

capital—lies *solely* in its utilisation for reproduction.

If the savings—as for example the store of fish—is not intelligently used for reproduction—if it is allowed to remain untouched until it spoils—or if the owner simply lays off from work and does nothing until it is consumed—or if he exchanges it with some member of another tribe for red ochre with which to render his appearance more objectionable than it would otherwise be—or if he trades it for a gallon of rum on which he gets first drunk and then ill—he is obviously a waster, and his efforts have done more harm than good. It is often said that a man who spends money freely and foolishly is at any rate circulating money and benefitting tradesmen and the community generally by such expenditure. There is no greater fallacy. The money that he does not spend, but saves for reinvestment is what is valuable. What is wasted in extravagance and unnecessary consumption is for the most part simply lost to the community, besides keeping him in idleness instead of in useful work.

In my opinion the whole theory of taxation which proposes taxes on Income, *without reference to the use made of the income*, is wrong in principle, insofar as it eventually places the heaviest tax upon the man who saves and reinvests his earnings and who works to try and make them reproductive, thus transforming his savings into productive capital which will at once benefit the community as a whole, while it levies the lesser tax upon the man who starting with the same amount of income, saves none of it, but wastes it all upon personal gratifications.

The point I have been trying to make clear is that goods saved from consumption and used for reproduction, i.e. Capital, is, as the world

happens to be constituted at present, a first necessity for progress and well being for all classes, and irrespective of who may nominally own it, provided only that it is intelligently invested, it is a good thing for the man who nominally owns it and a better thing still for the community at large, and the more of it there is, the better.

Without Capital, i.e. without profits saved and used for the purpose—there can be no improvement in the conditions of life, no new enterprises, and no maintenance of the plant, the implements, and the means of production which we have already.

This does not mean of course that Capital is all virtuous, or that it is not right that it should be held substantially in check, or that it is not human and therefore liable to do wrong.

It is not to say that it may not become predatory under certain circumstances, or that its yoke which is in the main advantageous and beneficial, may not tend to become burdensome if it is not controlled by moderation and reason.

But it is to say that Capital is not a thing which is a natural enemy to people generally, or that it ought necessarily to be penalised, or that its existence and increase within any community ought not to be encouraged. It should not of course be permitted an undue and overwhelming share of power, but it should be allowed its fair influence in all matters that concern it, and its interests must not be ignored. If they are the entire community will suffer.

In this country, during recent years at least, practically all the profits made in commercial business, over and above what is probably in the aggregate a not very unfair disbursement upon living expenses by owners and managers, have been