reaching one, and embraces quite a number of undertakings that must be started whatever Government comes into power. One point worthy of note is the proposal to tax all Government trading concerns on the same basis as private traders, which is of course only fair, and the marvel is that this principle has not held good all along. In recasting taxation it is also proposed to give relief to shareholders in Companies and Co-operative Associations by charging income tax on the income of the individual shareholder, in place of the Company at high Company rates; income on the balance of undivided profits only being payable by the Company. This proposal also would remedy what has long been felt to be a glaring injustice to small shareholders in particular.

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The Prime Minister in a memorandum to the Board of Trade draws attention to the complaints of profiteering throughout the country and urges the Board to investigate and if necessary prosecute parties whom they are able to bring to justice. The definition of "profiteering" is rather obscure, and the Board is set a hard task, but we are in a position to know that splendid work has been accomplished by the Board in regulating prices, and in other directions limiting profits to the advantage of the community, and without unduly harassing the industries concerned.

Welfare Co-Partnership.

Paper read by H. Valder, Esq., Vice-President and and Managing Director Ellis and Burnard Ltd., Hamilton, at the Annual General Meeting held in Wellington, 14th August, 1919.

One of the principal causes of unrest in the industrial world is the suspicion on the part of labor —which may or may not be well founded—that capital is taking more than its fair share of the result of their combined efforts, i.e. profits, and if this suspicion could be removed we would be getting a step nearer to the solution of one of the problems that is the cause of world-wide agitation, viz., the strained relationship between capital and labor.

Under the present wage system the share of labor is limited, and the share of capital is unlimited. It is this method of division of profits which causes the suspicion alluded to. Capital of itself has no earning power until put into action by labor. Would it not therefore be a more equitable division of profits if capital's share was limited and labor's share unlimited. This could be brought about by fixing a wage for capital to the same extent that the wage of labor is now fixed by first ascertaining the current rate of interest for money. To this interest should be added what might be termed a "risk" rate to cover the extra risk involved in trading or manufacturing over and above the risk on the best class of securities. This risk rate would vary according to the nature of the business in which the capital is invested, but when ascertained the sum of these two factors would be the wage that capital would be entitled to draw, and when paid, capital would have no further concern in the division of the profits.

It is not suggested that the wage of capital should rank with that of labor, as the latter will always be a first charge on the joint earnings, but, the wages of labor and capital having been paid, the balance should belong to the active agents alone, in their combined efforts, viz., labor.

This balance, if any, could be dealt with by issuing what may be termed "welfare shares," of which everyone concerned in the production of profit should hold a proportion to the extent to which they influence the earning power of the business.

Welfare shares would be allocated on this basis to every individual employed in the business, including the owner of the capital, if he is employed in it, but not otherwise. The number of shares held by any individual should be subject to variation from time to time, according to the degree to which the holder influenced the earning power of the business. This variation should be determined by a committee set up for the purpose, and if any individual felt aggrieved owing to the adjustment made, there should be a right of appeal to a disinterested party.

Welfare shares would have no capital value, as the title to them would only be good so long as the holder remained in the business. There would be no limit to the number of these shares as this would increase or decrease automatically, according to the number of employees.

The following example will make the intention clear.

A manufacturing company is formed with a capital of £1500. It has ten employees, including the owner of the capital. The product of the company is £3000 per annum, and the wages paid to the employees, including the owner of the capital, average £4 per week. The net profit per annum is estimated to be £317/10/-. The division of this profit would be as follows:—

Current rate of interest on £1500, say 6 per cent.						£90	0	0
Risk rate, say 3 per cent.						45	0	0
1 Owner	100 Welfare Shares	100	£25	0	0			
1 Foreman	90 ,, ..	90	22	10	0			
5 Journeymen	80 ,, ..	400	100	0	0			
2 Improvers	60	120	30	0	0			
1 Apprentice	20 ,, ..	20	5	0	0			
		730 Shares at 5/-				182	10	0
						£317	10	0

Thus the owner of the capital would get the wage of his capital and the dividend on his welfare shares, and the other employees would get the dividends on their welfare shares which, in this instance, would be nearly 9 per cent on their wages, and the dividends would rise or fall according to the efforts of the employees.

This scheme would have the effect of putting capital on a much sounder basis than at present, as labor would then have every incentive, (which it has not now), to earn more than sufficient to pay the wage of capital, in order to benefit under the welfare shares, and it would therefore appear that increased production would also result.