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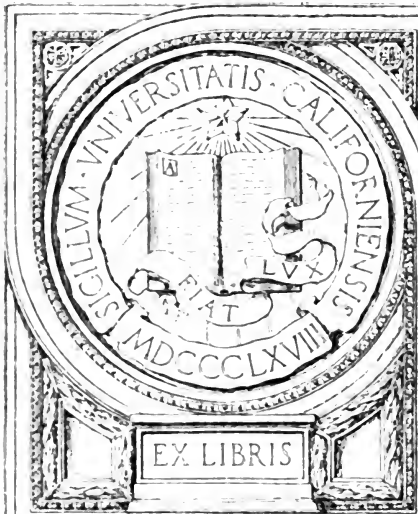
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AN ERRONEOUS VIEW-POINT

BY
JOHN E. BENNETT, Esq.



"I SEE IT NOW!"

—Reprinted from Literary Digest.

The above cartoon fairly presents the prevailing views of the country upon effective remedies for the industrial unrest, as well as the acquiescence of the business world in those views, to which acquiescence it has been brought by the pressure of popular opinion and its own ignorance of what the true remedies are. Many and several of the proposals are entirely useless remedies, and the application to practice of all save that of Federal Employment Bureaus, not only do not help the condition, but make it worse; and are in direction precisely opposite to the true course, which is simply individual freedom.

Issued by

BUSINESS MEN'S ECONOMIC ASSOCIATION

WRITINGS OF JOHN E. BENNETT

PAMPHLETS

OUR NATIONAL TENDENCY AND ITS GOAL

Being a discussion of the Political and Industrial direction of the United States under the influence of prevailing economic forces, and statement of the causes thereof, and the means to avert the conclusion to which those forces are proceeding.

Together with an Address before the Chinese Students' Association of America at its Convention held in San Francisco in January, 1914,

upon

THE STUDENT IN ORIENTAL IMMIGRATION

Considering the effect upon China and Japan of the Policy of the United States in shutting off migration of the Orient with the West, the real cause that moves industrial migration, and the condition that confronts Oriental Students seeking education in the United States, by reason of these influences.

32 pp.

"JAPAN'S MESSAGE TO AMERICA"

(A Reply)

Considering the impelling cause which moves the Japanese nation to desire the good will of the American people; the necessity to Japan of free intercourse with the civilization of the West, now shut off by immigration exclusion; the calamity which inevitably must befall that nation through a continuance of the isolation thrust upon her by this policy. The doctrine of exclusion shown to rest upon a mistaken belief regarding the effect of labor immigration upon wages of intra-country workmen; the popular opinion being that such immigration lowers wages, whereas, in truth, it raises wages and increases general prosperity.

33 pp.

THE INDUSTRIAL UNREST

Noting the rise and forms of human government. The movement for expunging the Constitution of the United States, with the cause and processes of that movement. The passing of the American Commonwealth and the evolution of the centralized State in its stead; with observation of the several forces responsible therefor. Remarking the various expedients for relief of the working classes, among which, the California eight-hour labor initiatives, and sundry others. The basic errors of such proposals, and the hopelessness of benefit to the working people through pursuit of their direction. Together with consideration of the true cause of prevailing wrong conditions within the nation, and the disaster in which these must culminate unless they be intelligently and courageously corrected.

70 pp.

THE CALIFORNIA MANUFACTURER AND EASTERN COMPETITION

The natural evolution of the State from an agricultural into a manufacturing community shown to be held in abeyance by artificial wage rates and conditions imposed upon employers by unions. Helplessness of the California manufacturer in the field of competition through these influences, and the inevitable passing of the important manufacturing industries of the State unless the employer shall assert control of his establishment and place his labor on a basis of free industry. Artificially high wages shown to be of no benefit to the laborer receiving them, while the consequent narrowing of the industrial field suppresses business and produces ever increasing numbers of idle workmen. The remedy and proper line of operation presented, and the vast opportunity at the hands of the manufacturer in supplying the local and over-sea trade, considered.

35 pp.

Copies of the within pamphlets, or booklets may be had by addressing

BUSINESS MEN'S ECONOMIC ASSOCIATION

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An Erroneous Viewpoint

By JOHN E. BENNETT.

Near the outskirts of San Francisco there is a barricade of boards behind which is encamped some hundreds or thousands of men who comprise the "out of work army." They are being fed by public charity. The Board of Supervisors have made a large appropriation for their sustenance, while the Mayor has issued a proclamation and appointed a day asking all citizens thereupon to donate one dollar toward provisioning these people. Private charity last winter, and in the years prior, exhausted itself in sustaining these same persons, less their added numbers of today, and it is manifest that the problem has passed beyond the scope of private alms; the State in its political subdivisions must come forward and use public funds to cope with a condition which none understand; for these men are not sick, or criminal, they are merely occupationally idle; they each and all say they want work; and industrial initiative, that is, citizen initiative, is not sufficient to bring forward business which will call them into employment. *Citizen initiative*, or in other words, that initiative which arises in the field of the free scope and action of the individual, this failing to generate industry which would give them jobs, *political initiative* must be wheeled into the clearing to do for them what the people generally have failed to do. Hence the Supervisors and the Mayor touch heads in studying out plans to "make work" for these workless. Piles are moved from one spot and made in another; holes are dug and filled. There are always things to be done about a city; but work that is placed where the achievement is not the object of the effort, but the purpose is merely to keep one stirring to provide a pretext for giving him pay—that order of work is likely to be wasteful.

Yonder in France, in the valley of the Aisne, there is another barricade; this is not of boards, but of earth, and behind it there are also some thousands of men, likewise out of work, and in the pay of the State. They are living in burrows in the earth like the cave men at the dawn of nature; and what they are doing is just that thing which the cave men did—they are trying to destroy all men within their reach who are not of their particular group or tribe. Here, then, we have it that these men, being consumers and not producers, dependents of the State and in its service, are exerting themselves in the operations of destruction. The distance of space which separates the two encampments, the variance in nationalities and environment, would seem to dis sever the respective assemblages of any possible relation which they might bear as common members of the human family. But in the region of thought we are pursuing, space and nationality are without significance. We are dealing with the domain of economics, and in its

contemplation we shall see that both bodies of men are the offspring of the same force. That between the industrial men who, working on the building across the way, are exerting their efforts in the processes of construction, the idle multitude encamped in sloth and misery who have ceased to be constructive, and are merely negligible with their status feathering toward destruction in that they consume and do not produce, to the men in the pits who have ceased construction and passed from consumers merely to the active agents of destruction—that between and connecting all and each of these there is the one attribute, they severally are segments of society, and their status respectively is of social phenomena.

As the highest natural law, aside from that of man holding himself in existence, is *service*, and as service is essentially the quality which makes it possible for men to exist in society, it would seem that any influence which specialized and tolled off a large number of the people, whose segregation deeply affected the whole of society, might have something to do with service; and as the principal and real service of man is that through which he renders benefit and not harm to his fellow, we should in such analysis look at industry, which embodies most of the service of man, to see if the phenomenon we have noted bears any relation to this realm of human activity. Unquestionably the idle men have something to do with industry, in that they have been thrust out of industry; but the relation of the men in the trenches to industry is not so apparent; nevertheless we shall see that they are quite as intimately a part of the industrial question as the men on the sand lot, or the men at work on the building.

And when we consider this region of *industry*, what concerning it today do we note as its most striking quality? Manifestly it is its rampant state of inharmony; it is not working in its coördinate parts smoothly and to achieving its results in the natural way, that is, attaining its ends with the expenditure of least effort. It is in a condition of stress, in a state of tension; it is overwrought, full of jars; it abounds in antagonisms, in hatreds, in classism; it is like a band of men rushing on under a leader in pursuit of quarry, capturing it, stopping and quarreling over its distribution, falling upon and destroying each other, squeezing out and driving off a number because there are too many for the portions to go round, then gathering together and plunging forward again upon the next quest. Manifestly such a mob is not united on any basis of natural law. It is a multitude, large enough, indeed, to comprise an army, but lacking in an army's organization. By virtue of its organization an army moves, strikes and has its being; instantly it becomes disorganized it loses its efficiency, it ceases of avail, it is a mere aggregate of helpless units, unstable and without restraint, howling, shrieking and rolling on to destruction or dispersion. And when you examine an army you find it built in strict accord with natural law. It is a definite multiplication of units into companies, into battalions, into regiments, into brigades, into divisions, into corps. The infantry is not cavalry, and the cavalry is not artillery. There is the engineering, the commissary, the sanitary, the hospital corps. Every man knows his place, knows the men from whom he takes orders, and these know and understand those who are subject to them. An

order given by the head flies in a moment through all parts and brings the entire aggregate into action. The thing is schemed to effect instant coördination, immediate concentration upon a single aim. You can draw the entire arrangement symmetrically upon paper. With compass and rule you can create the establishment by chart so that all you have later to do is to fill it in with men and munitions. Can anyone chart a mob? And yet when we come to deal with this great matter of industrialism, to analyze the structure of society, and to show that the cause of the industrial unrest is that the institution does not square with natural law, to show that the places where it is obviously weak are where the law as revealed by economic reasoning has not been regarded, and present the entire edifice as with lines and figures, we hear cries of "*beautiful theory, but it won't work in practice!*" What is that roll which your architect has in his hand, and for which you have paid five thousand dollars? A plan? throw it away, it is nothing but theory. When you go to build your house just pile brick on brick and nail wood on wood, and put it up according to your notion of things, or a clipping out of a newspaper and it will stand there all right, and it will be rentable enough; yes, and on the morning of the first day or the day after it will be about your ears, with all the howls and execrations of a Colorado, a West Virginia, a Lawrence, Massachusetts, or a thousand and one spots over the nation where such houses are built. Not alone does the architect figure his strains and scale his measurements, but the builder places piece by piece upon the structure adjusted with plumb bob, tested by spirit level, tried by square; and when it is finished it is upright; it is horizontal; it is symmetrical; it is on a firm foundation; it is braced and trussed and supported; it has been built according to plans and specifications created and elaborated in conformity with the canons of natural law, in the architect's office.

When we come, however, as I remark, to this great construction, the organization of industrialism which is essentially the organization of society, so it shall comprise an edifice that will stand, or a machine that will run smoothly and noiselessly in its several parts to the turning out of its results, plans are not wanted and are not used. The thing bucks and kicks and flies apart killing and wounding its operatives with its fragments, and yet he who unrolls a plan for its synchronous, harmonious and coördinate action, excites few onlookers. "These things adjust themselves." "We're too busy, don't you know; come around some other time."

Meanwhile public opinion educates itself; not according to natural law, but with an arm full of brick and its notion of things. Government Commissions follow each other as birds spring to the open, flying hither and thither to find out what the matter is. They call to explain various notable men. Mr. Rockefeller, Mr. Carnegie, Mr. Morgan, and the rest. "What is the remedy for the industrial unrest?" Opinions come forth, "thick as blackberries." Certain of them are so oft repeated that they are accepted by the public as true. We have a summary and expression of these in the cartoon at the head of this article; and as these have a wide bearing throughout the nation we shall, in seriatim, consider them here.

THE TAX ON FORTUNES.

It is certain that every one of these prescriptions as a remedy for the industrial unrest is utterly empirical and

fallacious. We have practically all of them in operation now, and their only result has been to intensify the condition and in no sense to relieve it. The tax on fortunes we have in the income tax law, the confiscation reaching as high as seven per cent of the total income annually. From this tax there is for the corporations no exemption. We have it also in the super death dues, being graduated taxes on estates, increasing as the sum enlarges. The avowed purpose of these levies is not to raise revenue, but they are aimed at discouraging the accumulation of wealth. The laws are enacted upon the hypothesis that society is injured by the accretion and existence of large fortunes, notwithstanding that those large fortunes are all invested in enterprises giving employment to commonwealths of men. That any one who during a lifetime can acquire through business a hundred or five hundred million dollars, where another man working in his shop cannot by the greatest economies accumulate ten cents, but dies in debt—that this sort of thing is outrageous, and must be done away with by moving against the millionaire quite like we put out of existence the old state banks, viz.: taxing him to the limit every time he thrusts his hand across the counter. No legislation could be more foolish, few attempts at legislation could be more harmful to the very people whom the mistaken legislaturemen think they are helping by bringing it into existence. As I have shown in my *Tendency and Unrest* pamphlets, all that the millionaire can get out of society is what he eats and wears, and his shelter and transportation, and this at most is little. He is really a force creating wealth through his guidance, bringing into existence opportunities for other business men, making jobs for laborers which would not exist but for his efforts. The wealth he is acquiring simply increases his powers to render more service to society. A Rockefeller in possession of a hundred millions may be a tremendous power for the creation of new industry which will call into activity hundreds of thousands of men, which would raise other thousands from small jobs to large jobs, from places where they could render slight service to positions in which they could render large service, while the material wealth he would force into existence, the oil, the iron, the railroads and else, would enrich millions. An altogether mistaken view exists in this country regarding wealth and men of wealth. It is not hurtful but highly to the advantage of the people generally that great wealth should exist in individual hands. So long as monopoly is crushed, so that great wealth cannot be made a force to prevent other men from exercising free scope in their several operations, there is nothing to fear, and monopolies exist solely by reason of law; the possession of money alone cannot effect monopoly. To men of great executive abilities, large wealth is a necessity required to make their powers effective for good, without the use of which society could not benefit by their exertions, for they would there be no more useful than anyone else.

Where then is the sense in curbing the exertions of men of genius by curtailing through law their possession of that thing which in their hands is their effective tool and implement, namely wealth? I have a business and hire ten men. From the services of each of these men I make a daily profit of ten cents, from the entire one dollar. Would anyone say that I was robbing these men of the products of their hard-earned toil when my operations, consisting of administering the establishment

which employs them, results, after payment of rent, interest, material, and overhead, a return to myself of ten cents per man? Now let me enlarge that establishment until I build great works, transform enormous quantities of materials, conduct vast shipping, distribute products throughout the nation and over the world and I still profit ten cents per man per day; but instead of employing ten men, I have through my genius and application magnified my establishment to employ a million men a day and, lo! my income every day is a hundred thousand dollars; in a year thirty-six million dollars; in ten years three hundred and sixty million dollars, and in twenty years seven hundred and twenty millions of dollars! When straightway I am denounced as a robber who has oppressed my laborers, which laborers have not gotten their share of the product which they have made in my shops, wherefor I am so rich and they are so poor, and this disparity of fortunes in society is not healthy for the common weal and cannot be permitted. Then come forth schemes to curtail my activities, to prevent repetition by others of such things as I have done; in other words, to kill and destroy private initiative which when lessened there follows the out-of-work mass whom to employ, initiative by the State must be invoked. It becomes the policy of the State to approve my energies so long as I displayed little capacity and held my works to a ten-man basis; but when, by the illumination of the mind, and by abounding energy I had magnified and glorified the industry, brought into the world prodigious wealth which I had dispensed to the comfort and happiness of many millions, when I had become an engine for the lifting of civilization to a higher plane, and was making my influence felt for good the world around, then and thereupon instead of praise and distinction among my fellows, I am become a scape-goat, my good deeds are derogated and I am maligned by a perverted public opinion as a menace to society! What can be the doom of any nation where such doctrines are accepted as standards and guides! When it becomes a public policy to suppress the bright and individual lights to the dull blur of mediocrity!

Nor is the foregoing sentiment confined to denouncing me. It extends also to my benefices. What shall I do with this seven hundred and twenty millions which in these twenty years I have accumulated, together with all the money I have made by side investments? It is more, far more, than it would be wise for me to leave to my children and to my collateral kin. What more natural thing is there for me to do with it than to use it, guided by my wisdom, to help forward the scale of being of my fellow man. The endowment, the foundation, is just as natural a creation of the industrial genius as the shell is to the snail, as is the shop which he builds to cover his machinery. He can no more resist the impulse to devote his wealth to the ends of human uplift, unless he be therefrom discouraged by some order of public disapproval, than he can resist the impulse to walk. The fact that he may be in truth the most selfish of human beings, does not relieve him from this natural thrust. Where would you have found a more self-centered man than Russell Sage? In him the sense of money-getting had become so acute that he denied himself appropriate clothing in order that there might be more to place on interest. His wealth at his death was, perhaps, a hundred millions. What became of it? To what selfish use could it be applied? Building a marble

shaft a thousand feet high? Not so. The practical mind that can accumulate a hundred millions cannot contemplate the derision which on part of its fellows would follow such absurdity. He turned his millions to human good; and what was his reward? What is the right and due to which he has thereby become entitled? It is the gratitude and good will of his fellows. "It was damned white of Andy!" This is the epitaph which Mr. Carnegie wishes may be carved upon his tomb by the grateful hands whom his wealth has lifted to higher life, and is there a human being who carries a heart that would deny it to him? Under the impulse of a sense of public gratitude, and that natural feeling which exists in the breast that "it is better to give than to receive," public benefactions of the wealthy have year by year gone on in the United States to enormous totals; in 1913, for instance, they reached \$302,000,000 and each and all sums were devoted to ends highly worthy and necessary, the gifts comprising hundreds of donors. And yet we have the government of the United States, as expressed through its agent, Mr. Frank P. Walsh, Chairman of the Industrial Relations Commission, saying in a speech before a large number of people, this:

"Is there any person who will not challenge a \$100,000,000 foundation; exempt from taxation and to be used in a way that the people do not dominate? There are no limitations on those funds. Suppose all these foundations should concentrate their resources in the securities of one industry where the toilers were making a fight for democratic control. They would crush down the defences of the fight for industrial justice."

The idea is that foundations ought to be prohibited by law because they might upon occasion consolidate their funds and break a strike! And this from the head of a United States Commission installed and set in motion to investigate in behalf of the whole nation the relation of industry to the commonweal. Where is there a disciple of the perverted doctrines of labor unionism who could have said more or worse? What Darrow, what McNamara, what Gompers is there who could discharge at a great philanthropic endeavor expressions more sounding in scorn. Of all the great of American business, who have made these United States so marvelous, so prodigal an expression of industrial achievement, there is none whose feats have been vaster, more lustrous or far-reaching than those of John D. Rockefeller. That he should have taken advantage of monopolitic conditions in his business career to further his operations, is in no sense a reproach upon him, but it is upon us. No man who has ever operated largely in business has done or could do otherwise under the adjustments of the times. Men in business are forced to employ all the avenues in the business field to shape ends to their advantage; if they do not their competitors will do so and drive them from the business contest. Men will utilize the advantages of monopoly in business to circumvent a rival, and in their capacities as citizens will at the same time work in a public way for the abolition of the very monopolies through which they have benefited. Public opinion, its law makers and courts define the scope of the field of business, and no business man should be blamed for doing at any time

for his own behoof anything that is lawful.* To deprecate the great gift which Mr. Rockefeller has bestowed upon the people of the nation in the magnificent institutions of practical science and learning he has established is a public shame and disgrace, and comes poorly enough from the lips of one who is drawing public money upon the hypothesis that he is conferring a public benefit. There is nothing more significant of the general disruption of social order into which such doctrinaires as Mr. Walsh is thrusting us, than the tolerance of the public to these attempts to popularize disapproval of men donating their wealth for human enlightenment and

* Let me illustrate: The Standard Oil Company, a large proportion of whose stock is reputed to be owned by Mr. Rockefeller, is a manufacturer of gasoline, which product, it is stated, it has been selling in the California market at eight cents per gallon. This is said to be the lowest figure at which it is possible for a small refinery to manufacture it, and if such are to continue their output of gasoline they must do so without profit. If these statements be true it would appear that the Standard Oil is selling its product at the highest price that would give it the entire market of the commodity, assuming that all parties paid a similar price for their crude oil, which is probably the fact. Its competitors say the Standard can sell at eight cents and still make a profit by reason of its larger capital employed and its greater and more highly wrought facilities for manufacturing and marketing, and that the purpose in so selling is to force its competitors out of business, either compelling them to quit at a loss or to sell their plants to it; after which, being then in absolute possession of the market, it will raise the price of gasoline.

If the Standard, through the use of large capital, or superior management or facilities, is actually producing gasoline at less cost than its competitors, it has certainly a right to this benefit; and no complaint can be made at it furnishing the public with the product at the very lowest cost. Anyone can get all the capital he wants if he be able to show good security therefor and reasonable certainty of interest yields. There is, hence, no monopoly in that direction. And in respect of facility and management there is no monopoly in this; the field is free, and any one may employ in his business all the appliances and abilities he can bring forth. This is a legitimate zone for contest. Nor is it to be allowed that should the Standard eliminate from the field its competitors through underselling them that they, realizing that upon their withdrawal the price of gasoline would at once go up, would thereupon dismantle and junk their plants. They would cease gasoline production, carrying on or not the other processes of oil distillation as the same may or may not be profitable, and wait the predicted rise in the price of gasoline, when they would again start up. So the assertion of the merging or elimination idea as being at the bottom of the Standard's action in holding down the market price of gasoline must be deemed erroneous. The reason is to be looked for elsewhere. And it is, perhaps, found in the disclosures just made in the Washington press dispatches that the Standard owns a patented process which enables it to produce from a given quantity of oil three times the amount of gasoline that can be otherwise obtained. Here, then, if this be true, we have it: The Standard has a monopoly; a monopoly of the gasoline industry resting upon the monopoly of a patent. Its industrial monopoly abides not through "capital," size of plant or "big business," but upon law. Can anyone blame the Standard for taking advantage of a law that gives it a monopoly in its business? If it were not manufacturing under the patent, is it not likely that some other refinery would be doing so? The Standard did not make the law, and it does not control the law's existence. Our ancestors made it and we control it. Let us then have done with reviling the Standard and abusing Mr. Rockefeller, and turn our thoughts to so adjusting the law that monopolies of this order may not be possible. I have pointed out in my *Industrial Unrest* the remedy for this condition. It is simply permitting the inventor to fix a royalty upon his invention, the government, which grants the patent, collecting and paying him the sums received, the invention itself being open upon equal terms to all desiring to use it. This would end this order of monopoly and allow free play to those qualities in business from which one has a right to benefit, and the furtherance of which should be encouraged. Such a provision could readily be safeguarded to make it effective so the inventor would be powerless to prefer one user as against another.

uplift in fields in which it is not proper for the government to operate.

PROFIT-SHARING.

I have discussed profit-sharing in my *Industrial Unrest*. It is believed by many to be the true solution of the labor question. If laborers own an interest in the business why would they not have a care for the welfare of the business, and so caring they would work on increasing their effective output, and not strike or destroy the property of the plant, for this would decrease their profits, and proportionately destroy their property. I have never heard of any one objecting to a laborer becoming an owner in the property. The stocks of all corporations are usually purchasable on the public market, and the laborer, as anyone else, is privileged to buy. Indeed, so desirous are many corporations of having their employees become interested with them in the business that they make special inducements, under-market prices, installment payments, etc., to move their employees to become stockholders. The union does not like this sort of thing, as it tends to transfer allegiance of the laborer from the union to the company, and we hear all sorts of hard things said about the "robber capitalists" who coin the sweat of their men into dollars and use them to conduct their business with. But this is not the order of profit-sharing to which the advocates of that principle refer. They propose that without purchase of stock or interest, without investment, merely by right of the laborer working and receiving wages in the concern, he should be paid in addition to his wages, a proportion of the profits of the enterprise—that is, if there are profits. Already he has received as wages the full measure of the sum for which by his agreement he worked, and which on his behalf, his union exacts. He has hence been fully paid. But if there shall be profits, it is assumed that they arise in part through his industry and he shall be further paid, while if there be no profits, though equal amount of energy be by him expended as when he received profits, then he is not entitled to further pay. In other words, his \$3 or \$5 per day which he receives as wages, is predicated upon the industry breaking even. So that on this basis the industry is run specially to give him employment. It is not supposed that the proprietors shall benefit from the business from this standpoint. In fact they may lose, for his wages must be paid withal. But if the contingency occurs that a profit ensues, then this incident befalls him a benefit, for such profit belongs not to the proprietors, but in part to him. This is what is now contended for by the unions and their advocates under the name of "industrial democracy"; it, of course, follows with this arrangement, that the laborer, being owner of an interest in the business, cannot be discharged therefrom; an attempt by the proprietor to discharge him becomes "a business matter between business men," as Secretary of Labor Wilson puts it, and says that his branch of the Federal Government is in existence to see, on behalf of the laborer, that is to say, the union, to just that thing. I have discussed the upshot of this scheme in *The End of Business*, to which the reader is referred. It must be apparent that under profit sharing the laborer receives something to which he is not entitled, something that he does not earn. Of course, if the laborer has received as his wages a so-called minimum, as where full wages are \$5 and he

receives but \$3, trusting to recover the other \$2 with added returns in a profit-sharing device, then it is altogether different. He is then an investor in the business to the extent of \$2 per day, and is entitled to just such consideration of returns or losses as \$2 per day from an outsider would buy. But the profit-sharing idea does not contemplate this. It presupposes, as I have said, paying the man wages as wages; that is, full wages; then, in the event of dividends, to give him a share of these as a sop to stir him to do to the employer the duty which he was paid by his wages to perform.

It is an essential quality of profit-sharing that it acts horizontally, without regard to the effort put forth; the employee receives his share of the profits, not because through extraordinary effort he earns an addition to his wages, but because he is an employee. The moment the profit-sharing plan drops its horizontal aspect and differentiates, basing its reward upon service, it becomes a bonus system, and not a profit-sharing system at all; for the bonus system is based upon paying a man according to his merit, the method of all most detested by the unions. There is no doubt, however, that this is the ultimate form which labor conditions will take. It contemplates a standard of output for a day's work and encourages with rewards care, skill and unusual endeavor. Rewards of merit are a common feature of all institutions or places where assemblages of either sex work upon an organized basis, and they are not alone fitting but necessary to bring forward the best efforts and permeate the shop with a healthy tone.

The effect of profit-sharing is to carry wages over into the domain of profit, and whatever narrows the profit of the proprietor destroys incentive, gives him less disposition to extend business, or even to carry it on, disposes him to look ahead and around for easy jumping-off places where he can land on the upholstery of some club or else quit the bother with business which has become too unattractive to be longer worth the candle, and giving himself up to inactivity and a selfish life. There are in the United States today thousands and thousands of men who have ceased business upon moderate competencies and withdrawn their energies from the benefit of society through this influence, and profit-sharing is a scheme which accelerates and does not retard this disposition.

Profit in business is simply incentive. It is the "taste of blood," as the slang has it, which edges the appetite of a man to plunge into business with fierce energy and make a fortune; and when the lure of fortune disappears from the realm of business, be sure that business, as we have known it in the past, will in like manner disappear. Of course O'Toole at the corner will still sell crackers, and Heintz at the door beyond will decant his flagons of heavy-wet—these men are not in business to make fortunes; their capacities are adjusted to simple livings; business of that order and a little better will go on; but the men who level forests, who build steel works, who slide great ships smoothly and swiftly down the ways, and those who send them far and yon upon the seven seas—these men will be no more; the government will be doing such things with initiative supplied and put in place by the politicians.

FEDERAL³ EMPLOYMENT BUREAU.

There is no objection and much to commend extending the facilities of finding employment to laborers.

through the offices of the postal department. That this is a proper function of government I have explained in the *Manufacturer's* pamphlet. It would by no means solve industrial unrest, which moves altogether from another cause; but it would greatly aid in distributing labor, idle in one spot to places where it may be needed. Seasonal employment has always existed in the United States. When certain industries close for the winter the men drift to the cities and are idle until spring; this has ever been the occasion of annoyance and sometimes stress. In the *Manufacturer's* pamphlet and *The End of Business* I show how, under normal conditions, this state of things would not occur to the inconvenience of laborers.

HIGHER WAGES.

In this clause of the list lies the whole cause of the industrial disturbance. I have gone into it extensively in my prior writings and will only touch upon it here. A man comes to my shop for work. "What are you paying?" he asks. "Two dollars," say I, "for a nine-hour day." "That is not enough," he replies; "I am offered by Brown two and a quarter for an eight-hour day." "Very well," say I, "that is all we are paying here," and he goes to Brown. But more business comes into the shop and I need men. I can't get them unless I pay \$2.25 for eight hours, because business is brisk and men are needed everywhere. This, says the union, is the law of supply and demand. That supply and demand, in the sense in which it is commonly understood in the field of commodities, does not apply in the realm of service I have shown in *Our National Tendency and Its Goal*. But I have also shown that there is such a thing as a natural and an artificial supply and demand; the natural condition is that I have described, where men are scarce through prevalence of business activities; the artificial is where the union keeps men, otherwise idle, away from the shop until the high wage rate demanded is paid. In the first case the wage requirement is normal and proper and does no harm to industry; in the second case it is wrong and injurious and tends to destroy industry. It is this slipping of the cog from normal to abnormal wages that has caused the industrial unrest.

The remedy is not by allowing higher wages, but by readjusting wages to the natural line. If industry is to survive in the United States without passing the nation through the evolution which now threatens, namely the centralized State or Socialism, a terrible war of the character raging in Europe, followed by a breaking away again from the centralized form and a moving once more in the direction of individual liberty—if this is not to be the process, then wages must be placed on the normal basis, and natural law must again prevail in the industrial world. Existing wages are the result of successive raises which have been forced upon the employer by the union, without regard to the price of the product as determined by a competing market, to pay the wages. The policy of the union has been to get higher and again higher wages, less and ever less hours, and shop conditions under which the laborer was privileged to turn out as little product as possible, because the more he produced, the less, it was assumed, "labor" would have to do. This operation has enormously increased cost of the product and lessened the area of its profitable shipment from the site of its production, and has not benefited the laborer, for it has

raised the cost of living always in excess of the relative raise in wages. What is transpiring now is a rapid contraction of this zone of profitable shipment, a process that is going on so fast that the contrary force of cheapening cost through invention and improved systems has not been able to keep up with it, but has been wholly overcome and set to naught by this strongly centralizing power of the artificially raising wage. It will not be long before goods will be produced at too high a cost to ship very far from the factory. Clothing made in San Francisco at high cost, may find a limited market in the immediate vicinity of its production; but when the charges of packing, shipment and incidental costs are added to get it over in Nevada, it becomes too expensive to be purchased by the would-be Nevada consumer. Such clothing is limited to the luxuries of the rich, and the market is narrowed accordingly. The effect of this is thrown back upon the San Francisco factory; its market being curtailed, it must turn off hands, and so the idle army is formed and increased.

Artificially high wages, therefore, that is, wages which can only be paid through increasing the price of the product, decrease consumption of the product, lessen the numbers of the laborers engaged in the industry and throw men out of work. As this action goes on the idle industrialists continue to increase, and corresponding stress prevails throughout the nation. I have noted in my *Manufacturer's* pamphlet the condition of England just prior to the war, with its million of registered paupers in a population of forty-six millions, with its vast system of work houses and its elaborate poor laws and out of work provisions, with its unionized industry consolidating into a single body and shaping itself for a mass strike to have been held in 1915, with the business men on the other hand raising two hundred and fifty millions of dollars to resist its attacks. Manifestly this strain, which obtained with equal intenseness in every country of Europe, could not continue long, for the dry rot of the unemployed, which is decadence, was eating into the heart of the nations, especially of England and France, which countries were less given to government initiative than was Germany. There followed, accordingly, war. War always comes to save civilization. If there is one fact readily to be recognized it is that from the beginning the Divine command upon man has been *progress*; this has been attained by driving forward the race at the sacrifice of the individual. Only in this way could man have progressed, and his career has been successive progression from the ape to the present day. In driving him on it was necessary to hold down his numbers, or the earth would have become over populated with inferior beings, for the tendency of population is to outrun development of the mind. Severe checks upon population, therefore, have to be by nature administered upon the race wherever conditions within it arise which arrests its development and halts its progression. This is the meaning and purpose of war. The phenomenon is presented and worked out in my *War and Business*. War, therefore, necessarily follows the state of things which the labor union with its artificial wage is rapidly bringing upon the country. Under such conditions it becomes necessary that large numbers be killed off and their property destroyed, in order that people shall be given something to do in building it up again when the war is over, at which time there shall not be left more people than there are jobs. In other

words, population, which has run ahead of the unfoldment of mind, is killed back to a number to accord with the status of the mind's development. The process of reproducing the destroyed structures and industries generates a national activity which drives civilization a few pegs further on beyond what it was at the outbreak of the war, just as the reproduced San Francisco is a better built city, of more imposing edifices than the one which was destroyed. This is the law. It is the operation of the same principle in that region of Nature which acts in human affairs as that which moved Mr. Powderly while head of the Knights of Labor to advise his followers to break the empty bottles that the bottle makers might have work in making new ones; that causes the unemployed carpenter to feel glad at the sight of the burning building, for he may be called to the work of constructing a new one. When population thickens, and men are thrown off as slough from the wheels of industry through wages fixed at figures where to pay them the prices of the commodities must be raised, so that consumption is greatly lessened, and the number of men in industry must be accordingly lessened, and when this has eaten some distance into the heart of the nation, war ensues; it may be external or internal war; it may be a matter of moment that shall start it, or the ignition may be through a very trifling incident; in any event it comes; large numbers of people are destroyed,* property is wrecked, and when the war is over the nation gathers its strength and builds its structures up again. There will be no unemployed in Europe at the close of the war; there will be work for everyone; a vast reconstruction period shall have set in upon the nations, and before this spell is broken European civilization shall have gone to a higher station than it has ever yet attained. Here, then, we see the magnetic cord that threads together the thousands on the sand lots of San Francisco with the thousands in the trenches of France.

Upon the other hand if industry is properly adjusted, if natural law be regarded in the economic arrangement of a nation, increase in number of population does not create the phenomena of disturbance we have noted. The more men who then come into the nation the better it is for every one, as the higher is the coöperative effort and the greater and more abundant the wealth, which once produced finds a just distribution according to the individual effort contributed. Adjust industrial society according to economic law, and continental United States would sustain in the highest luxury the entire human race; whereas under existing arrangements, California, capable of sustaining a hundred million, is overcrowded with less than two and a half millions, so that there are thousands of men on the lots I have mentioned,

* Emigration stands as a counterpart of war in relieving populated centres of congestion. The emigrant in his new field creates produce which is sent back to his native land in the form of trade, while he enriches the country in which he works. War kills the worker, and by destroying construction provides work in reconstructing for the survivors, many of whom were unemployed at the outbreak of the war. Where emigration does not exist, war is the only alternative at the crisis stage of the civilized development, under the system of economics now obtaining in all countries, that is: artificial wage, protective tariffs, business smothered with taxes and restrictions and land held idle for speculation. We can understand, therefore, the crime of those who operate to exclude immigration for which there is an industrial demand in the country, otherwise they would not come. Such mistaken advocates are merely piling up the people in their home areas, many of whom must be slain by war.

and sheltered by trees and vacant buildings up and down the State, men for whom society has no use. With society adjusted under economic law, civilization rapidly rises, and as it ascends, increase of population declines, the birth rate being least in the stratum of society at the summit of civilization. The graduates of the universities die out in five generations. Great fecundity obtains on the lower levels of civilization. Feed ignorant people well and they multiply rapidly. The large families are among the peasantry, not among the college professors. So that under economic law, a rising civilization would automatically shut off its increase of population so that the earth would never become overpopulated; which condition would otherwise occur to the density of Belgium within three centuries, at the existing ratio of increase of the population of southern Russia. Proper economic adjustment, at the bottom of which lies the wage question, would therefore secure continuous peace, and abolish war.

Natural wages, or wages according to economic law, is the chief remedy for the general disturbed condition of the industrial and social world we have been noting. These are wages fixed at a sum which the price of the product does not have to be raised to pay; which allows the employers to compete in and hold, not only the markets of his own State, but to enter adjoining States and also to enter the great markets of the world and compete there with foreign manufacturers; wages which, therefore, will enable the employer to extend his business, instead of forcing him as at present, to narrow it; that will move him to take on hands and draw men from the idle army, instead of laying off hands and increasing it, as is now constantly going on. I shall hear at once cries of "Oh, we can't go into the foreign market, we can't compete with the pauper labor of Europe; do you want us to reduce our living conditions to the condition of the semi-serfs of Europe?" To which I reply: I think we shall travel far in Europe to find wages fixed at a lower rate than is being paid to those multitudes of men in their cantonments on the sand lots; and when you graduate from these upward in the scale of wages, comparing those of the United States with those of Europe, you find them, under equal conditions, just about the same; not the same in amount, but relatively the same in the purchasing power of the wage when received. I say "relatively the same," for what oppresses the European laborer is not his low wages, for low wages are normally attended with low cost of living. The laborer in the United States would live better on low wages than he now lives on his artificial high wages; for the reason that under low wages and the call into coöperative effort of multitudes of men now kept out of industry by the effects of those same high wages, and kept out of the country by immigration exclusion laws mistakenly laid to protect those same high wages—with these changes, I say, the American laborer would live at slight cost by reason of the cheapness and plenty of everything; under such conditions, with offerings of work everywhere about him and times good, wages would be relatively high compared with the really low wage he receives at present, though he is paid every pay-day with a hat full of coin. What holds down the European worker is that after receiving low wages he must spend it in a high market, not a market made high, as it is here by artificial wage, but by taxes imposed by government, enormous imposts drawn from industry to

sustain armaments, navies and unceasing preparations for war; to maintain great overlord military and official castes and establishments, whose existence are not a particle of benefit to the people, but which terribly oppress them and eat out their substance, which is yielded up upon the concept that the man of the country across the creek or beyond the timber is their natural enemy, and unless they get ready to kill him he will come on and kill them. How inexpressibly false and foolish all this is, leading nowhere but to ruin of millions, I have shown in *War and Business*, and that it exists only and solely because natural law is not followed in their economic systems, which same natural law I am trying to show the United States in order that we may be spared like calamity.

In the field of foreign trade, the trade of the Orient and of South America, there will be many things which we cannot produce in competition with Europe, which therefore, we ought not produce, and many things which, by reason of our natural resources, our climate, our skill and mechanisms, our geographical position and propinquity to the markets, we can produce, and have here in San Francisco, and at every port on this Coast, a vast commerce. Did you ever think of this fact: that of the twelve greatest seaports in the world, the only one accredited to the United States is New York! San Francisco with her enormous advantages is not mentioned. That of those twelve, four stand facing the Pacific, some of which we scarcely know, and with all of which our trade is trivial. There is Hongkong with 20,500,000 entered and cleared tons per year; Shanghai with 18,500,000 such tons—two ports that but for the curvature of the earth you might see with a spy-glass from Telegraph Hill, so straight do they lie on a line from the top of the Call Building, and yet what are they and their enormous traffic to us? Singapore lies around the curve of Asia at the toe of the Malay Peninsula, almost within pistol shot of the flag of the United States flying over the Philippines. It has a shipping of over 15,000,000 annual tons. And there is Colombo? Who in San Francisco ever heard of Colombo? And yet Colombo has fourteen millions of tons of annual traffic and is the chief city of Ceylon, lying at the point of India, just south of Calcutta, south of Bombay—great ports of India whose trade naturally belongs to San Francisco as much as to London or Hamburg, and yet about which we know little or nothing at all.

And how can we get this trade and make San Francisco and the ports of this Coast what they ought to be? By the same process through which our manufacturers can hold their markets against the Easterner, namely, by the restoration of natural wages, wages which, let me repeat, are determined by what the product, sold in the competitive market will allow to wages, and by what the employee will be willing to accept in view of the offerings of other industry. This is the simple rule, the economic law from which we have wandered, in involved and intricate courses, through the maze of high wages, short hours, limited output, indifferent work, while industry is throttled, prices soar, markets close, business initiative fails, occupation ceases for hundreds of thousands of men; and we have the over-straining of private charity, the appropriation of public alms, the moving of the State into the control of business which business men are pushed out of, and there are calls for out of work pensions, maternity pensions, old age pensions, minimum

wage, eight, six and five hour laws, workmen's compensation, the adoption by the State of the laborer as a ward and prosecution on his behalf of the employer to enforce against him the laborer's notion of his contract, a development which has caused thousands of employers of one and two men to lay them off and do the work themselves or let it go undone, and so on and so on; swarms of new laws, endless schemes of restriction and compulsion, unheard of commissions, taxes without number, burdens without limit, until business becomes a thing that a man would flee from if he could find a way out, and few would have the hardihood to enter.

And yet notwithstanding it must be apparent to anyone who will bestow a little thought upon the subject that our troubles have arisen from our forsaking the natural law of wages, we find all agents of the government, whenever they get into harness, running strongly toward Socialism. Never for a moment turning their thoughts toward liberty, to determine whether in that direction there may not be some avenue of escape from intolerable conditions, they see no way out but by the road which leads to conversion of the State into a domestic overlord. Their absence of rational explanations and sane direction concludes even the great capitalists like Daniel Guggenheim and thousands of others, that Socialism is the only possible refuge, and that it must come with whatever conditions it entails. In 1907 the President appointed, under act of Congress, a commission to investigate the question of immigration. It was comprised of eminent men, various of them members of Congress. It spent three years in the work, and produced illimitable tomes of data and report. Little that it developed was new, and its recommendations were worse than useless, in that they called for restriction of immigration in conformity with the doctrines of the labor unions. The recent immigration acts containing the literacy test, now vetoed by three presidents, were the outcome of these recommendations. The commission did not give thought to analyzing the meaning of migration as a natural law, whereby the error and injury of restriction might have been seen, as well as the folly of supposing that it is an injury to laborers already in the country, but it devoted its time to collecting and compiling facts, very voluminous and of small account. Now, therefore, after this ineffectual commission shall have gotten off the ways, we have another, in and about similar business: this time the Industrial Relations Commission to which I have referred, whereof, as I have stated, Mr. Frank P. Walsh is chairman. This body for two years past has been inquiring of all and sundry from the four sides of the continent the cause of the industrial unrest. From such lucubrations as it has evolved out of the wisdom of the witness stand, Chairman Walsh has quite definite notions upon the subject. In a speech before a New York audience recently he said:

"We have to realize in our problem that toil and toil alone produces wealth; and the toiler is no better than a slave unless he has for himself a compelling voice in fixing conditions under which he is compelled to work, his wages, his hours of labor and conditions as to safety and sanitation. Low wages and the conditions that arise from them are at the heart of our problems of today.

. . . We cannot go on with autocracy in business. The fact that the majority of the employing power in America is lodged in Manhattan Island is a menace to the perpetuity of our institutions, for it is but a step from the autocratic control of industry to the tyrannical control of government."

There can be no question that Chairman Walsh is a Socialist. Whether he was such before he accepted his place on the commission, I do not know. None could be farther wrong than he in his utterances. Wealth is not produced by *tail* or by the *toiler*; it is produced by *mind*. The toiler himself is useful just in degree as he employs thought in his work. Whether the toil be supplied by brawny arms, by the muscles of the horse, or by the swift whirling wheels of the mechanism, it is the *directive force* that elicits the yield; and if we shall permit the blind physical executives to overcome the guiding thought, there is an end of all order, and confusion pervades. The trouble today is that the employers have *not* control of their conditions of labor. The very state of things which have produced the disturbance is what this Federal official Walsh wishes farther developed along the lines which have occasioned the damage. "Low wages" is not "at the heart of our problems today." Never in the world's history, in any nation, at any time, have wages been so high—that is, so much coin paid for the work, and Chairman Walsh would have them still higher! The trouble, as I have shown, is the very converse of the view he asserts; it is the resulting evils of artificially high wages that have produced the prevailing untoward result.

And when Mr. Walsh succeeds in abolishing "autocracy in business," let us then be very sure that business also will be abolished; that is, business as performed by business men. From thence on such attention as it receives will be bestowed by politicians in the pay of the State. The condition of which Mr. Walsh complains is nothing other than the power of the employer to discharge the hand while continuing to conduct the business. This is the "industrial democracy" to which I have heretofore referred, as well as to the attitude of the Federal government, through its Department of Labor, on this question. It has come to pass that the government steps forward and takes up the cause of one group of citizens against another, not where any wrong is committed by those whom the government thus opposes, but where right only is insisted upon. It does not take a wise head or a farseeing eye to perceive the confusion and collapse that must ensue in our affairs and to our nation, if principles such as these are favored to supplant those sound and safe abstractions upon which that government was installed.

The assumption for which Chairman Walsh is now engaged in creating public opinion has just been pronounced against by the Supreme Court of the United States, which has vitiated the statutes of fourteen States; California among the number, making it a crime for an employer to require of an employee, as a condition of employment, that he would not join a labor union. Six justices stood for the principle that the employee's

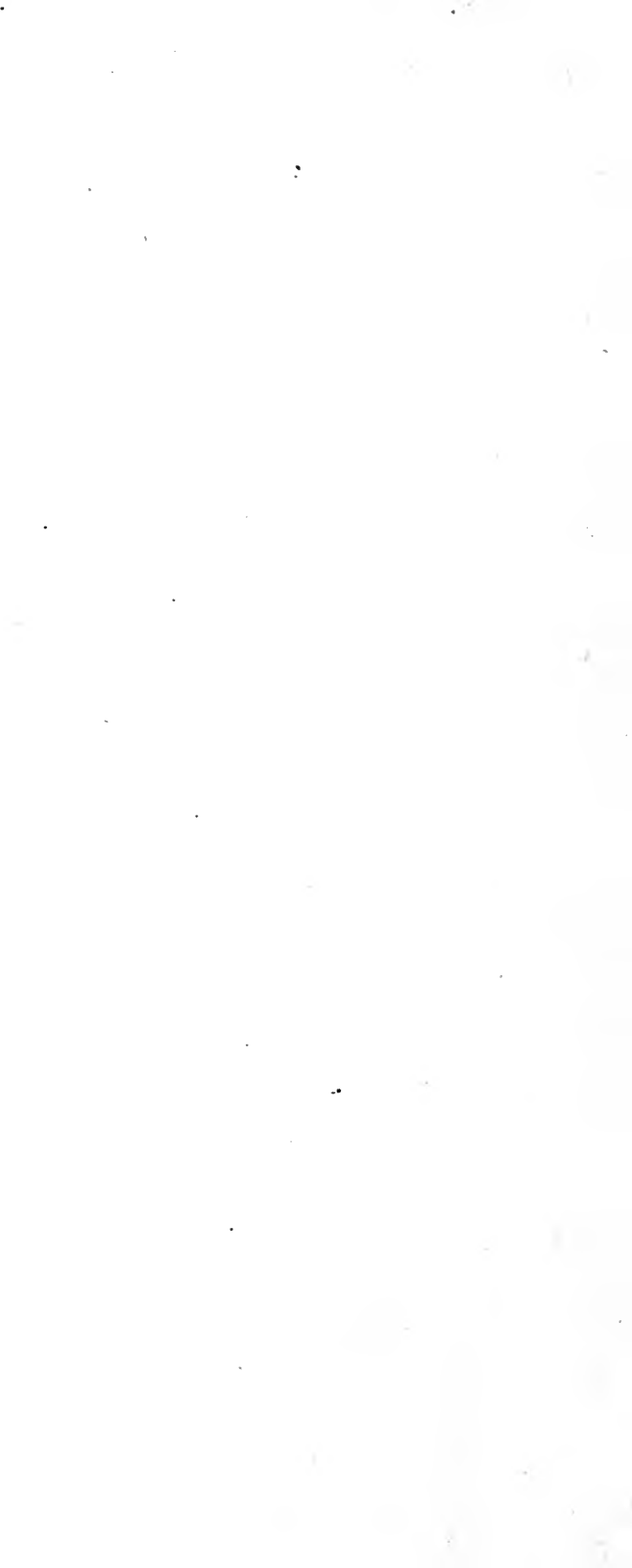
liberty of making contracts does not include a power to procure employment against the will of the employer. The question of what may affect the employer's will is altogether immaterial. It may be anything, legal or illegal. It is sufficient if, under any condition, the employer does not wish to employ a man; he is not to be by law compelled to do so. Nor once having introduced a man into his service, is he to be made the victim of a law to force him to continue such man in his service against his will. Immediately it becomes lawful for the employee to either enter or to remain in the employer's service contrary to the will of the latter, that moment is the property of the proprietor confiscated by the State and set aside for the benefit of the employee, who is thus specialized as a class and favored by the government as against the rest of the citizenry.

The only remedy for the condition that oppresses all industry, employer and employee alike, with its dread consequences to society and to the nation, is return to the principle of human liberty. There must be recognized as the basis of industry the inherent right of the employer to employ whom he will, when he will, for as long a time as he will, for what wages and under what shop conditions he will, and to discharge when he will, subject only to the employee's acceptance of the offer of the employer, and to the obligation of whatever contract there may be made between them; and all idea of the employee being the subject of an oppressive environment that has compelled him to accept the conditions of the employer or starve, or of the employer that he must have through the arm of the State a force compelling the employee to continue a service which he becomes unwilling to perform, doing this by a power chaining his body to the job, when under common law he would be guilty only of a breach of contract answerable in civil damages, all this must be abandoned, and remedies for the condition of things of which the parties complain must be looked for in other directions. The employee must strike hands with the employer in *increasing* jobs; that is, in increasing business, and must turn thought to the methods by which this can be done. It is not to be done by coördinating in the starting of new enterprises, but by removing the obstacles which exist in public law and systems, labor union and other, to new business being started. As business is essentially service of one man upon another, and its extent held in bounds only by the ability of the individual to render service, so business should at all times exist in great abundance; jobs should always be calling for men on every hand; industry, as I have elsewhere said, should be held back by lack of men, not by lack of customers, as is now the case.

How to bring this about is extremely simple. It is by returning to the principle upon which this nation was founded, namely, by recognizing that all men are equal; that they each have all rights up to where the exercise of such touches the border of like rights of his neighbor. That government exists only for safeguarding those rights, and its function is to hold a balance hand between man and man, and to maintain order, which latter is care for the public safety and the public health. That the moment government steps over these bounds, it invades the rights of man and becomes

a tyrant, and it is the nature of all tyranny that it ever increases from outrage to outrage until war ensues. With the principle of human liberty and equal right as a guide, held ever in hand as a carpenter his standard, industrialism may again be made safe, and business prosperous; while without this, on the course we are now proceeding, order must dwindle, chaos must supervene and havoc, such as we have already so abundantly known in the United States must transpire, only to be stopped by war, which is in itself a kind of order—the order of force working to attain the order of peace.





WRITINGS OF JOHN E. BENNETT
BOOKLETS

The following are short articles published in a form to be easily carried by the ordinary business envelope, together with a letter, under a two-cent stamp.

WHAT WILL BECOME OF BUSINESS?

Being an abridgment of the pamphlet, **THE INDUSTRIAL UNREST**, and designed for use as either an introduction to the reading of that paper, or as a synopsis of it for the requirements of the busy man.

THE END OF BUSINESS

A short essay upon the passing of the employer's right to discharge an employee, hence to maintain control over his business; the incident vesting in the employee of a property right in the employer's establishment by virtue of the induction of the employee therein, and the attitude of the government of the United States through its Department of Labor in reference to this demand. The effect such principle must have upon business and statement of the needful changes in the industrial and political world to restore freedom and bring prosperity to industry.

AS SEEN IN AUSTRALASIA

A review of the recent report of the Commission of the National Association of Manufacturers upon "Industrial Conditions in Australasia," the same being a survey of the operations of trades unionism and its concomitant legislation in Australia and New Zealand, with information gathered upon the subject from other sources. In these Colonies the trade union principle is probably further developed than in any other region of the world. Having control of the respective governments, the unions have been able to apply their doctrines with the force of law. All the various legislative and other schemes and expedients just entering the domain of business here, have there been in existence sufficiently long to test out their value to society. The result has been a highly increased degree of industrial unrest, incessant strikes and disturbances, restricted development, slow growth and business stagnation; the artificial increasing of wages correspondingly raising the cost of living with incidental widespread impoverishment, the workers, as stated by a leading Australian economist, creating "a rod for their own backs." The inquiry throws much light upon the future of California under labor unionism, and emphasizes the necessary relief to the pressure of population under prevailing erroneous economic policies producing idle multitudes in a sparsely settled country, which relief the existing European war is affording to Australasia in the decimation of her expeditionary contingents.

THE NEXT PAMPHLET

The forthcoming pamphlet is entitled **War and Business**. It will be a discussion presenting a solution of the vexed question of further armament on part of the United States, which now threatens not only to convert many thousands of our youth into soldiers, burden business with increased taxes to support the waste of munitions, but is preparing the soil for the blood of our children, if not of many of ourselves and of those who are now our friends, clients and customers, whose duty it will then be, through no fault of theirs or ours, to shoot us, and we them. Incidentally, this paper will present what is confidently asserted as the rational policy and determination of the whole world's peace question, which has occasioned so much controversy, without the result of stopping war, throughout the world.

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Organized in an endeavor to arouse the business world a consciousness of its peril in the presence of the industrial unrest; to show the cause of that unrest, and its inevitable culmination in the suppression of business as a function of the citizen, and the convergence of industry and affairs of the Socialized State, resulting in unavertible war. To point out the rational and easily understood solution of this situation, which abides in a change of certain public laws, resisting certain policies of labor unions; and to educate the public in bringing these changes about, which will liberate business from the restrictions which hamper and prevent transactions, thereby calling into existence a state of equilibrium of business and industrial activity, making wealth abundant and distribution just, securing the inviolability of property in the hands of its owners, and insuring continuous peace and tranquility.

Excerpt from the By-Laws of the
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Membership of this Association shall be three kinds:

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