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## The Fisherman's Problem

By E. S. RASTALL

1. I am on the shore of Nomansland fishing with an improvised tackle and using insects and worms for bait. I take my fish to a native village near by and sell them to the natives for money with which I keep myself in comfortable circumstances by buying at the village the comforts that I like.

2. I bring from the village a young fellow to help me, and pay him half of the money that I get from his catch, keeping all that I get from mine. And I find that my money return is on the average one and a half times as great as it formerly was.

3. I buy a fishing outfit for \$10,000 which the two of us can handle as easily as not, and pay the young fellow a wage equal to the average of his former earnings, and now I catch many more fish. (So much for my enterprise.)

4. And now I borrow another \$10,000 from the village banker at 10 per cent. interest and get a second outfit, for I find that the two of us can handle two outfits as easily as one, and I pay my helper the same as before.

I have a friend in the village who keeps books and reckons costs, and he comes to fish with me for pastime and for fish, and we often eat together in my tent beyond the rock. I am going to ask him what he considers to be the elements of cost entering into my business at each stage of its development as above set forth.

What I want to know particularly is whether, say, 10 per cent. of the first \$10,000 that I invest is a proper charge to the cost of catching fish, before I consider the balance of my money income above what I pay the young fellow and myself for our labor as a profit on my investment of this same \$10,000.

My own opinion is this: I put in that \$10,000 in order to make a profit on it, and all that I got, after paying the young fellow and myself as much as we used to get without the equipment, is profit on the said \$10,000, although I will admit that a part of that should be set aside and not considered profit on account

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of the wearing out of the equipment, so I set aside \$1,000 each year on each outfit to keep my original \$10,000 from giving out. The remainder I call my profit.

With reference to the second equipment, my position is this: I didn't want to let the banker in as my partner, so I agreed to pay him 10 per cent. for his money. This much of the profit added by the using of the second outfit I was willing to let him have. (So much for my enterprise again!) You see, I could keep two outfits going without any extra work to speak of, so that what I paid the young fellow and myself I could either consider as taken out of the first outfit's catch and have the other's all profit, or I could put half on each and so increase my profit on the first outfit by cutting its labor cost in half. I like the latter better. It evens things up and makes them easier to figure.

Likewise I give the banker a part of my profit, which I can consider as coming out of the return from the catch of the second outfit, or divide it, too, and just regard it as a sharing of my profit with my banker partner. Though technically he is not my partner, in principle he is, and I have given him a sure 10 per cent. instead of a doubtful 20 per cent or 50 per cent. or 80 per cent., taking my chances and keeping whatever excess I have.

So I regard the interest not as an element of cost any more than I regard a dividend of some assumed amount on my own outfit as an element of cost; but I hold that the cost is the labor of myself and my helper and the depreciation and repairs and other things that have not to do with the putting in of the outfits. All of the return above this I consider profit, and then I give my banker friend what I agreed to and regard it as a "deduction from net profits."

If I didn't do this I would have to consider 10 per cent. on half of the fixed assets as part of the cost of fishing, and all the return from the other half as profit; or, to be fair, and to get any kind of comparative statistics, I would have to assume that 10 per cent. on my first equipment was cost, and the balance profit. But I put that \$10,000 in to make a profit, and doing so did not in fact increase my costs one cent. It did increase my profits, I believe, by the whole amount.

What do you think?

Now I am thinking of making another venture. I can get yet another outfit to catch a particular kind of fish, but it will cost me \$15,000 and will not catch any greater value of fish. It will, however, catch enough to justify the investment, and we can run the three outfits as well as two. The cost to catch fish will not be any greater on all of the three outfits, but the return on the third outfit will be less in proportion to the investment than on the other two. Hence, if I want to make any comparisons of charging the catch of this particular kind of fish with a greater amount of cost to catch on account of the more expensive equipment I shall wait until the profit is determined and then consider it in its ratio to investment in the different kinds of equipment. I can then know that investment No. 1 earns such and such per cent., and the more expensive equipment a certain less per cent.

Am I right?

And I am thinking of doing still another thing. The man who was here before I came had a fairly good outfit which he left in a barn near by, and he says that he will allow me to use it if I will pay him either 10 per cent. of my income from its catch or a flat price of \$400 a year.

This, of course, would be making him a sort of partner like my banker friend, for putting in part of my fixed equipment and what I pay him would be in like manner a deduction from net profits.

So I incline to regard all the return that accrues to fixed investment as a profit variously divided among those of us who furnish it according to the risks and chances which we take and the control which I can exercise because it is my enterprise.

Though my accountant friend argues well, still I see no need of calling part of my profit interest on investment and charging it up to costs in order to hide it and deceive myself.