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deductions from the whole product, the non-correspondence of product and wages, Rodbertus declares to be inevitable under any system. There is no greater simplicity in his plan than there is in the present ; and, if the rectification of present errors is to be arranged by a joint agreement of men and masters, it seems a nearer " compromise " to induce the two parties to come to such an agreement now without waiting for the State.

Professor Gonner has sifted out the important features in the writings of Rodbertus with skill and judgment. The chief economic doctrines are clearly stated and criticised, especially the doctrines of Rent, Value and Capital. Rodbertus escapes most easily perhaps in regard to value ; he was more careful than Marx ; the identity of cost (in labour) with value is set down by him as rather an economic conception than an economic fact (Gonner, 100, but cf. 114). He uses rent in the wide sense for all gain derived from property and not derived from labour (Gonner, 112). On this and on Rodbertus' view of capital Professor Gonner makes what may be called the Austrian criticism, that Rodbertus does not enough consider the element of time, the difference between immediate and deferred production and consumption (Gonner, 120, 146, 148 seq.). Rodbertus might possibly have rejoined that the dependence of interest, for example, on the element of time is rather an economic conception than an economic fact. But his new anti-thesis between conception and fact is only the old one between theory and fact ; and theories, especially economic theories, receive little countenance nowadays unless they are begotten of the facts. It may be suspected that by economic conception he had really in view a conception not of economic theory but of economic policy—in short, a scheme or plan for the reorganisation of industry.

J. BONAR

The Distribution of Income. By Professor WILLIAM SMART.
(London : Macmillans. 1899.)

IN his modest and sensible Preface, Professor Smart says that in this book he has supposed his own difficulties to represent those felt by ordinary students and men of business, and he has dealt with them in successive chapters, roughly corresponding (we may imagine) to successive stages in his own mental history.

With Professor Taussig (*Wages and Capital*, 1896, pp. 36, 102, &c.) and the Austrians, he approaches his subject by tracking out the full meaning of the received economic doctrine, that the national real income is a sum of goods produced ; it is not the money, but that for which money is paid (53), as well as services for which no money is paid (70). It is " a sum of services " whether embodied in material forms or not so embodied (33). The money income is estimated by the year, but " the harvest of industry is not one that is gathered at stated intervals. There is a constant flow of cloth from the looms to the warehouse " (36). We see this happening from year to year, and

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the popular impression grows up that there is some perennially fruitful source of it all (38), as of crops in unimpaired fields. There is in reality nothing spontaneous in the matter. A man's capital, factory, and machinery do not renew themselves unassisted; the steady flow of dividends from sound public companies may delude us into some such idea (41); and we are sometimes told that professional incomes cease with their earner, while commercial incomes pass to the heirs as if flowing from an inexhaustible fountain (42). It is a delusion. "What remains permanent, or increases, is wealth as a sum, the concrete forms of which are constantly wearing out and being replaced by other and probably better ones. And what remains constant, or increases, is a sum of population, the individuals of which are constantly wearing out and being replaced by larger families and, we hope, better people. The permanent stock then is wealth and man" (50).

Is the present distribution of this flowing income a bad distribution? Professor Smart thinks that its inequality at least is no proof of its badness. Against the equal division which some Utopian reformers used to propose, he reproduces (101) the common argument that it gives very little per head. But this is not a strong argument. £1,500 millions (as the income) divided by 40 (as the population) would give no doubt only £37 a year to each; but if we divide (as he himself suggests) by 10 instead of 40 (after allowance for infants, criminals and other weaklings who depend on others) the result is £150, which is certainly more than the ordinary head of a family receives now.

The distribution is not to be to all alike; neither (we are told) is it to be to all workers according to what they produce. There is "production by proxy," and people receive not according to what they themselves produce, but according to the value of the factor of production owned by them (106). Besides (and here Professor Smart hardly concedes so much as Professor Wieser) there is no possibility of a definite assignment, to the agents of production, of their share in it (107). The conclusion is, therefore (110), that "the real income of each person is not what he individually produces, for no one can tell what that is, but a share in the total produce somehow credited to him." This share, even as things are now, may be said to be equitably given, on principles that we can understand by studying the relations of those who render services and those who pay for them (112).

This is really the chief theorem of the book, and by its success or failure in proving it the author's book will be judged.

Most people, he says, regard the employer of labour as a mere "exploiter" of labour, as if the price of the article depended on him, and the wages came out of his pocket (114). But he has far more functions than that of hiring workers. He organises the system of production. He looks for a market. He copes with his fellow-employers as his natural enemies. He abides the constant risk of finding all his pains unrewarded (115-6). "If we conceive of the nation as engaged in the prosecution of one great business, of the national income as the total output of the

national industry,—we find that the unit of its organisation is the single factory, and that the employer is the brain of the unit" (116). Suppose the workers to supply their own capital and put over them a manager; "their only policy would be to give him a free hand to do very much as the employer does" (*ib.*). Therefore, argues Dr. Smart, there is solidarity of interests between workmen and masters, and the workmen are wrong in their hostility to the masters. But, we might answer, the employer's organisation of industry is formed for his own benefit, and proves for the benefit of the workmen only incidentally; it is because he is a mere incident that the workman behaves as an armed neutral, if not an enemy. Let the employer make the workman's interest more than incidental, and we shall have a better chance of finding "the consciousness of a community of interests." Professor Smart has not learned this lesson, though in a later part of the book he frankly tells us that at present the worker is valuable to the employer only as a means to an end (147 *cf.* 295).

He goes on to show that the price of the article does not depend on the employer. The competition of employers is always pressing the price down, and a growing population alongside of a comparatively constant supply of gold assists them in the pressure (122). On this we might remark—(1) that Professor Smart himself (290) seems to expect a stationary population in England in fifty years; (2) that a growing population means an increased demand for the goods as well as for gold. If production turned then even more than now towards goods for the million instead of the ten thousand, Professor Smart's conclusions might need revision. This aspect of the subject has not yet received sufficient attention from economic writers. Its bearing on the "real wages" of the working classes is noted briefly by Professor Taussig; but the latter has not as yet pursued his own hint (*Wages and Capital*, p. 121): "If one half of the revenue of society gets into the hands of labourers, probably one half of the work of society will be directed to making commodities for labourers' use."

To return to Professor Smart, the employer, he says, being unable to fix prices, strains every nerve to reduce cost; and this may mean substitution of new materials for old, machinery for labour, women's labour for men's (129 *seq.*). The factors remain but are differently combined. What seems an attempt "to cut down wages" is often "the re-grouping of factors" (133), and what is often called "sweating" is often the better payment of female labour (but see 286), or, we might add, the substitution of boys' labour. Duty itself, says Professor Smart, would lead the employer to look to the benefit of the Greatest Number, the consumers, not of the smaller, the displaced workmen (136–7). This might be answered in the manner of Dr. Johnson, "not if the supplanted incur more suffering than the supplanters receive benefit." Dr. Smart in his turn would answer (see 138) that in a Socialistic State the public interest would certainly be put before the interest of the few. But the Socialists contend that

under their system, while the public interest is consulted, the immediate workers are not allowed to suffer any damage. At present, on the contrary, the employer is working for his own living, and simply calculates what the factors of production, including labour, are worth to him as an individual (Smart, 153).

Now, if the employer's calculation is to be held to result in an equitable distribution of this part of the national income, it must be because his estimate of the value of his factors is believed to be true; and (we are told) a judgment in his favour is expressed in the willingness of the public to take his articles at his price (154 *cfc.*) This public acceptance ratifies his total estimate and therewith his estimate of the factors severally, each representing a total by itself. The value of labour is estimated by the employer in just the same way as the value of the other factors. Though no longer under the law of a supposed Wages Fund, he is not really a free agent. "The determination of wage is not now a matter of individual will or ability at all" (156). There is for the workman an appeal from one master to the body of masters,—on the assumption, only partly justified, of the mobility of labour (156, 227); there is for the employer an appeal from one workman to the body of workmen. The single factory, though itself an organisation is only one member of a greater organisation. Beyond the primary unit, the factory, there is the larger unit, "the trade" (157); and beyond the trade there are "the trades" (171). In agriculture, if we may judge by a later remark (297), it is not so; the wages received are a bare subsistence, given at the farmer's good pleasure.

The existence of those successive courts of appeal weighs heavily with Professor Smart, if it does not by itself lead him to his conclusion that men earn "just about" what they are worth, and "the payments made by the individual employer to the factors of production and to himself" [the employer] are "determined by the community" (187).

Professor Smart does not believe that there is any limitation of wages, either by the needs of subsistence or the needs of efficiency (ch. xvi., xvii.) Machinery is ruthless in displacement of labour. It is true that efficiency (225 note) may increase real wages by increasing the product. What prevents wages from falling, however, is not the efficiency but the indispensableness of human labour; there comes a point where, whatever the inventions, man's aid is indispensable (237, *cf.* 241, 289). This seems to be simply the Austrian restatement of the old formula of Supply and Demand. The Professor contends that the professions differ from the trades because their price is a "supply price," while that of the trades is a "demand price" (317). The Trades Unionist might answer that his aim is to place the skilled workman in the position of the doctor or the lawyer, with a "supply price" instead of a "demand price." But this ideal is far off,—even farther than that of a "socialist state appointing its own

officers and instructing them that the one end they must keep in view is the production of the greatest sum of wealth from the resources, material and human, of the community, the workers resigning themselves to be treated as productive factors," their weekly wages to be estimated according to their worth as such by employers, who look to no interest but public interest (256).

In such a case the great gain to the workers would be not from high wages but from a general cheapening of goods; all the workers without exception joining together to this end, and the economist's *summum bonum* of abundance being thereby attained. The workers at present are living under no such dispensation but under the old law *sic vos non vobis mellificatis apes*. Their attempt to keep up wages in a particular trade at the expense of the rest is therefore not surprising, though it is an attempt to create a monopoly, and monopolists are common enemies. To keep up wages generally by a general organisation of labour is a natural attempt till the way is seen more clearly to a really general share in a general cheapening. But the best result of such an attempt would be to hasten such a change in the present relations of master and workman as would make their interests really instead of rhetorically one and the same.

Professor Smart is not inclined to quarrel with the established order; he thinks that even under the present system of things "to produce is to distribute"; the worker's wages are in a sense his production. Unions claim more than they deserve when they assert that but for them wages would be lower (ch. xxiv., xxv.) But their indirect effect is good, as maintaining efficiency and the strong employer (299).

We need not follow the course of the other chapters. In regard to Rent, it is characteristic that Professor Smart finds an argument for letting landlords alone in the newly discovered or re-discovered quasi-rents of Professor Marshall and others;—if there are so many species, the genus must be too large for interference, too dangerous to touch; and therefore rent is not in itself an argument against private property (333). The same tendency, which leads some of our later writers to reduce capital to wealth, is answerable here perhaps for the reduction (on p. 332, 333) of land labour and capital to the one category of "agent or product." It seems safe to predict a resurrection of the old distinctions before we have spent many years of the new century. The fate of Bastiat, who resolved the whole mystery of distribution into exchange of services, is a warning to all who would hide profound differences under the disguise of a general term.

The Professor's "conclusion of the whole matter" is that the present distribution is not arbitrary and therefore not unjust (325-7, &c.). It would need more than economic argument to convince us that the adjective just is applicable at all. It would need some analysis of the notion of Justice itself. We should need to know more of distributive justice than that "it is such justice as we can have under

a system of private property and free transfer of property" (330). This description might lead us to conclude that justice is the preserver of property, but it might be turned as in the Republic of Plato into the *reductio ad absurdum* "justice is a thief." J. BONAR

A Dividend to Labour: a Study of Employers' Welfare Institutions. By NICHOLAS PAINE GILMAN. (Boston and New York: Houghton, Mifflin, and Company. Sold by Gay and Bird, London. 1899.)

MR. GILMAN, the author of a very lucid and well-arranged treatise on profit-sharing between employers and employed, which appeared in 1889, has now written a book giving a mass of details, some of which possess considerable interest, concerning institutions maintained by employers for the benefit of their workpeople, apart from any plan of dividing profits with employees, and supplying at the same time a certain amount of information serving to bring up to date the account of systems of profit-sharing contained in his earlier volume.

In Mr. Gilman's view, the "Welfare Institutions," to which he refers, "form an intermediate stage between a wages system, under which the workman receives his agreed wages and nothing more, directly or indirectly, and a profit-sharing agreement according to which he would receive, directly and regularly, a certain share of the profits made by the establishment." The examples of employers' benefactions adduced by Mr. Gilman show that their generosity takes very various forms, and includes the establishment of sick, accident, and pension funds, the provision of cheap houses, free baths, contributions to insurance funds, gifts of educational facilities, libraries, recreation halls, &c. The countries dealt with in the book comprise Germany, France, Holland, Belgium, Italy, Hungary, Denmark, and the United Kingdom, as well as the United States.

In his chapter on "British Employers' Institutions" Mr. Gilman gives a description of the benefits provided for their workpeople by Lever Brothers, the soap-makers, Cassell and Co., and Hazell, Watson and Viney, printers and publishers, the *Graphic* and *Daily Graphic* newspapers, the Clarendon Press, Smieton and Sons, jute manufacturers, Cadbury Brothers, the cocoa manufacturers, Tangyes, the Birmingham engineers, several railway companies, and a few other firms. The examples given by Mr. Gilman make no claim to be exhaustive; and in fact the author would not have found it possible to compile a list of British firms, which have founded "Welfare Institutions," giving anything like an adequate idea of the liberality of British employers, because there is an almost complete dearth of published information on this subject. A certain number of somewhat meagre details (many of them probably now out of date) may be found in *Answers to Schedules of Questions issued by the Royal Commission on Labour* (C. 6795, VII., VIII. and IX. of 1892). But, with this