215 francs for a sovereign, he would expect bills of the same value whether drawn on London or on France. The French importers want bills on London to pay for their imports; the French exporters have bills drawn on London for their exports - where demand greater than supply we expect prices to rise. Just so. Competition among importers of bills and so prices rise. Rate of exchange may be 25.3 francs per sovereign. How can they also go? Will importers give 3,000 francs for £100 bill? Absolutely not! Why do these people want the bills? To save the expense & inconvenience of sending gold over to London. If price went higher, the demand for the bills would fall off at once. In the opposite state, supply would get greater than demand.
National Inability
prices would fall. How much? It could not go very far. It would soon be better for English exporters to be paid in Gold than bills of exchange.

If we suppose that merchants on one side have to remit £30,000 and that are bills of exchange on £50,000 - as soon as price of bills begins to rise another factor comes into play. If not enough commercial paper to pay the bank will give a draft on London will have to pay a little bit more than bills of exchange - competition among banks - hence price cannot rise very high. We have to notice more than the mere exports + imports of the country - there are large no. of things that help to make up the amount of national middleness.

1. Expenses on manufactured articles & amount paid on imports.
2. Shares and securities.
3. Arrears, paid in settlement of profits + commissions.
4. Expenses of foreign travel.
5. Freight: England can get great deal by carrying trade.
6. Interest on money borrowed - making capital in anst.
7. Import duties.
8. Transit dues. (1) South, imports and taxes.
9. Expenses of armaments, midship, regions.
10. Sale of ships.
Third Term 1914

Illustrations in place of foreign tells
- Limited
Foreign Exchange: we have seen that it is not only the exports and imports that influence a country. The total indebtedness of a country is made up of many items such as profits, commissions &c. In the case of England a large sum is owing to her because of her vast carrying trade. Here as in other countries there is a large amount of foreign capital invested. We must pay interest and this is done by exporting more than we import. On the other hand when we have to pay later on, the change is the other way round. The old mercantile economists made the mistake of thinking that where a country imported more than she exported, she was being deprived of her currency. There are other items such as import duties, transit dues, taxation, expenses of foreign annuities.

As we have already seen the price of foreign bills is regulated by the relation of demand and supply. The cost of remitting the gold determines what are known as the specie points. When the price varies, the specie points set the limits with the variations of bills of exchange. The outstanding factor determining price of bills is the amount of claims of the country...
under consideration against other countries and the amounts of their claims against them under some circumstances there may be apprehensions of panic. This will cause fences to vary beyond the specie limit.

In the third place we have to consider the state of credit in both countries (4) The state of the reserve. As already seen a tremendous volume of trade is carried only by means of paper money of various descriptions. Only a small portion is paid in gold. It is only the balances really that are paid in gold. After all the use of cheques, t. notes & actually depends on there being somewhere a reserve to meet these. Without this paper currency would be in a very precarious position. The whole of the English financial world is ultimately dependent on the Bank of England. If there is no reserve, credit cannot last for very long. People will be extremely unwilling to accept bills. They will demand cash in every case.

(5) We must take account also of rate of interest in country to which the bill is sent; (6) length of time that must elapse before the bill becomes due. If this must be due for a considerable period, you would not give as much for it as it it became due in a few days or weeks.
One of the great essentials in the commercial world is to have cash ready at all times. (7) The question of the solvency and credit of the drawer and the person who accepts the bill must be considered. If you look at the columns of a financial magazine you will find two quotations on the same day for bills — higher one for first class payment such as Bills on BR of England, the lower rate is for ordinary commercial paper. The person who draws and the person who accepts may be perfectly solvent, but this is not sufficient guarantee. When affairs finally fixed up you may get top in the £, but you want your money at a stipulated time. These factors must always be taken into consideration. (8) We must take account of the credit of nation especially wartime. No right to claim of being paid by merchants in countries which are at war. (9) We must consider also the state of the currency. If you are drawing a bill for $100 dollars on some S. American republic, you will suffer a severe loss, unless consider the state of currency, owing to the depreciation of the currency. We see that a merchant draws a bill on a person who buys goods from him. If you draw an order on him, it is an order to him to pay a third party. He may not may not pay it.
Discounting Bills
If he does not pay it, the third party comes back to you. Here we are assuming that he waits until the bill becomes due. The bill, unlike a cheque, exists payable on demand. You may not desire to wait because you have a good investment ready at hand. It is quite certain that the creditor would not pay without some consideration. You will either receive a note broken or get it discounted by the bank. You will receive the present worth of that bill. How is this determined? The present worth is determined by the rate of interest at the time and the time the bill has to run. In the money market at the same time you will find more than one rate of interest. How can there be varying rates of interest where there is such perfect competition? There are short and long rates. Money may be very dear for short periods. This is a very important matter for those who are engaged in the business of discounting. This is one of the reasons for the variations in the rates of discount. Besides the quotations for first rate paper there are also wider divergencies. A bill of exchange can be ordered on one firm, bank, or corporation. As it is not to be paid until some future date, there is a considerable amount of risk to be covered.
The rate you demand must depend on the ideas you have of the solvency and credit of the person who accepts the bill. At present there is a tendency for rates of interest to rise. The rate of discount of Bank of England is for first rate securities. We must see where it is that merchants obtain the bills when they desire to discharge their obligations in other countries. There is a class of persons, bill brokers, who deal in these just as a merchant deals in goods. The person who buys a bill can either sell it again, or keep it as an investment. Its conduct will depend on the state of the market. If rate high he will deal with it more way. It also costs money to collect these bills. Price of bills is determined by the relation of demand and supply. If rate of exchange goes to a premium, it is a good sign that exports are less valuable than imports. This is a state of affairs that would not long continue unless we were borrowing money. Gold would become dearer. Prices will fall. Equilibrium of trade would be established. We do not always desire to allow matters tonight themselves in this manner. When there is a tendency for gold to leave a country we take measures to prevent it. One effective method can be adopted by the banks.
At a time when everyone is demanding gold, the bank does not desire its reserve to be taken away. (£17,775,000) Cannot issue notes unless there is a corresponding reserve in the vaults. She cannot make any loans without depleting her gold stores: she cannot discount any bills - has to refuse altogether. The bank chokes off people by raising the rate of discount.

Lecture 145.

At various periods there seasonally exists in the banks. The Bank of England is the foundation stone of the English commercial system and it is necessary for it to keep a good reserve. There must be cash in the Bank's coffers for every note issued above £15,450,000. The inconvenience of this system is that it is quite possible for a time to come when the bank cannot issue notes. The only thing to be done under these circumstances is to suspend the Currency Act of 1844. The bank has away of protecting its reserve before this expedient is adopted. The bank will get its bills paid in gold or notes. If paid in notes the amount outstanding will be and thus can issue notes for further credit. This argument supposes that the bank is refusing to give credit.
This action would cause immediately great concern and panic. Under these conditions also the bank can make large profits by discounting bills and this is the method actually practiced. Before things have gone too far the rate of discount is raised. The bank will be more particular about bills it does discount, especially with those that have along time to run. People will be less ready to come and have their bills discounted. Another effect is that the rate of interest being high, bills on England become good buying. Foreigners are ready to invest in this form of security: a flow of gold thus sets in toward England. England becomes a good place for investment and people send their money to England to be invested. The bank is therefore after a short time ready to lend money once again. In this way panics and crises are averted. Some recessions of a rise in the rate of discount are of depreciation or price of commercial paper. If I have a bill for £100 it does not follow that I will obtain £100 for it. Brokers in other countries will now buy these bills because they are cheaper. We become the creditors of these outside nations to the amounts that they have paid for these bills. This tends to bring about equilibrium in the matter of trade.
2. The depreciation of all stock exchange securities is a number of securities for which they are world wide markets such as government debentures if the govt has a good name, these securities are practically as good as money. There is quite already sale for them. In many cases where it is difficult to obtain bills of exchange, merchants resort to such things as these for the payment of their debts. People will pay their debts by means of these securities when there is a rise in the rate of discount. In times of commercial stringency there are few people able today these securities and so they go cheaply. The sale to outsiders tends because of equality of claims to our country and by our country.

3. The price of commodities follows where increase in rate of discount is very marked and sustained for some considerable period. It suits merchants better to lower price of commodities. They also require ready money. Exports will increase and imports will tend to decrease. We will find that the rate of discount quoted in papers is not the same as the ordinary rate of discount in London there are numerous rates prevailing.

1. The Bank rate. This is the minimum rate at which BoE of Eng will discount bills of first rate security.
This rate is fixed every Thursday except in times of great upheaval.

2. **Bank of England loan rate.** The rate at which it lends money. This will be a little higher than the discount rate.

3. **Market rate of discount charged by ordinary banks and bill brokers.** This will be higher than the Bank of England rate which is concerned only with first class bills. There are usually two market rates: a lower one for bank bills and a higher one for trade bills.

4. **Rate of interest allowed by other banks because the Bank of England has its own way.** Up till now the Bank has not allowed any interest on its deposits; it has never changed its policy.

5. **The Bankers' Call Rate and the Seven Day Rate.** This is the rate charged by the banks upon bill brokers and the like. There is also an interest rate; the rate of interest banks charge their customers on their overdrafts.

It might seem absurd that the only result of the Bank of England raising its discount would be that people would go to other banks instead. The change would be purely nominal under these circumstances.
The Bank of England has to carry the whole money world with them in this direction. The other banks will raise their rates of discount: they will also raise the rate of discount on bill brokers whom turn will raise the discount they obtain from the public. The amount that outside banks have to lend is after all not very large if there is a demand for more money, bill brokers have to come to the Bank of England first. It has practically a monopoly of the note issue. In cases of special emergency it always has a large reserve to draw upon. As long as possible those engaged in the money market keep away from the Bank of England. The Bank knows that it holds the long end of the stick when these people are coming to it. The Bank will only let them have money for short periods. It has a position to put up its rate of discount so that all the other banks will have to raise their rates also.

At various times the Bank of England desires to gain control of the money market and she can compel bill brokers to come to her earlier than usual by a simple expedient. She usually holds part of the Govt. stock as part of her reserve. She sells part of these debentures for cash payment. People begin to draw their deposits from the various banks.
notes issue

...currency theory...
The banks begin to press on the bill brokers, loanore called. All that the bill brokers can do is to go to the Bk of Engld. Another method is for the Bank to borrow large sums direct from the other banks and hence customers have to come to the Bk of Engld. Its power is greatest when things are bad. Other banks contract their credit as the case demands and hence people have to go to the Bank of England.

The amount has gradually been more rising over and above which the Bk of Engld can issue notes. Before 1844 the condition of the notes was very unsatisfactory. There were many private banks issuing notes. They could not meet their obligations in times of crisis and consequently people lost their money. It was generally believed that the over issues of the Bank of England and other banks caused this false security. There were two theories: 1; the Currency theory. Notes should be used merely in place of gold merely in the sense that total amount of notes and gold should not the above amount necessary to do the work. The opponents of this theory did realize that where you have metallic money you have no cause to worry. The amount of money will regulate itself. But with paper money proceeds...
Banking Theory
It is necessary to place some restriction upon the amount so that there will be no depreciation.

2. Banking Theory. The exponents of this argued that too many notes are issued people will bring them back to the banks and get gold for them. Strictly necessary to keep such a reserve as will meet the demand for payment. Each of these theories was partly true and partly false. The currency people were wrong in supposing that paper money was used not merely as a substitute for metallic money. They also failed to recognize that the same amount of money is not always required for commercial transactions. Paper money affords every convenient method for giving elasticity to the currency by filling gaps caused by temporary deficiency of gold. If currency theory were adopted, there would be advantages in having paper money at all. If the banks when it issued paper money could ascertain that it would be used for true commerce, there would be no objection to the issue at all. A compromise between the views of both parties has been arranged. viz: the Currency Act of 1844. The Bank of England is divided into two departments entirely distinct: the issuing department and the banking department.
Securities to the amount of £14,000,000 were handed over to the issuing department. It was to issue notes to the same value and hand them over to the banking department. Every note issued over this a corresponding amount must be paid to the issue department.

Lecture 46.  28th Aug. 14

From what we have already seen silver in the form of coin is worth more than in form of bullion. Consequently a provision was inserted in the Bank Charter Act of 1844 that the silver in the reserves should not exceed 1/4 of the gold. The next provision was passed for ensuring that notes would be available when desired. The bank is bound to issue notes for bullion at the rate of £3.17.9 per ounce, thus making a profit of 1½d per ounce. The amount of security has gradually increased since 1844. At this time many banks and private firms were allowed to issue notes. In 1844 in England and Wales there were 279 banks to which possessed this right. The authorised issue was £8,600,000. The Bank of England was allowed to issue 1/3 of lapse issues without security.
Bank of England has practically a monopolistic role.
Further no banks could issue notes except those those that at date of act were issuing notes. If any banker became bankrupt and could not issue notes, he forfeited his right for ever. A return had to be made by the various banks setting out the average number of notes they had in circulation during 12 weeks previous to the act coming into operation.

Under these provisions it is quite clear that amount of notes issued could not increase; they gradually decreased. During the last seventy years the number of banks has declined from 279 to 17. The upward limit of the issue is £670,000; less than a quarter of this is actually in circulation. This act has limited the issue of notes and has provided for their gradual extinction. In this way it has conferred a monopoly on the Bank of England in the matter of note issue.

Two reasons are (i) that it is extremely difficult to control note system when a large number of banks are issuing notes. It would be extremely difficult to control excess of issue. The amount the banks could issue would only be limited by the credit placed in them. Many indeed did prove very unreliable in this respect. (ii) It is easier to control and check the amount when issued from one source.
Main objects of Burmese act 1844
There were two main objects underlying the Act.

1. To prevent commercial crises appearing so frequently as they had done in the past.

2. To ensure that the notes should be convertible. It was thought this would be accomplished by a provision of law for the maintenance of a reserve sufficient to meet all probable demands for the redemption of notes. When we look at the history of English banking since 1844 we find that the Act has not been uniformly successful in obtaining both objects. There have been great commercial crises in 1847, 1857, and 1866. The restrictions placed upon the Bank have prevented it acting much away as to relieve the tension. In these three years the operation of the Act was suspended. The suspension of the Act was a blow at the convertibility of the note. When people find that obligations are being met by the Bank, they will not be desirous of having gold. This happened in 1847, 1857, and 1866 and the panic to a large extent subsided. The convertibility of the Bank of England note was not quite insured. The reasons are these: The obligations of the Bank are of two kinds 1; it has to pay gold for notes presented to it, but 2, it has other obligations.
It must meet demands of those who have deposited money with it. People who have deposits will also draw their money in times of panic. The same reserve has not only returned notes but also the only funds available to meet cheques presented. It was also reserve against the banking liabilities. In times of panic it should not be used to meet both. When this fact was realised, there was a change in the administration of the bank with regard to the note issues. The Bank Act on the whole has been a great success; it has nearly fifty years since it was last suspended. The Act has made it certain that there must be a reserve in the bank to meet notes when presented. The amount of issue, even in times of distress, has never fallen below £26,000,000 - £28,000,000. So has the Bank had a good reserve. The notes have never suffered depreciation; they have always passed at their full nominal value. At the time of the Napoleonic wars they were made convertible at the legal tender. The Bank Charter Act of 1844 has placed English banking policy upon a sound basis. The system adopted for determining amount of reserve is purely arbitrary, but on the whole it has worked well.
Large Scale Industry.

- Aggregation of Industries - Companies etc.

- Cooperation.

- Public or municipal effort.
One of the most striking features of later years has been the extension of large scale industry. During the last few years the organisation of industry has been going on at a very rapid rate. We find three outstanding types of industrial government. There is the aggregation of industries, the piling up of large amounts of capital and the whole competitive system of business organised with the trust movement of the last forty years. Adam Smith declared that the Joint Stock Company could only be successful where initiative does not play a large part, such as in the maintenance of a canal or insurance. This Joint Stock Co. system has been becoming more important from year to year. People are ready to invest their money on the limitation of liability. (2) Large extension of cooperative industry. This has been most successful in the case of consumers' societies, that form which aims at the abolition of the middleman. (3) The extension of public or municipal trading, we still find great opposition to any form of municipal trading in many quarters. Many consider improved that State management is necessary, inefficient management. This is true in many cases.
Trusts

various forms
But it does not follow that our past experience proves that state management must be inefficient. The state as yet has not been organised for the purpose of carrying on trade. Our institutions have been designed for the purpose of fulfilling different functions.

I trust he may take as a working definition of trust ‘aggregation of capital engaged in productive industry and which is thought to have monopolistic power.’ Fifty years ago the idea we can trace the first steps of this movement. The Standard Oil (1882) was the first great trust. Since then trusts have been spreading in all industries where large scale industry offers special advantages. There are various forms. (1) The earliest form was an agreement among various producers to obviate the necessity for competition, to confine themselves to some particular district where each will have a monopoly. Legislation has been passed to prevent this form of agreement. (2) Stockholders gave powers of attorney to a few trustees. This was made illegal in the U.S.A. because it gave management of company to other persons and not stockholders. (3) Combination. A new company is formed with one specific object viz: to buy up all concerns engaged in that particular industry.
Most in vogue today, an arrangement to earliest type of company so formed which has for its object the buying of a controlling influence in other concerns. It will thus have control over their operations. The directors of the trust can appoint directors of these companies. The trust will pay dividends out of what it derives as its interests in these other concerns. These concerns do all the work. The trust can say where they will trade and how they can trade.

Lecture 47

5 trusts come under two main divisions: (1) those which actually exercise control (2) the pool or ring. This latter is the most common form in England and Australia. In the first case the trust controls the destinies of the various members of it trusts have taken different forms in different countries owing to the attitude of the law towards. Trusts are to be found in Germany. The large producers determine the amount of production, the amount to be produced by each person, and the price. In the Cartel the members are independent. The trust exercises control because sales take place thru the medium of the central body.
Advantages of brick.
In France the law has been strictly interpreted against these combinations: they do exist indeed. In Austria they assume the form of buying up smaller concerns. In English countries it is argued that trusts are prima facie against public interest.

Competition is the great method by which quality can be maintained. Where there is real open competition, we doubt the result is beneficial. Too often, however, competition results in the opposite direction. People are not always judges of what they buy; if they were, competition would give them the best value for their money. It is not strictly true to state that a monopoly always results in a rise of prices. The elasticity of the demand must be considered. The trust seeks to create larger sales and not too high a price. Advertising has two objects (i) to take away trade from other producers and (ii) trusts hold that advertising creates a demand. The trust movement brings within many advantages. Some trusts desire to obtain an monopoly as soon as possible. With this object in view they buy up many concerns and close them down. They sell below cost price in many districts to kill competitors.
The trusts can afford to sell cheaper as they cannot buy up raw materials at the cheapest rate. Being the largest buyers, they receive special quotations and being able to pay cash receive still further advantages. This fact does not improve the position of the producer of the raw materials. Some producers of raw materials are at the mercy of the trusts because the trusts are the only buyers of their materials. Trusts are also helped by the railroads in this connection. Hence the farmer often finds it pays them to accept the low quotation of the trust. (3) In every business there are a certain number of fixed charges, expenses that are necessary but are not in proportion to the size of the business, e.g., telephone charges, registrations. The larger producers are able to distribute these charges over a wider area and so the prices will not be increased. (3) Where there is large capital invested in a business it is possible to obtain a greater amount of efficiency from the plant used. No achievement can be kept in constant employment. If consider at a time of financial crisis, many firms, tho’ perfectly solvent, go under because they cannot afford to wait; their assets are tied up in their businesses.
The trust, having a large amount of capital, can afford to sit back and wait until the bad times are over.

The powers of the trust will be greatest in the case of those monopolies for which no other cause can be substituted. The trust can do away with many forms of waste such as duplication of plants, keeping of stocks of goods, and it also obviates the necessity of middlemen. The Distillers Trust in America took over 80 businesses; it closed down 68 and the remaining 12 were more than necessary to supply the demand. In ordinary retail shops some goods are kept for which there is only a small demand. If there is a large store one stock of these articles will be quite sufficient. Then too there would be a great saving in the matter of advertising. Competitive advertising would also be abolished. A great corporation like a trust can keep prices lower in another way; it can carry on cash trade. Where competition is very keen, the business man has to resort to all kinds of expedients to attract his customers.

Where much credit is given, there are bound to be many losses. The cash customer has to make up these losses. The trust's need for giving credit is less, not necessary to make up for losses and so prices will be lowered all round.
There will also be a large saving in the carriage of goods. The trusts can have stores and depots in various places from which it can supply orders. Trusts can obtain the best of machinery. They have every opportunity of obtaining a large number of patent rights. The enemies of the trusts point out that their power cannot always be used for the benefit of the consumer. The trusts often buy up patent rights not to use them but merely to prevent others from using them. This has been felt to be such a great evil in some countries that legislation is now interfering. Other people can intervene if the advantages are not used within a reasonable time.

The system of transport has now extensively adopted. The commercial causes since the industrial revolution are largely attributed to the fact that there was no proper organization for dealing with probable demand and supply. If a trust has a monopoly of the market it is in an extremely good position to ascertain the probable demand. This is the direction in which the trust movement can render the greatest advantage to the community. The success of the trust depends entirely upon those who are at the head of it. Owning to its size and its wealth it has every opportunity for securing the very best talent.
It has every facility for placing a man in that position for which he is fitted by nature and education. It is well able to pay for the best brains. There are many advantages which a person obtains from dealing with a trust. He can obtain everything at the same place. Large and unexpected orders can be fulfilled. The trust can also introduce goods into foreign markets much more easily than other business organisations. Having such a large capital it can withstand for a considerable period the knock of competition until it has become firmly established. Some of the trusts even sell more cheaply abroad than at home. There are some articles that are continually sold at a price lower than the cost of production. Upon certain extent, every extension of business brings with it a large number of savings and these savings counterbalance the loss from selling below cost price.

The monopoly of trust brings about another great advantage—standardisation. This has been one of the greatest advantages of modern years.
"The Trust, Its Book"
(Public Library)
Standardisation is one of the greatest advantages of the trust movement. It has certain disadvantages in that it exercises a cramping influence and does not give so much scope for individual ideas. The trust in general can have the best of intellect working in combination with large capital. The organisation of production in this way makes for a more steady demand and a better coordination of supply to demand.

The utilisation of waste products is one of the greatest advantages accruing to the trust movement. All kinds of subsidiary industries spring up. Each in their turn provide for further industries ad infinitum, until these trusts attain enormous dimensions.

The trust has been described as a state within the state. We must recognise that there are vast possibilities for good in the trust movement. The aim of the trusts is in general to obtain a quick monopoly at any cost. With this view many trusts have bought up all rival concerns, many of which have been closed down. There are several methods by which they have been enabled to do this. Most common method is to undersell their rivals and even sell at a loss in certain districts because of their great capital.
Trusts in Australia
H. F. Wilkinson

"Trusts and the Tariff"
(Solen).
In USA the trusts have gained great powers through agreements made between them and the railroad companies. Freight have been raised against the competitors of the trusts and part of this extra freight has been paid over to the trusts. Accordingly, a great deal of legislation has been directed against this form of combination. Consequently, agreements are made between the trusts and the railroad companies of which there is no documentary evidence and hence the law is not able to pronounce upon them. There are certain trusts in Australia—Tobacco Trust, Coal Trust, and Shipping Trusts. It is also a fact that protection is the mother of trusts. Trusts cannot get a hold on countries which have free trade. The Americans claim that the trusts are free to a large extent from outside competition owing to protection—goods are sold more cheaply abroad than at home. We must remember that it pays the trusts frequently to sell what appears to be the main object of their industry at a little less than cost price because the profits from subsidiary interests far outweigh the losses sustained from under-selling. One of the great evils of the trust movement arises from its having a complete monopoly being the only buyer, it can great injure the primary producer.
Trust not to be abolished, but regulated.
(2) The trust having a monopoly in production in a particular line becomes the only employer of a particular class of labour, so that the workman loses the advantages of competition among employers. The trust thus has the power of depressing wages but it does not follow that this will be its policy. Some trusts pay high wages. Others assume the opposite policy. It is acknowledged that the highest paid labourer is after all the cheapest. The force of public opinion also prevents the trusts from depressing wages. If they use their despotic powers contrary to the benefit of the community, legislation can be passed to eradicate the abuses of the system, but so far it has failed. Legislation should not aim at suppressing the trusts, seeing that they have vast possibilities for good: it should merely seek to regulate them. Trusts are at the culminating point in the development that has been going on constantly for a century and a half since the evolution of the factory system. Some people hold that trusts are the forerunners of socialistic systems. The two have certain points in common, the difference being in the management. In one case this is for individual gain, in another for the general good of the community.
Resume of advantages
Further disadvantages to the consumer are the rise in prices. There is also a powerful moral considerati
by corruption of legislation. It is known that a
bribe has been introduced against a certain trust
for the purpose of being bribed to withdraw this
legislation. There is the loss of initiative on the part
of the individual. Most persons receive a position
of greater responsibility in the service of the trust
than in any business of their own. He must also
recognize that the majority of men will do things
in the service of a company that they would not do
for themselves. A corporation is "a legal entity within
a zone to be saved or a body to be kicked."

Advantages.

The trusts are able to make the best goods,
can secure the best materials, have the pick of markets,
can obtain the best intellects in the community, can
employ leading scientists to discover new methods
and processes; good goods can be made cheaply;
each man can be given that work for which he’s
best fitted by training and intellect. Business can
be organized in a most efficient manner, and can
receive the benefits of patents, trade marks, which
belong to the concerns which have been consolidated
into the trust.
they are able to make everything they require beyond the barest raw materials having so many subsidiary interests. Trusts can forecast easily the probable demand and thus obviate crises. The greater any concern the greater are any losses through misdirection. Although trusts can obviate crises in many cases, still the disaster will be extremely widespread if a mistake should be made. On the other hand the trust will have the advantage of the advice of those foremost in the particular industry. The advantages of the trusts are those that come from the extension of large scale industry. There is no inherent necessity of evil in the movement: it possesses great possibilities for good and evil. Another great advantage of the trust movement is the association of enormous amounts of capital with labour and business organisation.

The continuance of competition will not always be good. Competition will develop us along certain lines but there are times when the community will reap greater advantages from combination than the continuance of competition.
The Growth of Economic Theory

Plato

Xenophon

Aristotle
The Growth of Economic Theory. We start with Plato. He presents to us his model state in which there is community of goods, no inequality in wealth. He would forbid the payment of interest and would discourage foreign trade. The state should be self-sufficient. Xenophon was in favour of agriculture rather than any other form of industry. He favored agriculture because it fostered patriotic and religious feeling. He considered that an agricultural life was the best preparation for military duty. The agriculturists also had time for thought on political matters. Xenophon also favored protection. His views on the subject of money are more enlightened than those views which prevailed during the Middle Ages on the same topic. He saw that where money was exchanged for commodities, it was not likely to make a country poorer. Gold and silver spent in this way were like the seed planted in the ground which would bring forth a rich and abundant harvest. With Aristotle, we reach the culminating point of Greek economic thought. Wealth is not an end in itself. Aristotle was strongly opposed to the communitarian thought of Plato.
He was also against the universal franchise. Artisans, he considered, had too much to do and consequently had no time for politics. Aristotle distinguishes between natural economy which creates wealth and that economy which is merely a transfer of wealth. The transfer of wealth does add to the sum of wealth that exists in the world. He also clearly indicates from the example of the king Midas that wealth and money are not the same things. Aristotle's ideas on the question of money are very sound. He showed that money had an independent value of its own but it is not blind to the fact that the use of it to a large extent rests upon a social convention. He believes that it is immoral to take interest since the coin's lent never increases. Coins after all are only representatives of commodities. These were the views that prevailed right down through the Middle Ages. The Romans had very few new ideas; their views were mainly borrowed from the Greeks. From Cicero and Pliny we get much information that is interesting from a historical point of view.

The Middle Ages. One of the most important set of events from an economic point of view during this period were the Crusades.
They caused a great transfer of land from the feudal barons to the industrial classes. As a consequence, there was a great revival and extension of internal trade. The teachings of the Church in the M.A. influenced economic thought as well as legislation. The Church was concerned especially with the morals of men and it discouraged trade as likely to become a cause of fraud. The just price was an extremely important economic factor of this period. Wages should be fair, prices should be fair, and regulated by the cost of production. A man should not take advantage of any temporary cause acting in his favour.

Interest is altogether forbidden. Money borrowed today for the purpose of production benefits the M.A. People manufacture to order and under these circumstances, a large amount of capital is not necessary. It was not really doing a person a favour in the eyes of the Church to lend him money. A borrower merely got into debt and was likely to remain in that condition.

During the M.A., we have the gradual freedom of the labourers. The old system becomes obsolete in the 16th century. In the 13th century, the trade guilds exercise great influence, and these corporations also confer great blessings. The guild was composed of the masters as well as the employees.
"guilds"

Aquinas

Bruce
They exercised general supervision over the trade; they had a great influence in improving technical skills. They saw that the apprentices were properly trained during their seven years of apprenticeship. This seven years' provision seems to have been in the favour of the masters. The apprentices were poorly paid and consequently for several years the masters really had the benefit of skilled labour for a low rate of wages. The guilds in this respect had the same problem as confronts us today in regard to boy labour. The guilds exercised a great influence in the way of supervising the work of its members. The officials appointed by the guilds took the place of our factory inspectors and in some cases of our health inspectors. They were also friendly societies and income cases social clubs. The main object of the guilds was to secure the rights and privileges of the members of the trade as a whole. They were purely municipal, concerned only with the craft in their own particular town.

Thomas Aquinas, a follower of Aristotle whose views were modified by Christianity, exercised a powerful influence. Nicholas Oresme (1382) published a wonderful book. His theories are nearly all correct according to present day economic thought.
Rise of Mercantile System.

Voluntary becomes general control.

The idea of power, not plenty.

Faults.
Rise of the Mercantile System. In the earlier period trade had been regulated by voluntary organisations. They were voluntary but they exercised a more potent influence than legislation today.

Under Edward I and Edward III we have the consolidation of regal power and the centralising of control. National ordinances are now passed and the guild machinery is used to enforce these.

Under the Mercantile System the government exercises a close influence over trade. The prevailing idea was that plenty at present may not be the best thing - sacrifice present to the future. Industries have been built up and defence must be maintained. In case of war the country should be self-sufficing. Hence encouragement was given to certain trades with this idea in view. We have a great deal about the balance of trade. Often the wealth of a country is estimated by the amount of gold and silver it contains.

This was often expressed as the main idea underlying the Mercantile System. This is the view of the extremists. In the moderate view there are four outstanding tendencies. i) Over estimation of the value of possession of precious metals. It was argued that was true in the case of the individual was also true in the case of the nation.
There is undoubtedly a large measure of truth in this view. Germany has been for many years ordering money so as to have a large supply in time of war. (2) undue localization of foreign over domestic trade and also of manufacturing over primary productive industries. Trades are discouraged which tend to send raw materials out of the country and those which bring finished articles into the country. This idea was to prevent trade being taken away from a country.

(3) The attaching of too high an estimation to a dense population as an element of strength. This is more important that what population there should be. Properly fed and housed and have as many conveniences as possible. This is for better handling a denser population living at a lower standard.

(4) Over estimation of importance of trade in bringing about these ends. The Navigation Acts were passed to give the English the carrying trade of the world. In France the highly protective system of Colbert excited for a similar purpose during a considerable period. In 1570 Bodin pointed out very clearly the great increase of prices and the causes of it, viz. the influx of precious metals from America.
After 1500 position of workers became bad

why?

Scarriff 1582
During the period 1450-1550 the working classes were in an extremely good position. Eight hours was practically the regular working day and wages were good in proportion to the cost of living. On the other hand during Elizabeth's reign we find a great amount of distress among the labouring classes owing to the rise in prices. Real wages were only half of what they were in 1550. There are two main causes: (1) the discovery of America ultimately caused large masses of gold and silver to be brought to England and the Continent. These are often all only commodities of a peculiar kind and if supply is increased they decline in value. (2) Depreciation of the coinage under Henry VIII and Edward VI. The wages of the labourers, although nominally higher, were made up of these debased coins and hence real wages were considerably reduced.

In 1582 Scarruppi put forward a proposition for a universal money. He does not go so far as some present proposals do. A paper currency is proposed. A great deal to be said for Scarruppi's proposition as a theory but there is the very great difficulty of regulating the amount of. Scarruppi also puts forward another fact and anew one at this period.
that where two nations are engaged in trade, the gain of one does not necessarily mean the loss of another. Both must receive advantages.

The question of the currency also commands attention. Stafford's work and the "Albertine Tract" deal with the debasing of the coinage. Walpole in 1615 made use of the term, political economy, for the first time in his work. Thomas Mun in 1671 dealt with the question of the balance of trade but political thought was not influenced by his writings. 1668 Child wrote his work. He is often designated as the precursor of the free-trade school of 19th cent. He can scarcely claim this title as he was a warm advocate of the reserving of right of colonial trade for England and the retention of the Navigation Acts. Towards the end of the 16th cent., there is a party in favour of a system of green trade than the one prevailing. There are such writers as Hobbes, Perry ("Politicae Arithmetica") and North.
North

The first trekkades!
Pete points out that country may possibly have too much money. Points out some of
time or trimetals.

First is really the first free trade
shows importance of land, absence of necessity
for regulation of exports of precious metals.
If latter he declares to be regulated by an
automatic process: Says that international
trade must not be regarded as a species
of warfare. Shows that trade is mutually
advantageous to participating nations.
Again, he shows that home trade of a
country is extremely important. This
many times greater than foreign trade.
And latter should not be encouraged at its expense.
He was in opposition to
proposals for fixing rate of interest. To
trade can be unprofitable in very long-
must be profitable to continue. If a
country is to be rich, it will not be
made so merely by government or inter-
ference.

Witch's readings resemble Adam Smith.
Locke
Bois-Siméon 1700
Tonson
Montesquieu
Oceana
years later. But did not have same influence.

Locke attaches rather too much importance to having a good supply of money. This led up men to desire for greater freedom from political and economical arbitrary rules.

In 1700, Bois Guillbert's work published. Exposed fallacy of mercantile school. Shows that gold and silver do not alone make up wealth. 

The first to lay down the law of rent, popularly attributed to Ricardo, 100 years later.

Tendler asserted that question of habits and morally more important than mere numbers.

Montesquieu - the beginning of the historical school. Shows that natural laws in social world, just as in material. Opposed to restrictive system except as regards the colonies. N.B. Colonies regarded for long from an inferior light.

Physiocratic school now arose. Money founds this. The law of nature - all men have same natural rights.
There is a "social contract" by which manitners make concessions or rights to benefit the whole. Governments must be protective; abolition of privileges and monopolies immoral or parts, as when he says that commerce does not create values; thus, good policy should be "lessening fame" so that all revenue should be raised from the land.

An Italian, Orkes, the first to enumerate the laws of diminishing returns as we have it now.

1752. Thence gets a little meaner to the true function of money - "the oil of commerce." What makes trade run more smoothly? Less motive should be taken of money, and more on the development of manufactures and the preservation of life. Discards the idea that trade benefits only one party against raising loans for public expenditure.

Thence essentially writing with a purpose and paid economic keenness into social problems of the day.

1760. Stewart "Inquiry into the State of Ireland"holds
Skeward.

Adam Smith.
old mercantile views but noteworthy as laying it down that economic laws are only relative to conditions.

Adam Smith two app. branches of thought in his works.

This conception of social economy is essentially individualistic - assumes that he is a Scotchman in every man. Assumes that all men know their best interests and should be allowed to follow them. Thus he is led to consider exchange too exclusively.

Doesn't sufficiently distinguish between wealth and value. Bounty may be wealthy in use but things which may have little exchange value. Smith has nothing to say on consumption. He was writing at a time of numerous restrictions in trade - the colonies, Ireland, &c. condemned restrictions and went a little too far the other way - complete freedom and absence of restraint. We have found this unattainable. Only means license to the few, and the degradation of the masses. Adam Smith has missed this idea.
Malthus

Ricardo
Again, his writings caused a good deal of opposition to the study of Political Economy. Seen to regard wealth as the be-all and end-all, and not the mere instrument as a higher life. Moral and social elements have no apparent place in his work. Hence Ricardo's attack on the "gospel of Mammon."

He is altogether too absolute in his arguments leaves out of account the fact that man is the product of past history; does not recognize the relativity of economic laws.

But the basis of Adam Smith's work still remains unimpaired. His exposition of division of labor is excellent. Malthus' Essay on Law of Population is a very much misunderstood economic writer. Informed by those who had not read him.

51. Ricardo important for his influence on Economic theory and for his Rent Theory. He followed Adam Smith, and his business knowledge. Ricardo assumes
perfect competition. He wrote series of essays on prices, money etc. These are not systematic often. He confuses cause and effect. He assumes rents can only arise when lands of differing fertility arise at one time.

What he calls no-rent land is moment land for a particular purpose.

Foreign trade enables each man to get what he desires with a smaller amount of labor and capital than if he produces for himself.

Doesn't follow that we can produce thing cheaper than any other country that we do not export it. The question of relative cost determines whether internal trade can be carried on. Suppose we can produce what B is same cost as France and B at low cost. It would pay us handsomely to keep m. facturing B and importing all A.

Hicks was quiet to bring this out clearly.

In his writing the Ricardoian method used most. He distance much from absolute laws.

Conception of those who followed him very
Deductive school

James Mill

Senso
abstract: they do not check their reasoning by observed facts of life; they enumerate laws much too absolutely which are virtues of other places and perhaps not of England today. J.S. Mill, M. Bullock Jones, Thurneysen, and no. of others' works notable: they are endeavouring to have more read

1871 James Mill furnishes one of best examples of purely aesthetic reasoning

J.S. Mill is frequently quoted as present time.

Exact semanticsology — all reasoning deductive. He follows way: first theory. He lays too much stress on the purely material side of man's economic action. He considers some based on 4 elementary propositions.

1. Every man occupied in getting material wealth at smallest amount of cost.

2. Population of world limited only by physical and moral evil and fear of want.

3. Power of labor and those that produce wealth can be almost indefinitely limited.

4. So long as agric. skill remains same, adm. labor employed on land will produce less in
comparison with amounts spent.

Laid down principles upon which Bell's own laws based. Advocated retaliation. The duty imposed would be so that they might be used as a weapon against others. Contains words not allow British army. J.S.Mill's principle of Pol. Econ. published 1848. This still one of the standard works on the subject. The held doctrine of wages and earnings is also well known. Rather one idea—recognized for his theory of international trade. He recognized the drift of the poor in improving their position. This, however, was altogether true of Australia. Low wages prevented people in England from doing so. He arranged groups:

1. Unskilled labour—farm labour etc.
2. Artisan group, including retail dealers.
3. Producers and dealers of higher order. Those whose work demands certain qualifications involving training, which is costly.
4. Comprises persons whose means give them a wide scope. Those who follow their trade for service and art.
we may have vastly different rates paid to different classes of community. When great deal of competition, we find wages same. There is a tendency for labor to flow from one occupation to another. The flow of labor will be pretty well confined to allied trades; but little competition between these groups. These wages go to great in one group than another.

Regarding labor unions, he concluded they do little to affect rates of wages. Cannot agree to this—labor unions have great effect.

He favors cooperative societies in which of working classes.

J.B. says: mainly important because of his influence in popularizing economic theory.
Stoneh

List
- Protectionist!
considered that distribution should receive more attention. Strong opponent of the classical free market doctrines, Malthus followed English economists mainly, but paved the way for the historical school. Devoted attention to economic effect of surpluses - influence of mental and physical conditions on the economic life. Also pointed out that doctrines applicable to Western nations would be totally out of the mark. Relativity of economic laws. Reaction against Adam Smith. Malthus refers to the spiritual capital of a nation as well as its material - an essentially conservative writer.

Siège 1798 - 1846. National system of Robertson. Adam Smith favors free trade; and considers wealth and exchange value interchangeable. Smith attempted cosmopolitan Robertson. Siège thinks more impt. part for one country is the full development of natural resources. He was writing about the time of the free trade movement in England. He found that old trade favors had built up English manufactures. Siège a
John Stuart Mill
very strong Protectionist in Germany, anyhow towns for home while a country agricultural; but when manufactures spring up they must be accorded a certain amount of protection. Other countries, with long-established industries and skilled workmen, must not be given any advantage over our small-scale and struggling home industries (and no profitable subsidiary industries!). Protection is essential.

John Stuart Mill advocates this infant industry protection advocates only this limited protection and then only for a limited time at its inception. He also thinks that it is extremely difficult to carry this policy into effect - "these infants never grow up." It also diff. to take away protection once it has been established - a house is set up, though in the meantime, the concerns the protected will stand the taken away. Germany's policy has been protective from that day to this.

Today most of the nations are more or less protective - U.S.A. France, Germany.
Rösscher, 1844
Comte
Sociology
But great extension of free trade doctrine (2) yap. Australia, N.S.W. had to become Protestant, though 15 yrs ago free trade. But inter-state free trade has been established.

(What force this for T.B. W. K. Germanisation."

Similar sweeping away of internal barriers in France and Germany.

Rosselliti 1844. May be deemed the founder of the Historical School. Due to French Revolution, Comte practically, founder of Sociology. Says that Psychology, Pol. Econ., are not distinct sciences.

Sociology not a study of men as they are, but of the forces which change their actions and status. No absolute laws in Sociology. Prone. method of study will be that of historical comparison. Must see what has actually happened. Must take past account of moral ideas and historical events only. Sociology should aim at realizing the popular causes of gradual change in the better replacing revolution by evolution. Historical method shows that we must study not only present state but also past history, how they have acted in similar cases. All questions to us in forming our economic laws.
Our studies must not be confined to present day peoples. Study ancient peoples through letters, because more complete. Some problems, we can see the whole course of their development.

In Knies, 50 years later we get a full development of historical method. They placed great deal of emphasis on terminal elements. They divided just econ into spheres.
Historical school showed connection between economic position and jurisprudence. The contemporary juristic position of a man affects his economic position. Differ also from Adam Smith in the function that the state should exercise, The previous laissez-faire idea of non-interference discarded by historical school. This school shows that unchecked competition is not likely. This is the most important contribution of the Historical school advocates that whenever the interests of community can be best served by state, it should be so. [Socialists go further and advocate state action in all cases]. Historical school thus has a tendency to widen the sphere of state action. Emphasizes the essentially moral element of the human. Recognizes development in social life—dynamical as well as the statical elements in social life.

Changes in the future must be forecast by reference to the changes of the past. The searching of history: since man’s moral wants, should govern in teaching of a science whose object is to show us how those things
Advantages

1.

2.

3.

4.
which are intended to satisfy one wants as produced and distributed among the social classes, and how they are exchanged and consumed. (Koschen)

"The function of history is not to describe, but to judge."

Koschen would make Pol. Econ real and practical - deductive method with constant checking of conclusions with facts of life.

Advantages of historical method are:

1. Takes account of external circumstances.

   treats material for study - fuller information means more complete checking of reasoning by facts.

2. Art and science will not be separated.

3. Abstract deductive method was very unsatisfactory. Treated man too much from material side - too much money making animal.

   left out the moral side in man - treated him as a constant factor. Deductive school was rather individualistic - but science has grown from society, not the individual.

4. Economic forces are closely connected with moral and intellectual forces.
Socialist
All these things must be taken into account.

Laissez-faire

seen in two connections. It is assumed that it means freedom from all restrictions - free competition. During true economics have been studied, freedom has been rule rather than exception, so writers have been tempted to take it for granted. But this cannot actually be done.

Reaction has set in against these old ideas. We realise that restrictions on the few necessary to the liberty of the many.

Socialist School

Socialism very hard to define.

Roossee says - "Socialism "precludes those tendencies which demand a greater respect for common wealth than connotes with human nature."

Another - "Every tendency which demands the subordination of the will to the community."

"Every doctrine which teaches that the state has the right to correct inequalities of wealth."

"The economic philosophy of the subject classes."

But these many doctrines

i. There should be greater equality wi
social conditions

affairs are not such a condition now by reason of past history or, has these reforms come has be thought about through the intervention of the state.

Basis of socialism is economic. But economic change involves social and political change - democratic organization of society and a new altruistic system of ethics. Men must be less individually self-regarding than at present. Democracy doesn't mean equality. One class may strive to make itself an oligarchy.

Most socialistic theories today are collectivist. Socialistic theory has been found wanting, and now has few followers. Collectivism aims at abolition of private ownership in the means of production, placing these under social control. At present time the possession of capital gives advantage. This is to be taken away, and production to be in interests of community - united collected capital. Opposed to laissez-faire doctrine. Individual must be restricted to interests of state.
Saint Simon

abschub notwendiger
Socialism also regarded as phase in freeing of labour, freedom, equality, fraternity. Increasing idea of the dignity of labour. Industrial revolution brought evils; large scale industry with maladjustment, poverty, crises. Something radically wrong.

Idea of private property is one that has received most criticism. Saint Simon and others - Utopian to a large extent but recognize that an education of benevolence must be accomplished before reform. No thought of any class conflict in these earlier socialism's.

Saint Simon 1760-1825. This idea of the antagonism of interests is that the conflict is between the workers and the idle - all men must be made to work; nation to be organised on an industrial basis. Fourier's main purpose to be the direction of industry, attacks the system of inheritance, as giving certain persons the power to dictate terms.

Private property not attacked; but it is not to interests of society that capital should be allowed foremen; through inheritance in the hands of those not fitted. Inheritance 5
Some only endure.
He abolished and re-established production.

Problem of making production and consumption meet.

As Simon then would have society based upon a centralised system. He must undertake the organisation of industry. Owen, Fourier, and Thompson.

Owen was manager of some large cotton mills in the early 19th century. He saw evils of the factory system becomes warm advocate for education and improvement of working classes. Held old discredited theory of the "just" price (= cost of production). Quest of profit brings about many evils. Also very strong opponent of present system of competition. Owen put his ideas into practice, but failed altogether.

Fourier as about the same time, bases his system on association. People to associate in small communities of about 1500 each, and carry on production. Held that labour could be made pleasant. Change of occupation means rest so men to change what they're doing every few hours. 18-28 a man could produce enough to last his life!
Divide labor into necessary, useful, and agreeable, paid accordingly, with turnover, a minimum wage. Balance unpaid on wages distributed proportionately. Forworn great influence on economic thought. Did much to break down prejudice against machinery.

We recognize this true condemnation of overwork, and we so fix the maximum hours of labor.

William Thompson, Irish socialist. Book published in 1824. Most of the ideas for which Karl Marx has credit. Labor produces all value, i.e., all products should belong to labor. As present, owners of land and capital make more than their fair share. Does not advocate abolition of private property, but calls the injustice of the "unearned increment" resultant on fortune, not merit.

Socialist thought arises among the middle classes. This class has been responsible for most revolutions till 1830. Then there is the rise of proletariat—wage earners and the laborers. French Revolution of 1848—a laborer's movement.
Louis Blanc.

Unahomme.
new group - Louis Blanc. Social reform can best be brought about by political action. Advocates setting up of social workshops, cooperative societies of workers in a particular industry. This gets over difficulty of exploiting by the capitalist. The idea of payment of labour is according to the want of the man - "a right to understand." This has been recognized to some extent. Very strong against competition, which, he says, emphasizes man's right, but fails to emphasize his duties. Social workshops give all the right to work.

Proudhonism attacks the rights of property. Property is property; property owners are thieves. Only justification for possessing is the fact of having laboured upon a thing or produced it. Right of possession to be retained, but no right of property. Labour should receive more of the product of industry than it does. About interest, profits, and rent, because they are not based on labour.

This teaching leads to a kind of anarchy, absolute freedom - all need no restraint.
He brought out another idea—that rights and
features are mutual; that money, and
securities and exchange tokens; paper money fungible
in proportion to the time it took to produce; bread
to be granted to everyone, and no interest
would be evinced; every person able to get the
means of production; and no room for capitalists.
Modern production essentially collective; people
do not produce on their own; labourers should
get increased share in products.

Summed up, all these opinions are
essentially utopian and ideal. None lay down
practical avenues of reform; but they contributed
a good deal to the study of economics. Brought
to question of justice of present distribution into
the time—light teachings acted as useful
correction to over-individualistic teachings of
orthodox economy. Much to do with
the establishment of cooperative movements.
Brought out very well the idea that society is an
organism; that mankind is a thing that
develops, and social life differs from age to
age; in no form of society can be taken
as necessary. Present system not last word.
Rodbertus
New school of socialism - the scientific school; departs from utopian theories, and claims to base its doctrines on scientific truths. To a large extent state socialists, menig state as machinery to put ideas into effect. State socialists desire a large measure of social reform which is to be carried out by means of the state. They are national, whereas the others regarded their system as cosmopolitan. Karl Marx claimed to be international.

Le Tal and Rodbertus may be taken together in influence; Rodbertus second only to Karl Marx.

Holms labor theory of productivity; says that labor creates product, but does not determine value. By labor he understands normal labor - mental labor acc. to him costs nothing.

Holms also that wages is a relatively decreasing share in distribution; i.e. he regards the laborer as getting continually smaller product of industry. Wages increase, but in proportion less. This connected with "Iron Law" of wages. Rodbertus comes to conclusion that majority of men are shut out from enjoyment of social income of the world: thought out
His explanation of crisis

The winner of history

1.

2.

3.
clearly the fact that there is a problem of poverty, of vast importance in economic study. Another famous thing is the explanation of crises. Production goes on at a rapid rate; employees are not receiving full return they are entitled to for their work. Thus this position: since labourers do not receive as much as they earn, they are unable to buy goods they produce, until result that consumption can't keep up to production. Result, an over-accumulation of goods, causing in turn a restriction of production. This means unemployment, which in turn causes a further decline in the purchasing power of the masses.

Thus, only remedy is to socialize property. Shared history, and concluded that marked stage in economic conditions.

1. **ancient times** - slavery very common - whole product of industry goes to owner.
2. **modern times** - men nominally free, but land and capital appropriated by a few and used by them as a lever to give them large share.
3. Still to be reached - the "Communist Social"
This is an end future.

Some interim proposals.

- Time

- Amount of work

- Purée
Stage. Land and capital will be nationalised. Private property still allowed according to a man's deserts, and the services he renders to the community towards people will reach this stage in about four centuries. But has some proposals to put into operation now to pave the way. (a) Legal establishment of the normal working day. (This has some about it in some industries, and it is being followed up.)
(b) Determination of normal amount of work
Not achieved yet done... the fair day's work. (we have partial recognition of this in wages boards awards in piece-work.)
(c) In favor of the fixing prices, should not be dependent on supply and demand. Attacks the competitive system pretty hotly; says we pay too much attention to exchange value, and too little to utility value. At present manufacturers can regulate the production to their own advantage too much. Produce what is valuable to them, not what is useful.
Does not follow Ricardo's law of rent. The reasoning on this is not of much value.
La Salle

Portrail gram

Karl Marx
Le Salle 1825-64  

Yerman of the social Democratic party. Had a varied career, and more  

than once in prison. Thought working men  

should form a political party, and aim at  

improving social conditions of people. Toward  

universal suffrage, and believed in the "Iron  

down of wages" wanted legislative  

introduction of cooperation based on state  

credit

Radek was the scientist and teacher.  

Le Salle's function essentially was agitation  

to disseminate the ideas of Radek.  

Many things that the individual can't  

control; wars; crisis. These should be  

controlled by society, which is as a whole  

affected by them. Takes wide view of the  

interests of the state. Should remain to each  

the best freedom.

Another phase in Socialistic movement  

when we come to Karl Marx. (published  

work on Capital 1867) Fundamental  

idea is that of surplus value. Differs from  

others in that he followed the historical method  

mainly called attention to economic
Benefits of Socialist School

Sandra Greenfield
side of general history; growth of capitalist class, and, naturally, growth of dependent class also. Capital grew by taking large share of the profits of production. Showed the great organisation on the side of production - the factory system etc.; but no such organisation in the matter of consumption. Thus caused by capitalist class not being able to control forces they have called into being.

Socialist schools have made certain great contributions to progress; have brought into prominence historical method; have deepened and widened the ethical conception of economics - whether certain institutions are either necessary or desirable. Has thoughts strike the minds of the world; the cause of the poor, who are unable to protect their own interests adequate.

by - a searching criticism of the social system of today; position of working classes has never been in harmony with ethical ideas. Competitive system certainly must be more or less a system of anarchy - one trying to ruin the other! Diplomacy more - many evil results.
Have brought up question of war

"Idle rich"

Has enlarged the idea of the state.

David question of just war.  mustardy work
Socialists have also brought up the question of waste; at times over-production in certain directions. Socialists attack the state of society which renders possible the existence of either the "idle rich" or the "idle poor" not a question of between capitalist and employer, but between the worker and the idler.

Most socialists consider that this can only be rectified by state action. Rodericke, however, wants to rectify human ideas, and thus anticipates a long wait before success.

56. They showed the people how to produce by cooperative methods; in that way it is social.

Socialist thought has taken us away from the old idea that the state is only a system of law and order. In many directions society can be better carried out by the state than by left to privateinitiative.

The basis of much of socialist reasoning is that labor is being exploited by the capitalists. It has raised the question of the first wage. They have also questioned of shady work.
Marx's reasoning

Capital

Value
In the gild period idea was a good article as a pair price under our present regime of competition. Cheapest is the fact. The general worker never knows his fate from week to week. Under Adam Smith there is the tendency to say whatever is is right. Under Marx's influence socialism became international. His reasoning is abstract and he follows the deductive method, but he gains great mass of historical information. Economic factors dominate all history and determine social organization, class interests. He has two classes: the capitalists and the labourers, the former exploiting the latter. Capital begins when commodities begin to circulate. Hence capitalist first arose when trading commenced in 16th century. The first form money and was used to exploit labour. Since capital is wealth used to exploit labour. Some of his ideas not new. Thompson had brought them forward. Value is of two kinds: use value and value in exchange. All value can be reduced to social
Bagchot
necessarily labor, time. The fallacy
noticed when we consider a man is paid
for the results of his work, not the effort.
How would we compare the work of an
agricultural laborer with a physician? His
definition is on very hard to agree with. In
the very earliest stages capital and exist.
It leaves one by rights the benefits derived
by the capitalist class. The whole system
must stand a fall with his definition of
value. Many things on which labor
expanded valueless. Marx admits that
they must be socially useful.
Bagchi — a banker and editor of
the "Economist" — scientific thought mixed with
practical knowledge.
His main original work was re-examining
the function of the employer. He showed
economic laws and theories relative to times
and places.
Biff Dodie is another writer. One of his
chief contributions an attack on the
wage, profit theory. He fought very
strongly for the historical method.
He showed that pot. room had largely been used as a class machine.

He gives very few definite conclusions: jointly a leader of social reform. He made special study of poverty and unemployment. Wrote number of essays.

Thorold Rogers' 'History of Agriculture' "..." the centuries of work and wage... He regards the study of history as being fundamental.

Schmoller urges the proper method is descriptive method from present day knowledge and normative from history."
Schauffe, draws analogy between state and physical organism. His work is the
groundwork of socialism. Combines historical method with fair amount of deduction.

New historical school do not give great space to general theories of economics, but in history pay
very little attention to theory of value; do not emphasise misallocation and self-interest. They
point out the relativity of theories and institutional arrangements upon economic
development.

Jevons, famous mainly for working out of idea of marginal utility; Thorntons' attack
on wages. Sraffa, Barineos. These are
leaders of later classical school which existed in England. Barineos' chief contribution is the
theory of non-competing industrial groups.

Duguevic and good deal to popularisation study
of economics, which had become somewhat
described as inadequate and non-scientific
no effective teaching of science in colleges and
universities—after 1880 professors appointed
e.g. Marshall at Oxford) and study revives.
Free Trade and Protection

F.T. 1.
Free Trade and Protection

This subject too much discussed merely politically. Benefits from free trade obvious.

Many countries goods our country cannot produce, or which can be more cheaply
produced in other countries. It is claimed that price will send goods to the best market.
If you leave things alone, the greatest sum of
exchange values will be created for everyone
will sell in his best market.

Doesn't follow that because we produce more
cheaply we won't import. Question is in fact one of relative cheapness. If we can
produce one goods (A) at half price of other
country, and B at 1/3 price, we will
find it profitable to devote all energy to producing
B, and import A. Our relative advantage
will be greater!

But argument does not depend on
economics. If all wield one nation, free trade
undoubtedly best. But have to recognize that
interests sometimes antagonistic—wars etc. Thus
many advocates for protection or political
Burlington's protection policy

"New Protection"
grounds. They say: "Make our country self-sufficient." Burnsleigh adopted this policy under Elizabeth. Toured first industry by creating extra jobs, and by various duties on exports. Beginning of the protective system.

The recently protective duties really imposed on interests of manufacturers. "New protection" has arisen, in interests of the employee.

Of Harvester dispute of a few years ago. Dutt imposed import duty on harvesters imported also placed excise duty on harvesters made in Australia. This would have left things. But act went on that if theAustralian maker paid a standard rate of wages to his employees, he would begin a bounty equal to the amount of excise paid by him. Result: manufacturer got protection so long as he paid the standard rate of wage. This a very fair way of dealing with the position. Act came before High Court and act declared "illega" on action "McKay v Common wealth."
Mill. Pk V. ch. 10 sec. 1.

FT. 2.

FT. 3.

Yarrow's Dist. vario.
Protection prevents over-speculation, and fosters young industries.

Little doubt that free trade means often present advantages. But does it mean future? Have to distinguish between wealth and welfare. Distribution of wealth must be considered — benefit of a few must not be emphasised.

Protection for manufacturers in new countries.

Mill’s classical statement on the “Infant Industry Protection” is not economists.

Free trade will probably mean lower prices and no greater consumption and demand. Thus better methods can be introduced; and so on. Advantage will be cumulative. Under Protection, a partial monopoly gain, and so no improvement in improve methods.

58. Toxen sets out arguments for Protection.

To young countries, because it ensures diversity of industry and builds up manufactures. He thinks absence of protection would hinder growth of towns.
Yip's new Fl. T. 4

Fl. T. 5
This argument makes fallacy: leave out of considerations the fact that an agricultural population is not nearly all engaged in agriculture — not more than 60% - 40% engaged in other occupations even without protective system. 

Raising and occupations spring up naturally. Manufacture of imported goods would not occupy more than about 5% of population. And included are many things that must be imported. Gifford thinks that protective duties won't make a very great difference. This second point is that many manufactures cannot be established, because the market is not large enough. House establishing industries which can't compete with outsiders. House establishing a useless industry first for the sake of having it! Many industries can only be economically carried on on a large scale.

Gifford compares New South Wales and Victoria under Free Trade and Protection respectively. Victoria only had 30,000 in factories — exports boots and shoes — other industries local demand. New South Wales same no. of persons in factories, and
monsters may much the same

Is Australia ripe for development of manufac-
turers. Shouting primary products he fostered. Protection tends to produce vested interests, and creates a class that depends on such protection.

High import duties may give monopoly to home producers, who may thus be tempted, as in America, to political pressure to get a protection law passed. American tariff is held to have been very largely responsible for growth of trusts in America.

Held that manufacturers in new country will spring up on account of natural protection — the cost of transporting goods by foreigners. But will this natural protection be sufficient? General opinion must be that it rapidly grows less, as communication becomes quicker and cheaper.

A second argument for protection is that it fosters independence of owners. But he says that this costs more than its worth. E.g. salt duties in France imposed to foster manufac-
turers. French pay £1,000,000 a year extra, and alone one man in 700 pays £10,000,000 for
an idea. And so on. Tremendous cost put on to community unnecessarily.

3. This argument is that the cost of exporting produce being paid by exporting country, we would suffer if we only sent raw produce and received manufactured goods. In raw goods more expensive to transport - less value in greater bulk. But falling live in the importing country does not usually pay cost of transportation.

59. Argument that home man needs protection because he has to pay taxes which cannot be blamed on his foreign competitor. This argument with nothing for no warrant for supposing that taxes our man pays are greater than taxes foreign pays in his country. Can you protect all invisible in a country? Those producing for export can receive no protection from import duties - e.g., the grower of wheat. Those with fixed incomes only lose through import duties and increased prices.

3. Argument that protection discourages the trade of foreign countries.
What will be end results of a tax on wages? Answer will depend on standard of comfort of wage earners. In other terms, the margin of subsistence wage cannot be reduced, so tax must be shifted: so payed by employee or consumer.

YE. ENDE.
This is the remnant of old idea that no trade on party only is benefited. This obviously false for trade won’t continue unless it benefits both sides.

6. Argument that the import duty is ultimately paid almost entirely by foreign trade. Foreign countries thus have to contribute to our revenue. Basis of this argument is that when import duty imposed, price of foreign goods not increased; demand reduced. Then foreign reduces his prices to increase demand. Not much truth in this argument. Increased price as a rule paid by consumer. Take article of which we import £100,000 from America, duty of £40,000. Our home manufacture may be £20,000. Price will be regulated by imposed article and £28,000 will be charged. Consumer pays the whole lot. Employment certainly given to local men, but is it all worth while?

We hear that some industries should be established. But aren’t we better without them? Some unhealthy businesses etc. - all the other
which has one disadvantage - the difficulty of collecting the tax according to the real value of the articles. - great tendency to undervalue.

Great variety of other taxes - stamp &c. &c.

Upon whom does the tax ultimately fall? Who is the real tax payer? If so, the question? How are taxes shifted? Some get out of my hand - making false returns. Many taxes imposed with the knowledge that they will be shifted - e.g.

customs entries and very often more taken out of consumer than extra price that should result from tax.

Tax has immediate effect & ultimate effect. If taxed article unnecessary then tax will not directly affect consumption time after time of article we don't use much of.

But then will be less to spend on luxuries! So that tax is transferred to those persons who manufacture those other articles whose demand suffers.

Article may not be necessary - one remedy of substitution. In these cases rate on tax means increase in demand, so bringing price down, producer has to pay tax himself. This will ensure one how sailing near the wind.
countries have in all on their own.

0. Argument that protection helps to build up industries, and general body of consumers do not pay, for they don't use the article.

P. 9. Protection economically advantageous, because it causes countries to produce for themselves. Thus a saving in transportation. But this may be less than the increased cost of production.

P. 10. Protection confers benefit on worker, for higher wages in protected industries. This may be so in some cases, but it is hard to attribute raise of wages entirely to protection. Wages are always high in young countries. Lately a recognition that wealth is not everything, so protection a movement towards power.

Now the New Protection Movement - that the manufacturer should not be allowed to use monopoly to exploit the people who have given him that monopoly.

But this scarcely a fact. Worker has no reserve
Most equitable system is one combining direct and indirect taxation.

One form of indirect taxation not much heard of now - export duties. These increase price and so tend to reduce export trade. Merchants have to suffer loss if they have to pay the export duties themselves. Other results follow - fall in price will probably stimulate home demand, and so a tendency for the price nor will again. Export duties succeed if article is a necessity and country has a monopoly.

If keen competition among ourselves for control of foreign markets, price will fall and so foreigners pay part of export duty. But we pay part.

Export duties taxes imposed on article made at home to counterbalance duties on foreign goods. Its general result is raise price. Always danger of unforeseen secondary results - many things taxed on raw materials for other industries, and so capital in those industries curtailed.

Amount raised by tax will not many according to rate of tax - for high rate will raise price and so cut into consumption.

In 'wheat farmers' most duties an ad valorem
and does not save, but that simply because he lives up to his growing income, has his picture shown to - once quite out of his reach.

H. e. g. mei in house rent is proportionate to mei ni wages. I more than one way earns the family is obviously better off.

Certainly, those who save an hit by the mei ni pricis, for their earnings are now worth less.

(1) Alby's argument when Protections miniated, I should believe as many mankinds as possible, so that each class compensated for the dearness of the other things it has to buy.

But there are many mankinds when there is no foreign competition, so how can these be protected?

Wages argument. High wages here, so

P. 11

f. t. 19

f. t. 15

So put producers in equality - a protective tariff. One fallacy in this - high wages do not mean necessarily high cost of prod. - wages only one part of cost of production.

(2) When you've once established protektion, you cannot withdraw it without great loss to

employers and employers. But this no argument (I fully admit this!). Only an argument against change.
Scale of exemptions up to a certain point.

1. Value Land Tax up to £250 exempt.
   £250 - £500 a sliding scale of exemption, all at £500 none.

We can lay down few rules.

(Progressive tax cannot be easily applied to commons minds.)

2. Progressive tax on product of large industries would cause economic loss, as much as it would encourage law of increasing returns. Lead to discourage the large scale industry.

3. Progressive taxation must be carefully handled, because if higher rates made too high, it will have bad effect on industry.

A system of taxation should be simple, easily understood, and clear in results, so that modification provided for. Taxation of primary necessities of life rather dangerous. Taxation should interfere as little as poss. with the processes of industry. Should allow a good deal of elasticity, and should be capable of most revisions. Better to modify existing tax than to impose a new one, as estimates can be more nearly made.
3. The infant industries argument as John Stuart Mill states it.

60. The trade best for present - perhaps not for the future.

Industries migration to the north of England; no attempt made to restrict this. This always the way one town allowed to grow at the expense of the other. Why not same between nations? This argument elaborated by Tocqueville.

Avebury:

The trade - no customs save for revenue - allow trade to follow its natural course as far as possible.

Protectionists assume don't propose duties on raw materials. But what are manufactured goods for some are raw materials for others. Who is to distinguish. Protection hampers trade, but it cannot really protect. Avebury gives figures to prove this (or thinks he does.)

Other forms of protection besides customs duties. Some object can be achieved by giving home produce a bounty or premium. This otherwise rise in prices to the consumer.
Taxes are said to be proportional when the rate is the same whatever the amount. Objection to this is that it is not equitable — should be a minimum amount being greater as income increases.

Many objections to this — those who have bigger say in the making of taxes are those with smaller incomes — and a range test unfair portion of taxation should be shifted onto shoulders of wealthiest classes. Was also a tendency to check saving.

Then there is regressive taxation — rate decreases as amount taxable increases. This little known now, but fairly common in France before Revolution — when poor man bore the burden.

Then there is regressive taxation — where a limited amount exempted, and graduated
Bride p. 350 claims advantages for this system. Would obviate also the many of customs officials now necessary, and also obviate the evils of protection, which is apt to have deforming effect on trades. Bounty system does not induce prosa by increasing the cost of raw materials.

61.

Protection advocated for England as a measure of renewing age of foreign countries who penalize higher goods.

"In tariff wars the only question as to others is, which side will suffer the most?" Anstey concludes that retaliation should only be adopted as a last resort, and when some good prospect of achieving its ends. Even if successful, we cannot be sure that it is not going to injure other branches of industry and commerce.

Imperial Preference. England has recently allowed her colonies a free tariff land.
and not on capital, a restriction of latter means restriction of future wealth. Taxes have been advocated on wealth, on income, and upon expenditure. Should income tax be levied merely on and of money income - does this criterion of a man's ability to pay - no! Should he be allowed a minimum of subsistence not taxable - so exemption now, with graduated income tax over that. 

- £100 exempt. £200-500, an exemption of £150. Over £200 no exemption! Some steps also towards reg of any.

Between income from fixed investments and mercantile income. Personal exemption - pay less than proceeds from property. Many things should be considered - size of family, social position, length of average working life, question of security or instability of his employment. Tax on consumption would be difficult to collect; what is consumption? Those who don't use capital would be not taxed - so less consumption, less demand. Again measures...
Remember that American Rebellion was economic in cause. There has been a recognition that trade and colonies to the mother land. In return for benefits, the mother country has consulted. There has been a movement towards preferential trade. England admits colonial commodities free, so that not a great favor for colonies to have British goods only a little bit lower.

Movement for preferential trade has taken form of demand that Empire should be self-sufficient. Customs barriers get used. Cotton comes to conclusion that it is desirable that there should become such union. There are also difficulties. Our political system - there would have to be agreement on part of all the legislatures of the British Empire. Then there would be difficulties connected with any change of policy;diff. with regard to money (e.g. banana is within American banking system. India has made to re: Differences in race to be overcome, necessitating diff. part of Empire to have diff. taxes on diff. articles.
will be greatly increased in prosperous

Disadvantages of indirect taxes. 1. As new
Taxation is bound to affect industry, this will
be protest. But same applies to direct.

i. Taxation of commodities more diff. and
expensive than direct taxes. 2. Local
Taxes on commodities during the product
is a hindrance to trade - tax has to be paid
in advance and so capital paid out.
2. This makes capital extra necessary and
so tends to monopoly.

These difficulties can be got over by
modifying existing taxes rather than creating
new, and by making duty payable only
on finished articles e.g. excise duty on
beer and not on malt.

Greatest objection to indirect taxation is
uncertainty of its incidence. Much unfair.

We know how indirect taxation will
affect other industries. This leads to statement
that "an old tax is better than a new tax."
for we can see how and whom it hits.

Taxation should as far as poss. fall on income
articles suitable for taxation in England are not so in India! Modern England taxes most some articles that she gets largely from her colonies. How would revenues raised be divided up among the integral portions of the British Empire? What is to be the position of half-defined states and protectorates like West Africa or the Sudan?

Preferential trade does not always mean very much advantage to home country. Even if duty reduced, a heavy burden still imposed.

Arguments against party Reform in England:
I would need a host of officials and more expense; it would mean restrictions on trade and great waste of time in examining goods.
(Typical Conservative arguments!)

Regulating among manufacturers to get high duties on those over-petitioned goods.

Another uplift in preferential trade:
Take French goods exported to Canada; paying say 30%, while English goods only 15%.
True trade between France. What is to prevent French exporting goods thru England?
Aim of finance is to raise largest sum of money with least amount of trouble. Lewis Brummett, at least amount of trouble to whom? To govern, a taxpayer?

Direct or indirect. Direct are turned directly from the persons whose is intended shall pay. E.g. estate duties, income tax. Has the advantage of making citizen aware of rights as citizens. With indirect taxes the man doesn't often know he's paying, and so isn't 'against the government'.

Indirect taxes are assessed on goods or services, and are passed on, raising price of commodities to the ultimate consumer. Have advantage, in that method of collection secured, and so less opposition. Again, they are paid in small amounts. Again, by wrong judgment as to what articles shall be taxes, possible to touch all classes. If taxes put largely on luxuries, they can be made quasi-optional, and person can pay the article. When taxes levied on such things, taxes have good deal of elasticity.
Statistics an important part of Pol. Econ. The science of counting — we must have definite figures and facts. Many difficulties connected with statistics.

1. Most statistics are results of co-operandic counting — not the work of one man, but many. That makes a possibility of very many errors. But statistics are based on empirical laws — laws formed without knowing exact reason. We can see some relation between two facts, but regarding the reasons we are entirely in the dark. Increasing knowledge may mean considerable modification of these laws.

2. Statistics check the results of our reasoning. Hence, acadianic method to a large extent.

3. Statistics get rid of an advantage of taking particular examples. Statistics enable us to deal with things and men in the mass, and on the average. Thus we can arrive at the "normal" man.

When dealing with statistics, we must ascertain their source. Figures can be
with these essentials. Single tax is commendable for simplicity. Tax on land has been suggested, or a tax on income. Land tax popular with Physiocrats—Trent school treasury & co.

But huge incomes made from trade and industry, so land tax insufficient. Income tax unworkable as sole tax. It is a dead tax, and would press hard on those with small incomes. Would lead to evasion and restriction of capital. Hard to impose an income tax fair on all classes. Any system having as basis one sole tax cannot comply with demand for equity and justice.

As said that the best system of taxation is that which bears on little points, and so the burden distributed. But such a tax would have to be on large number of things and great restrictions thus put on trade and industry—waste, unreasonableness &c.

Better system is to impose fairly large no. of taxes which bring in a good return. This midway between two extremes.
wrong out of anything and very often wrong. Many statistics, of course, collected officially, and these the best. Statistics must be from reliable source.

What is the real meaning of these statistics? Why were they collected? Was the man trying to bolster up his own case? The object will exercise great influence on his accuracy. Ig: statistics of imports and exports, surely these will be reliable. But this not. Take England: most goods imported have duties or value. Goods must be declared, but men won’t be careful about exactness when no duty being paid. And if goods pay duty, manufacturer will probably give as low a possible estimate of their value.

We have seen that the figures are complete. Take figures relating to wages. Income Tax returns only deal with a limited class! Below that we can have no definite returns. Average wage, also. Are we sure that that means average when he works or among
Socialists advocate taxation to secure a more equal distribution of wealth. If we confine ourselves to revenue raising taxes, we can go certain rules. Adam Smith's rules are classical.

0.

The principle is that of equity — everyone should pay according to his ability. What is ability — is it upon income, capital, amount expended, or amount required to produce income. Until this last, we are harming mischievous man as benefic of the waster.

This test of taxation is justice — burden should be distributed — second essential is productiveness — must bring in a revenue. Some taxes take much from public; return little to govern. Third essential, tax must be economic. Hence the old idea of farming out the taxes. Townsly, tax should all which enlists contributors to see pretty well what they are paying on account of the tax.
The whole year. And are all the persons in the particular ministry included? Are you reckoning in the young? Do the figures take any account of anything else but wages? Many employers may have a cottage rent free. Some may get their keep. These figures will not tell us much. Wages vary with different branches of work in one ministry; varying minimum wages paid in different branches. Thus, unless we know the relative number of those employed in each grade, figures will not be much use to us.

In company houses, remember the great improvement in the property secured for the money.

63. Taxation

State claims portions of private wealth which is to meet incidental expenditure. The higher organized a state is, the greater will be the administrative costs, which require revenues means which are not adopted later.
The taxes are equivalent paid by citizens for services rendered by the state. Taxation for because of collective advantage enjoyed by persons. Military service.

Some contributions to state directly pay. mony for Services rendered - i.e. post office changes. Grounds of taxation common wants and common benefits. Seems fair that all should share in debts and privileges of citizenship, acc. to capacity.

Adam Smith classified taxes according as they fall on wages, profits, and rents - their "incidence." But this classification not much good - as a tax on income will just fall on all of these. Hard to say on what part of a man's income taxes fall. English taxation is for revenue only. But taxation often for national ends - as when to protect native industries. Again, there have been supplemental taxes - to put taxation on luxuries. For moral or other purposes. Taxation liquors advocated.
What is a good tax law is bad elsewhere, so on. Only lately that question of taxation is one that can be dealt with in a scientific fashion.

With most present men expenditure is determined by probable revenue - while the revenue is determined by expenditure. Increasing tendencies to resort to loans in special cases, but this only increased taxation. Huge national debts and interest bills.

Many objections to loans. Here is a sound patron of community will able to be taxed. Yet they undertake to loan, and receive interest!

Taxation is Imperial or Local. Some on matters of public importance - army and navy. Local expenditure includes that spent for purposes of particular district - street paving, lighting etc. This money raised by local taxes. But some things may come under both headings - (e.g. we in Victoria have set up a county Roads Board.) The old Turnpike system was much fainer than that in use till Roads Board. People abetting on Rd. had to pay for it.
once his position before that he was a large landlord.

The land wealth of English kings extravagantly granted to favourites. Today customs only about 1/4 of new leases.

Estates Dukes 1/10

Brown lands now only about £1,000,000.
Post and Telegraph about £40,000,000.
Land Tax
Stamp duties
Income Tax

Here are many forms of taxation:
1. Mani and that persons should contribute according to their means.
2. Voluntary self-taxation is often held out as ideal system. This could only exist in a very small patriotic community.
As a nation develops, there is a movement towards centralisation, some towards decentralisation. The first tends to unify, simplify, and economise. In many cases it is desirable that one authority should supersede a number. Under Edward I, a tendency to supersede local guild control by national legislation. Another tendency seen in fact that inspissation of powers largely left to local authorities. Local government advantages in many ways—can use detailed knowledge of large no. of men. Many good town commissioners impossible as members of Parliament, and these can be utilised. But central authority morally exercises good deal of control own local authority.

Q: What are proper subjects of expenditure?
Q: What are methods of obtaining funds?

1. No definite answer. Much controversy on this point. Some are laissez-faire—non-interference of government unless case of public welfare, freedom of contract.
One of the apps
in connection with port railways is
that some are unlikely to pay. In case of
some railways in Victoria, land in
district loaded to pay for them.

Up to 80 yrs ago in England, records of
births, marriages, deaths to kept by par.

1. Public action should not tend to the use of
action when private enterprise will be

2. The state should engage in speculative
enterprises.

3. The work carried out by state should not
be such as is designed to benefit one class at
expense of others.

5. Desirable that state enterprises should
be such as are readily open to criticism
so that the individual can judge whether it
succeeds or not.

Sources of Revenue

In early times, Sovereigns obtained
most of his revenue from land. They

At other end is the Socialistic view - there is nothing that part should not smarbole. In early history form had great control over monarchical. man feudal system servile was uncertain, taxation arbitrary. Many restrictions on labor and machinery. Only within last 100 years have these restrictions been removed - combination laws, constitution of trade unions.

Adam Smith usually held up as great exponent of laissez faire. But attacks particular restrictions rather than restriction in general. Economic unchangeable - to protect society from other societies - to protect every member of society from injustice, oppression on the part of other members - direct and maintain public institution and works of advantage to society but too expensive for any personal or company to carry out. J.S. Mill divides into necessary, optional function. The latter are, he admits, very wide limits. Must allow for each country and time. State interference must be justified why is use as public benefit!
cost may be measured by its done instead of vicarious expenditure. Those from whom tax taken have the consumption power raised by so much.

A large part of our expenditure is for defense purposes; another large portion is for purposes of keeping in order those who do not obey the laws of country.

Without security of property, conditions unsatisfactory, so that expenditure for protection of private property is not unproductive. Poor laws are subject of a good deal of taxation.

Education, formerly left to private individuals, is now looked upon as a State concern. It is the duty of State to attend to education of the poor.

The productive expenditure.

Different systems are adopted in different countries. In Victoria we take it that railways should be made, owned, and maintained by the State. In Eng. the principle of private enterprise is recognized, but soon seen that government should exercise some kind of control by fencing.
As workers arrived at freedom, they lost their independence. Factories system means that under placed as disadvantage in bargaining with the capitalist. Becomes necessary for State to take charge of interest of individuals.

Question of monopolies - interest of community as a whole. Regulation. What we aim at now is rather regulation than restriction - rules more common, but object different.
as with individuals, some State expenditure is productive, some non-productive. Ideal of money which is spent on military armaments is unproductive. But unproductive in sense that without it, other produce can't be carried on. There are not. Govt. should consider carefully the effect of taxation. The aim of taxation is only limited by necessity and the willingness and capacity of people to pay it. A no. of events are associated with public expenditure. Influence of the individual is often sufficient where money land out on unproductive expenditure. Morose amounts we spent upon public works, because a member of Paul is able to exercise influence on ministry. Manner of economy which affect people in private capacity do not influence them in their expenditure of public money. State production has a tendency to check private enterprise. It weakens competition, they know money can be raised. There is not some motive towards economy. The inhuman
Borrowing Contract?
Bills of Exchange?
Does Paper money increase wealth?

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