

POVERTY SUPERSEDED:

— A —

NEW POLITICAL ECONOMY.

— A PAPER ON —

ECONOMIC SCIENCE,

Read before the Nova Scotia Institute of Science,

January 19th, 1891.

— BY —

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*Mr. President and Gentlemen :*

Economic science does not receive the attention which is its due, and this must be my excuse for presenting this paper to you, with the hope that discussion may make its principles more widely known.

“THE POOR YE HAVE ALWAYS WITH YOU.”

Why is this the normal condition of the human family? And how can their lot be made comfortable and independent? Let us try to explain the cause; for neither birth nor station can solve it, and accident is insufficient. Excluding individual conditions we will consider it in the concrete and assume a condition that is not imaginary. (I have lived in civilized and uncivilized countries where there was neither poverty nor wealth, no jail, no dishonesty, and no locks on the doors, because they were not wanted.) Place a colony in a new country, where each one is given the same privileges, similar lands and surroundings and conveniences, and then note the history. All may be equally industrious, but in course of time some will be better off—those who have exercised most judgment in their labour,

who though not working harder laboured to more advantage, by anticipating probable reverses owing to the seasons, markets, &c., and practicing economy in the management of their supplies and products. Niggardliness, an injudicious economy, in the long run is a failure. We may define *judgment* as being care and thought given to the small things that go to make up the whole.

In time some have better farms and crops than others, and they see their way to employ more labour. Others think they can do better by supplying the demand for labour and then purchasing more or less of their supplies, and no doubt they are right, for but a small number of individuals have the mental ability to command or direct, though most efficient producers under the management of a skilled administrator. As this colony increases in wealth there is a natural desire for more conveniences, mayhap luxuries, and some one of an enterprising spirit attempts to supply this want. Others seeing his success enter into competition, which has the effect of diminishing the profits of both; but is to the advantage of the community. This competition is likely to increase, and there are two results likely to follow, injury and benefit to the trader, and as well to the consumer. Extra facilities being given to indulge in luxuries, the less judicious are apt to go beyond the means of payment, and buying on credit anticipate the future. This has a far-reaching influence on buyer and seller.

#### CREDIT.

Let us consider this wonderful agency that may enrich or pauperize—the producer, trader and consumer. To the trader or merchant it means that he must increase the price of his wares to cover interest and possible loss, but it also means that he can increase his sales and also his profits, but unless his business ability is adequate, he comes to grief for being the middleman between the producer or manufacturer; and the customer, he may be crushed between both. The one not receiving his remittances closes down on him, and his customers may be unable if not unwilling to pay their debts. The error of the trader from a business point of view, (morally there is another side that should demand our consideration,) was that to increase sales and prospective profits he had allowed his customers to get more than they could pay for, or he had the capital to cover. Poverty all round is the result. The influence of credit on the buyer or consumer is also two-fold, riches or poverty. If the credit purchase be something

which will enable him to increase his output, or product with the same labour, then may he be able to pay the increased cost of the article thus obtained and leave himself a balance to his credit. Advantage to all concerned thus results from judicious credit transactions. If the article be a luxury then its purchase on credit means that the consumer mortgages a probable surplus, which he has not—which he may not have and very often does not get, and to that extent may become a defaulter to the injury of either or all the merchant or manufacturer or producer, as well as himself. It is quite proper to indulge in luxuries, but they should be paid from accrued profits, and thus obtained at lowest rates, and all interested are proportionately benefited. Commodore Vanderbilt's advice to his son: "never buy what you cannot pay for," always was and always must be the sound business principle.

Returning again to our community with the advent of the merchant, there will be more wants, and special industries will be introduced to supply the demand for products requiring special skill in their production. As a result we have the stratified society that we find in civilized communities, which is accompanied by facilities for individuals to indulge in caprices and vices as well as luxuries.

Want of forethought and judgment more than want of industry will bring a certain number to poverty, which becomes intensified as an increasing population lowers the wages for the less-skilled varieties of labour. In time "living from hand to mouth" becomes the normal state of a great number, and they adopt the role of "living to-day by fair means if we can, but live anyway—let to-morrow provide for itself." As a result the community must support its impecunious or less fortunate members, and we have the poor house and allied methods instituted—where the church does not take on itself this duty. I think it is safe to assume that the greater amount of poverty is not so much the want of labour or industry as a want of the knowledge of how to live within the income—in some of the want of the desire to do so. There is also a want of sufficient facilities for collecting and rendering available the small savings of the many. Hence many act on the motto "The world owes me a living," and if this be qualified with "if I do my best to earn it," then is the argument unassailable, and to show how this can be accomplished is the object of this paper.

supply his daily wants with steady employment. There are benefit societies, trades unions, &c., that collect funds from the workman and utilize them as seems to them best, but it is open to argument that if these funds were under control of the Government they might be dispensed with greater benefit to the contributors than that method, (or often want of method,) which now obtains.

3rd. All the Government dealings should be for cash, only retaining commissions, &c., as above referred to. Hence buying and selling at market rates, or a little under, there would be little chance for loss, unhealthy speculation would be controlled, and legitimate business aided and expedited, for the agency would be unable to enter into speculation itself, as it must of necessity be required to purchase from or sell to any applicant at current rates.

The professions are non-producers, and their labour would have to be regulated by the ordinary laws of supply and demand, and in any case as a class they do not become a public charge or swell the ranks of poverty. They, like others, should contribute their percentage of income and receive similar benefit. The collection of this savings' fund should be neither difficult nor onerous and the machinery simple, because every dollar paid in is so much to the credit of the party paying. The repayment to depositors, though held for their benefit and that of their families, would require to differ somewhat from the ordinary savings' bank funds, the Government would act as trustee, and holding it absolutely for the benefit of the lender and those dependent on him it would most likely be best utilized by being diverted to life insurance or annuity. When sickness or age incapacitated those with no one dependent on them, the investors could use their savings in paying for maintenance either in "homes" managed by the Government or other similar institutions, with this great difference from what now obtains, that the recipient is not a pauper but lives on his own earnings. The ordinary actuary's tables can tell how much per annum the *annuity* would amount to for a given sum for a person of a given age. At his death all debts are cancelled as between him and the Government. In case a person were leaving the country it is a question whether it would be the better way to pay to him his savings, as he might return and become a public charge were it credited to him as life insurance might be the preferable form, but this detail would be settled by experience, the principle of justice to be the guide. By a system like this no loss could accrue to either party, deposit money would be safe, a matter of the greatest

moment to the workman who puts away his little savings, too often lost by the failure of the speculative monetary institutions to which they had been entrusted. From the saving habits of our people a system like this could be very smoothly worked. How many thousands are there who would carefully set aside from their earnings if they knew that it could be held in trust solely for their future needs, and that their comforts would be enhanced in proportion to the sum they could get to their credit. Furnish the Government with the means and the needed roads could be built which would make millions of acres of good land available for settlement and improve the millions of acres now settled that have very poor facilities for inter-communication or reaching a market. A system so elaborate as is thus indicated is not immediately practicable, but an approach towards it is possible, and the way would gradually open up for its fulfilment. The best means of introducing it would be as follows:

#### I. SAVINGS' BANKS.

A good start has been made by the general distribution of "post office savings' banks," and as well the commendable system of "school savings' banks," that have been a feature of the Dartmouth public schools (here) for a long time. It would be necessary, however, for the Province to recur to the system of Provincial Savings' Bank that was so satisfactorily managed before Confederation, (and well carried out since.) That the commercial banks are opening out in the same line is in so far well, but the Government should assure their stability, for many banks of best business respectability have failed and brought misery, poverty, and ruined hopes to the most deserving of the people, while destroying that confidence in the future so necessary to the successful result of money saving. The management of a commercial bank may be irreproachable to-day and may have been so for a hundred years, but no one can guarantee the success of future management. I could cite too many illustrations if it were needed.

#### II. LIFE INSURANCE.

The Government should institute a general system of life insurance based on the lines which the experience of the past century has proved to be successful. It was at one time reported that Sir Charles Tupper had such a scheme on his programme, but that the opposition of the many life insurance companies burked it, as they did not favor such an opposition, for no doubt the greater number would patronize the Government system, as it would be cheaper while giving perfect security. The expenses attending its management would be few

compared with what now obtains, and this is the strong argument in favor of its establishment.

### III. ANNUITIES.

A system of annuities in connection with savings' bank and life insurance should also be inaugurated with a result so likely to be satisfactory that I need present no argument in its favor. These three systems would be under the department of finance, and run with the same machinery and offices the cost of management would thus be trifling on the large volume of business concentrated in the one department. As an objection to this it may be urged, that we have savings' banks, life insurance and annuity companies, and there is no need for the Government to enter into competition with them; my answer would be:

1st. These associations are only patronized by the few who have the ability to select the most desirable companies, and they are often losers by failure of these concerns.

2nd. There is no absolute guarantee of safety in any company, as before referred to, and with the Government this is unquestionable.

3rd. Insurance as offered costs too much, for the expense attending its operation, in advertising agencies and risks from investments may reach as high as 20 per cent. of the income, and this must be with ordinary or speculative business—from competition. However, with the system suggested this difficulty of cost is eliminated. It need be no greater than the savings' bank entails, which is an almost inappreciable percentage on the cost of management, and this will diminish as the volume of business increases. The saving thus effected would go towards lessening the cost of insurance without entailing any risk of loss to either party in the contract from the lowered rates. That the present companies would not like it is to be expected, but the management of a country cannot be run solely in the interest of these financial corporations. Yet there is no reason why these institutions should not continue to carry on their respective business with those who have the means and knowledge to engage in these commercial transactions, and to favor their business the Government, as in the case of savings banks, could limit the amount of insurance, &c., to that sum for each individual investor which, in the judgment of the Government, would be sufficient to carry out its design, *a sufficient fund for every citizen so that he shall not be dependent on public aid for his support.* This accomplished there should be no interference with the ordinary business of the country, or any restraint

placed on those who speculate in finance. The Government might insure every applicant who could comply with its regulations up to say \$5,000, but it is a great question if it would be desirable to go as far as \$10,000 much less \$50,000. Practically the class who would chiefly patronize the Government insurance now patronize none, and the wealthier clients would still require to do their business with those with whom they have all along been dealing.

The plans above suggested do not call for any increased taxes for any increase in the debt or liabilities of the country, nor any risk. For since the Government is always a borrower, and always will be, (such is the history of every country,) they would thus get a large amount of the money they want, and the interest paid to depositors and investors would be the current rates on Government loans. It cannot be a question of risk or experiment, for the basis of this business as conducted by reliable corporations has been so thoroughly tested and explored that it is not a question of chance. An *actuary* can give all the figures and the most minute details on the whole subject of the above three suggestions. I am not aware of any failure of a life insurance company that was due to any error of the actuary's tables. The cost of investment, risk and *expenses* are the difficult problems, and all these are eliminated as above explained. For the benefit thus conferred the people—the investors—would pay all the expense and yet be the gainers by a large percentage. It need not take six months to start the whole in successful operation.

### ABOLITION OF LAW FOR COLLECTING DEBTS.

To favor success, and in any case it is desirable that we should have such legislation as would, as far as possible, promote economy by removing the facilities for "running in debt." How to do this has long been a question with legislators—injustice to dealers and merchants, and inconvenience or hardships to buyers or customers must be avoided as much as possible. This much could be done, wages owing to a debtor with a family dependent on him should not be seized for debt. This now obtains in some cases, and where not so at present the proceeds from life insurance and annuities should be similarly protected. Different countries have of course different laws—the *homestead act* for example—and such a law is necessary with human nature as we generally find it. If debts could not be collected *by law*, then, as all parties would be aware of this, debt would not be contracted on fictitious grounds. This is now the practice in the great majority of the smaller transactions, and it could easily be made

the rule, as suing for debt is unsatisfactory all round. I have personally had the experience of living in countries where no debt could be collected, and transactions involving many thousands, a great part on credit, were of daily occurrence amongst a class also who made no special pretensions to honesty, yet though crime and even murder were rife, no case ever occurred, to my knowledge, where a quarrel, let alone worse, ever occurred. A debtor failed to pay, it was accepted as one of the incidents of business or a failure of business judgment on the part of the creditor. Without doubt it would be a beneficial law which would exempt from collection for debt any property less than (say) \$400, either in real estate or securities, that is to say, unless a person were worth more than \$400 in tangible property he could not be sued, it might be well to put in a proviso, "when he has a family or others who depend on him or her for their maintenance," on the principle of justice generally acted on, "persons shall not be punished for what they were unable to prevent." The dependants suffer more than the principal in the case of imprisonment or legal processes for debt. The single man or woman is in a different category, and in their case, though desirable, a change of law is not so necessary. In the ordinary march of events imprisonment for debt is likely to be done away with. Details, too lengthy for this paper, are needed, so as to prevent fraud (as far as possible,) in those who might wish to make illegitimate use of a beneficent law.

The recommendations just given could be easily carried out without running counter to the prejudices and opinions of the world at large, but they do not go far enough, and as this is a matter of more than ordinary importance, you will excuse me if I furnish some more arguments in favor of the wider scheme.

This subject has not received correct consideration, or rather that custom embodied in law has thus come down to us from a "later" antiquity when conditions prevailed far different from those of to-day. Experience has taught that *law for compulsory collection of debt* is practically a failure, and business men have been forced to adopt the "black list" system, or that which is more euphonious and genteel, as well as more efficient, the "mercantile agency," which is a necessary adjunct to the business of the world. Details of which are not needed here. This *law* has also a most marked influence tending to fraud, by favoring the transactions of people who, either from ambition or desire to shirk work, enter into business with neither the requisite capital nor knowledge while it opens up immeasurable

opportunities for fraud to the many who intentionally adopt this role of life. All the large business transactions of the world would be uninfluenced, (in ten years time,) if this law were abolished. For example, does any one for a moment consider it practicable or calculate on the ability to collect on Government loans if payment were refused, and yet "repudiation" is not an unknown factor in these transactions? How many merchants figure on legally collecting debts from their foreign customers? and when they do attempt how much do they make out of it? Mortgages, bills of sale, and many similar transactions rather belong to business affairs than what is ordinarily considered as debt.

Every business man knows that the volume of commerce is not to any appreciable extent influenced by any other conditions than the demand and ability to pay in cash or products, and as well that the only serious object that it has to encounter is the merchant lacking capital and ability, who ultimately in failure with little or nothing to be collected, though there be law of the most stringent kind. What is the experience of the world with regard to bankruptcy laws? Are they not to a great extent failures—and the legislators in most countries on the hunt "for a good one" which, like the rainbow, is visible at a distance, and at a distance only? How many are there who (gambling on the honor which does and must obtain between merchants), enter into business, with this law for sponsor, and fraud the whole object? Of what avail is the ability to collect a debt when there are no assets?—this the fraudulent debtor arranges very carefully—"you cannot draw blood from a turnip!" There could be no more carefully designed method for favoring dishonesty than to have the belief encouraged that "if a man goes into debt he can be made to pay." It gives the *Creditor* false security, and the *fraud* perfect protection—the honest man does not need it as it is of no service to him. Would any dealer trust, "law or no law," if he thought his debtor were dishonest? Remove this false security and would any one be injured except the fraud? Would there not be more care exercised in giving credit? and would it not be for the benefit of all? Would not the ambitious man with little capital and experience be immeasurably the gainer if his business were limited to his capacity? For he would thus be compelled to get the experience which the time spent in working up the smaller and safe business would give him, and so prevent what would otherwise be—failure. Would it not save the wealth, reputation and comfort of thousands who, with a

small capital in money or property, enter into business of which they know nothing, and expect an impossibility—success? They ruin themselves and those trusting them, owing to the false security this law gives.

Let us look at it from another point of view. What percentage of collected debts go to the creditor? Ask any merchant. The answer would likely be a smile. Ask how much money, worry and annoyance “collection” has cost him—the answer would not be a smile but a grimace. Abolish the laws for collection of debt, and after a few years had passed, when the business waters had become placid after the disturbance, and does any one think for a moment the volume of business would be contracted? Were affairs running in the new groove, is it probable there would be a reversion to our present method which would be an insult to our most ancient fathers to call antediluvian? Moses, the ancient and wise law-giver, so clearly saw the necessity for something of the kind that seven years closed out collection of debt, and this is at present recognised in the “limitation acts.” We could greatly improve our present laws by making it—for one year—any debt not collected within the year to become a debt of honor; and the reform would be more nearly perfect that abolished the law “in toto,” trusting to business ability and honor,—for they always have, do now, and always will control the business transactions of the world—great and small. We could thus close one of the chief avenues for fraud, prevent competition that is injurious to all, and raise the grade of the merchants as well as customers by training good business men, and make the *Mercantile Agency* a success even more than it is now.

#### COMPULSORY ECONOMY.

When progress had thus far been made, the Government could insist on every wage-earner depositing a percentage of the earnings to its care as trustee for his or her behoof and that of the family. Details I will not at present offer. The wage-earner would justly answer: My capital is labour or its product. I can give a percentage of that if from any cause my employment is not continuous or demand for *the products* fitful. Hence, as previously referred to, the Government should have a systematized method of receiving labor or its product at, if anything under, never over, market rates—with also the power to divert labour into the most convenient channels. This would not be so difficult in the case of industrial labour, because its products can be utilized, stored or made marketable in any case.

With professional labour this would not obtain, as its products can not be warehoused, exported, or used in any way unless to supply an immediate or personal demand. This would rectify itself, for the persons thus engaged are rarely in want. If a doctor has no patients—a lawyer no clients, they turn their knowledge and energy into other lines of work—and so on for the long list of professional avocations.

The full developement of this plan would mean that every wage-earner would have constant employment in some form—if ordinary avenues became blocked, then the Government would fill the want by putting the labor into some form of public work, at wages which would not compete with industrial business. This opens up a wide field of argument that I cannot at present enter on,—suffice to say, to my mind the “march of events” are proceeding in this direction, and though they may be delayed, they cannot be stayed. By anticipating the inevitable a crisis is avoided, and I hesitate not to assert that the history of the world fails to shew that rationally directed and productive industry ever injured any country, and that benefit has invariably resulted therefrom. This province has room for, and need of, the industrial labor of ten times its present population. This system must be tentatively and judiciously worked out, and though there may be partial failures, the result must be successful, for the principle on which it is based is correct.

So far society has depended on the ability of the individual to manage the increasing mass of labor, and as might have been expected, the individual works chiefly for his personal gain, and wielding those powerful engines—*capital* and *combination*—the ideal state of society assumed at the beginning of this paper has been obliterated. Yet *capital* and *combination* are not invulnerable. *Strikes* paralyze it, but they react with great violence on the other side. They are, however, the natural result of the preceding condition and will continue whilst it obtains and until society, as represented by Government, undertakes—I would say will be forced to undertake—the regulation of industry. In our province there are few difficulties of this kind so far, and the system suggested could be easily worked out, with the result that combinations and strikes would be incapable of causing serious injury to either the worker or manufacturer. If the laborer could always get employment he would not be forced to work for any one he thinks illuses him, and the manufacturer would need to adjust the price of wares to the cost of production. As the Government would not pay more than market rates for labor, it would not

injuriously compete with any industry. It would in fact be a SAFETY VALVE to permit a super-abundance to flow into other channels and a BALANCE WHEEL that would keep the labor market moving with regularity and a RESERVOIR that could receive in time of excessive supply and give out again as the demand required it, but the Government need not interfere with the ordinary business of the country any more than it does now, neither is it desirable that it should interfere with the independence of the individual in any way.

I have not referred to crime, dissipation or drunkenness as factors in generating poverty, because it is only included indirectly under the heading of this paper, which is long enough now, because a large amount of energy (in some ways misdirected, mayhap), is now enlisted in their amelioration. But chiefly because if the suggestions of this paper were carried out, they would not be such weighty factors in the management of society. For if every one were busy at work all the time, and if every one were the possessor of capital even though small in amount, crime and dissipation would greatly disappear, for they are incompatible with the conditions given. In every college, school, office and shop the GOLDEN RULE must be kept continually before the minds of the people. NEVER GO IN DEBT FOR A LUXURY OR WHAT CAN BE DONE WITHOUT, and ONLY PURCHASE ON CREDIT THAT WHICH WILL INCREASE THE ABILITY TO PAY FOR THE PURCHASE. Even in this, so great is the consideration required, that at no time should such a credit be accepted, unless under the most adverse circumstances a demand for payment can be met without injuring his business or impoverishing the individual.

The preceding suggestions are not offered as a new discovery, but they are the result, so far, of the observations and experience of a varied life. There is nothing recommended that could not be easily carried out without even entailing expense, and the result properly worked out would revolutionize society, by enthroning comfort and independence on the cold and heartless pinnacles of crime, dissipation, poverty and misery that overshadow every civilized land. Darkness will give way to light, and the sombre become suffused with joy.

In Conclusion—POVERTY WILL BE SUPERSEDED when the people can accumulate a surplus capital and every one sure of constant employment, and the NEW POLITICAL ECONOMY can with energy and judgment, insure the above conditions.

A. P. REID.

*Mount Hope, Halifax, N. S.,*  
*January, 1891.*