

# Honest Business

Right Conduct for Organisations of  
Capital and of Labour

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Amos Kidder Fiske

W. Seidler  
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*By Amos Kidder Fiske*

The West Indies—A History  
*(In the Story of the Nations Series)*

Honest Business



# Honest Business

Right Conduct for Organisations of  
Capital and of Labour

By

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Author of "The Modern Bank," "The West Indies,"  
"The Great Epic of Israel," etc.

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## PREFACE

**I**N the chapters that follow, the writer has undertaken to give a description and explanation of the essential conditions that are the basis of business organisation and of the principles that control business operations. In the course of editorial labours covering a long series of years, the author has had constant occasion to apply to current problems methods presumed to be "up-to-date" and principles evolved by experience and observation.

It is his belief that in this work he has acquired views on various aspects of the relation of capital and labour, of production and consumption, of wealth and poverty, and of the rights and interests of the people individually and collectively, which vary sufficiently from opinions largely accepted by the general public to warrant their being brought into print for the purpose of furthering the material, the mental, and the moral progress of the community. The chapters will be

found to contain some repetition of certain fundamental ideas concerned with different aspects of the same general problem. Such repetition is not in itself, at least for the student, a disadvantage, as there are matters which ought to be kept in mind with the consideration of each separate subject matter or of each division of the larger subject. The volume has been planned for the information and enlightenment of the common mind, that is to say for the service of the average man and particularly of the younger men who are willing to give serious thought to their increasing responsibilities as citizens. It is the author's hope that his book may stimulate these citizens to sound thinking on questions which concern the daily life of all the people and the prosperity and the safety of the Republic.

A. K. F.

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# Honest Business

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## I

### WHAT IS BUSINESS?

**B**USINESS is busy-ness. Every one who is working with mind or with muscle to produce from the natural resources of the earth, and to distribute and diffuse the things which minister to the manifold wants of mankind, is doing his part in the business of the world. Every one who owns or supplies the tools and implements, the appliances and facilities, for these processes, or who takes part in directing the necessary operations for making them effective, is engaged in business. Capital furnishes the things to work with, to multiply products, and to expedite their distribution, and those who supply the capital perform an important service in carrying on business. Labour and

capital are the producers. They must work together or no large amount of business can be done. Capital, which is the offspring of labour and would not exist without it, could do nothing alone for its owner. Labour could work for itself, provided it had possession of the earth, but it would make but a primitive and precarious living until it had created and accumulated capital as a means of multiplying results.

For men to be busy and to attain the results of business, they must have capital and they must work together in using it. The more effectively and faithfully they work together, the more they will produce and divide among themselves, and the better it will be adapted to satisfy their wants. The more business will prosper and the better off will all be who take part in it. We use labour and capital here in a figurative sense, to denote those who do the work and those who own and furnish the capital, which is the product of work already done and the progenitor of more work and of new capital. Labour and capital in this sense are natural partners. They cannot be rivals, because each is indispensable to the other, and for them to be enemies is folly. For them to

resist and fight each other wastes time and energy, diminishes production, and causes nothing but loss to one side or the other, and in the long run to both.

Labour and capital, or workers and owners of capital, are partners in business, but their shares as such vary in different occupations. In cultivating the soil and delving in the earth labour may have a predominating part, but to accomplish much it has to work with capital, and the more it works with it, the more it will produce. In manufacturing, capital takes a larger part because costly buildings and machinery must be supplied, without which labour would be comparatively helpless. In transportation and trade capital takes a still larger share in accomplishing results, for the partners are engaged in carrying, distributing, and exchanging what others have made and are sending to market. They are performing an important function in business, one without which it could not get along very far. In banking, capital is pretty nearly the whole thing. Handling capital, "raising" it, placing it where it is wanted, and getting it into use, is its part of business and an essential part where business is done on a large scale.

Without it business on a large scale would not be possible. But everywhere there must be labour. Without it capital would be inert and useless.

But what is labour? What is work? It is not merely toil with the hands or with tools or machinery. Even that requires intelligence, and the more intelligently it is performed, the more fruitful it will be and the more valuable in business. But labour with the brain, with the mind, in which the hand has a subordinate and often an insignificant part, is quite essential to any but the most meagre results. It is absolutely necessary to any large results, and the greater its power the richer those results. As tools and machinery multiply the product of manual effort, mental effort applied to planning, directing, and executing in business, increases according to its capacity and skill the output of both. This, too, is labour. This is work of the most effective kind. Brain handles capital as brawn handles tools, to multiply product and conduce to abundance. They must work together to make the best business.

Why do they not always work in harmony, seeing that it is manifestly for their interest

to do so, since more would be produced for all to share? Simply because labour and capital in the figurative sense in which we use the terms are human, and humanity is on the whole neither wise nor entirely honest with itself. Those whose work is chiefly of the mind, exercised in planning, directing, and executing the processes and operations of business, must control the capital in use. If they do not own it they represent those who do, and are employed to work for them. At every stage of the process of production, which means the process of getting what nature supplies from the place and form in which it is found to that in which it is to be used to satisfy human wants, every one engaged in the business is entitled to his share in the fruits of labour, in proportion to the part which he has contributed to their production.

That may be difficult to determine, but not so difficult as it is to accomplish. If every one were anxious to ascertain simply what fairly and rightly belongs to him, and were willing to accept that and no more, the difficulty would be greatly diminished; but the fact is that nearly every one is eager to get all he can, and willing to receive it whether

it rightly belongs to him or not. It is from this weakness of human nature that nearly all the trouble in business, between labour and capital, between employers and employed, between rivals in trade, between corporations or combinations and the public, proceeds. Men are not sufficiently honest with each other or with themselves in the business of life, and they are continually suffering the penalty.

The great need of the time is to get ethics into economics and morals into business. The human race has been striving for ages to attain a higher standard of conduct in the different relations of life, which means a better chance of happiness and content of spirit. The effort has been directed mainly to social and domestic relations to the neglect of economic and business relations. People have become "indifferent honest" in their smaller dealings and their personal relations, where they come into immediate contact with each other. Mere lying and cheating, even getting the better of each other in trade, has fallen into general disrepute because it comes so closely home to the individual and is so palpable. But business with a big "B," in which transactions are

on a large scale and widely extended, has been too much regarded as a game where skill and finesse may be used without scruple, or as a kind of warfare in which strength and strategy must prevail to the discomfiture of those who are unable to hold their own in the struggle.

Men have been wont to use their "inside knowledge," however attained, all their resources, their keenness and subtlety, and their advantage of position, however adventitious, without scruple, because "business is business" and everybody is expected to be "on the make" and to make all he can without considering who loses. This has not been considered inconsistent with "good standing" in society, especially if the gains are disposed of in a reputable way. Much less has it been destructive of "good standing in the business world." This lack of a strict moral and social judgment in business matters has resulted in such excesses and abuses as at last to cause a revolt and bring "big business" into disfavour. Its offence has been accounted "rank" in comparison with that of small business because it is conspicuous and unconcealed. This it is that has led to so much agitation for regulation and super-

vision by the government in behalf of the people. But the one thing most needed in solving the problems of labour and capital and the relations of business to the general well-being is simple honesty in the dealings of men with each other and with the public. If all would stand only for what are their rights there would be no wrongs for government to correct or to punish.



## II

### ALL MEN ARE NOT EQUAL

WHEN we speak of the part which labour and capital take in the business of the world, or the part which those who own or supply capital and those who work with their hands or with their brains contribute to production and are entitled to share in its results, we must recognise the great differences which exist among people, differences in the part they take in the work done and consequently differences in the shares of the fruits of labour to which they are entitled. It is no more honest for one to insist upon having more than he has earned than it is for another to seek to prevent him from getting all that he has earned. If in one case there is a union of forces to compel an unfair division, or in another case to withhold a fair division, it is alike extortion or fraud. It is robbery of some for the gain of others. It is rank

injustice. In plain terms it is dishonest, and in the end honesty is best merely as a matter of policy. The sure result of the effort of one partner to get the better of the other is a conflict which causes a diminution of the supply of goods to be distributed, a reduction of national wealth, and an impairment of the general welfare. While some may for a time get more from unjust methods at the expense of others than they would by fair dealing, nobody can escape his share in the final penalties.

Whether or not it is a self-evident truth, it is a fact proved by observation and experience, that all men are not created equal, if what is meant is equality of capacity for the struggle of life or equality in the elements that are to form character and contribute to success. There is no fact more fundamental, in considering the problems of human life, than the inequality of men. Nor are all men or any man endowed by their creator with rights which may not be alienated or forfeited, even to life, liberty, and the pursuit of happiness. But what all men are justly entitled to is an equal chance in life for the employment of such faculties as they possess, for their development and improve-

ment, and for securing the fruits of their own efforts. Their very inequality and the conditions which inevitably result impose upon the strong, the richly endowed, and the favoured by circumstances, the responsibility of giving to the weaker and the less fortunate that fair chance in the world which of right belongs to every man born into it. More than that, it is the moral duty of the strong and the favoured to lend a hand to the weaker brethren of the race and help them to rise and to advance with the rest, according to the measure of their capacity and willingness. It is not only a moral duty to humanity, but an economic duty to organised society, in the benefit of which all must share.

It is a patent truth, if not self-evident, that in the creation or evolution of man, throughout history and in the present state, vast and varied differences have developed. Every "common labourer" knows that in his calling there are differences in physical strength, activity, and endurance. There are differences in industry, in the disposition as well as the capacity to work, and in the incentives and motives for effort. It is not wholly, or in any considerable part, a matter

of volition, but of innate qualities and of habit springing from them. Every skilled workman is well aware that there are wide differences in intelligence, in capacity for training, and ability for acquiring skill, and consequently in the results attained. There is here as elsewhere great inequality in industry, in ambition, in willingness to work steadily, in thrift, and in the desire to better one's condition.

Among those whose capacity and disposition are for work with mind rather than with muscle, to do the thinking, planning, and directing in the activities by which men live, there are similar differences. They affect the innate ability of men so endowed for the service to which they aspire, their aptitude for the needed training, their application and persistency in meeting its requirements; and, as an inevitable consequence, there is every degree of success and failure. This is as true of business men, of exploiters of production, of managers of manufacturing industry, of directors of transportation and of traders and agents of exchange, as of professional men whose function it is to give legal or medical advice and service or those who are devoted to the

embellishment or the diversions of life. Those who start upon these various paths, which may or may not lead to wealth or eminence, have diversity of faculties, qualities, and aptitudes for what they undertake, which lead to equal diversity of results, and the way is strewn with disappointments and failures, while comparatively few reach the heights of success. The greater number merely live in more or less comfort.

It is not alone in the elements of efficiency for the world's work that men are created unequal. Personal qualities develop with their growth which variously affect their fortunes. Some have attractive traits which are the gift of birth and inheritance and which help them to find opportunity and to hold to it. Others are always ready to help them along rather than to hinder them or to take advantage of them. Some lack these gifts and some are afflicted with repellent traits which hamper their efforts, however meritorious from the point of view of efficiency and fidelity. These differences are mainly a matter of natural endowment and not of the will of those who are blest or cursed with them.

There are differences of condition and

environment in which men are born and spend their early years which have decisive results in their lives, independently of their native faculties and capacities. Some owe everything and many owe much to favouring circumstances supplied by the efforts of others, and many, from one defect and another, fail to benefit by the advantages of birth, surroundings, and every helpful influence. On the other hand, many with the germs of good quality and fine capacity are so submerged and overwhelmed in adverse conditions at the beginning of life that they never accomplish that of which they are capable. Only a few among them, with exceptional endowment and strong ambition, by hard struggle make their way to success among the foremost.

There are moral differences upon which we need not dwell here, differences in a sense of honour and fidelity, in capacity for integrity of character and conduct, and these differences have much to do with the economy of human society as well as its attractiveness and the satisfaction of its members. This inequality of men is a fundamental fact of economics. It is to be taken into account at every step for its bearing upon their

rights and their duties and obligations as members of an industrial and commercial, as well as social, organisation, the purpose of which is or should be the welfare of the whole people more than for the concrete wealth of the nation as an organised body politic.

### III

#### SELFISHNESS AS AN ECONOMIC PRINCIPLE

WHILE men are so variously endowed from birth and develop with such a diversity of faculties and qualities, they have one controlling motive, which also has its degrees and variations. They are naturally selfish. Selfishness is not only natural, but it is useful and necessary as a motive power. It is the father of emulation with its thousand sons. It supplies the spur to effort and the stimulus to ambition. It emanates from the desire to live, and to live in ease and comfort, and, as life advances, to enjoy its various satisfactions. It is associated with the powerful instinct implanted in man for the perpetuation as well as the preservation of life in the process of evolution, which in the human race creates the family and the social organism for the development of the higher sentiments and loftier purposes, which distinguish man from the beasts that



perish. Without it there would be no progress.

The scientific doctrine of evolution in the creation of the world and its inhabitants is based upon indubitable evidence in the earth's history; but its limits are not clearly defined and it may be too rigidly applied in its relation to the development of human society. In the conflict of force and matter there is a never-ending process of destruction and re-creation; and, when life began, there was continual strife for the survival of the fittest, that progress might be made toward the ultimate goal. Behind this secular process there must have been an infinite power which initiated and impelled it. It could not originate from nothing. It was not the march of dead matter and blind force engaged in a fierce struggle without purpose and reaching fortuitous results. There surely came a time when man emerged from the conflict of elements and derived from some source in the midst of the physical ferment that which developed into mental powers and moral qualities, and pointed to some other destiny than hopeless extinction.

Something in some way and for some purpose endowed men with reason, conscience,

and will. Whatever the source of these qualities, that source could not itself have been devoid of them when they appeared as germs in man and began to grow to what they have become. Certainly they now exist in man and are to be reckoned as his highest endowment. The moral qualities are not to be regarded as of no use or value in man's material progress and economic welfare, and as serving only to save his soul for another life. They are essential to the real success and enjoyment of this life. They are to be recognised as a potent force for beneficial results. Their neglect entails penalties from which there is no escape. Their force does not destroy the selfish instinct but transforms it.

It has been common to assume in economic discussion that every man is entitled to obtain from the resources of nature all that he can wrest from them by his own efforts and by directing the efforts of others; that the capable and strong are entitled to all they can win by their superior capacity or special advantage in natural endowment or in favourable situation, and the less competent and the weak must be content with what they can seize or pick up from the

remnant; that the former have no responsibility on account of the latter as a matter of economic principle or natural right. In the production and apportionment of that whereby men live there has been a virtual justification of the Rob Roy doctrine; derived from the creatures of flood and field "and those that travel on the wind."

"The good old rule  
Sufficeth them—the simple plan,  
That they should take who have the power,  
And they should keep who can."

The human race has inherited the earth and the fulness thereof, the land and its resources, with the varied advantages of location, quality, and climate over the face of the globe. It is a common heritage which cannot be increased or diminished in extent or kind by any effort of man, but which may be turned to account for his sustenance and enjoyment only by such effort. The first achievement of the strong in mind and body, the most capable for providing for self, was to take possession of portions of land and its resources to hold as their own to the exclusion of all others. In the progress of civilisation the right to hold this "property," by

whatever means the "title" may originally have been obtained, has been confirmed, established, and protected by law. The holders, whether by seizure when there were no prior possessors, by inheritance, or by purchase, have been secured in permanent and exclusive ownership. They have been treated as not only entitled to have and to hold all that they could derive from it by the labour of themselves and others, and whatever increased value may accrue to the land from their efforts, but also all the increment that may come from the growth of communities and the development of industry and trade due to the efforts of others. This is one great cause of inequality in the distribution of wealth and in the condition of people of like capacity and merit.

Another is the advantage taken by the strong over the weak in the employment of labour. In primitive conditions it was the natural result of differences in physical strength, in mental force, in skill, and energy, that some should acquire more than others. They could, if they would, live more sumptuously or live in greater ease, or they could accumulate part of what they produced or acquired and grow rich. Thereby they could

arrogate to themselves more and more the sources of wealth and use them for their further enrichment. This could be done without actual encroachment upon the rights of others or seizure by superior strength of what others had gained. Thus inequality of condition would be speedily established, and would grow with the keeping of wealth in families by inheritance, so long as the capacity for getting and keeping was perpetuated. Even after that, the law put safeguards around accumulated property to prevent it from being diffused.

As the possession of land and its natural resources and the accumulation of wealth advanced, it became necessary for owners to use more labour than their own or that under their immediate control in family or clan. Labour had to be owned or had to be hired and paid for with subsistence sufficient to secure it. In the early stages of progress the less competent of men were generally averse to more labour than was necessary to sustain their own lives or minister to their most urgent wants. They were averse to steady or systematic effort and unwilling to work unless they were compelled to it. They were especially averse to working for the

benefit of others and would do so only under compulsion, either of force or distress. Hence the system of involuntary servitude, of slavery, serfdom, and feudal dependence, whereby the many of inferior capacity laboured for the few who had greater capacity or had acquired advantages which gave them mastery.

This system was at that stage necessary to the continued growth of wealth and the advance of industry in producing from the resources of nature and distributing among men those things which sustained life with increasing comfort and order. While it contributed to a still greater diversity of condition, a wider difference between those who had much and those who had little or nothing, the condition of slaves and dependents was doubtless better than the condition of the same persons would have been if they were left to such fate as they might make for themselves. This was a stage in progress which was necessary to prepare the way for the next and contribute to material advancement and elevation. It had to be outgrown.

Next came the stage of some employing the labour of others by hiring, or "the wages

system," which led on to the modern division of labour, the multiplication of machinery, the organisation of capital, and all the rest, which have created so many problems and so much conflict over their solution. Under the wages system the inequality of men, and the advantage of the strong over the weak, or the superior in capacity over the inferior, is no less conspicuous than in other aspects of human life. It is the fundamental fact, the self-evident truth. Here, too, is where the failure of economic science to take cognisance of its most important principle is especially glaring.

Of the value of emulation among men there is no question. The desire to better one's condition, to improve one's position, to excel, to win, to accumulate wealth, is the mainspring of material progress, and material progress is essential to advancement and elevation in individual, social, and political life. In the language of economics this takes form in the "principle" of competition. Competition is a word that gives expression to an important principle; but, like many others, it is susceptible of various meanings and applications. Competition has been sanctified into a sort of fixed dogma, infallible

in its working and indisputable in its validity; and, like some other dogmas, it has lost vitality by putting theory, or doctrine, above practical effects. It has been treated as if human beings worked in an industry like machines, subject only to physical laws and external control. It is made mechanical in its operation, void of ethical quality, and having no relation to moral conduct or a spiritual side in man.

Competition among men, between those of varying capacity, has been likened to that struggle in the evolution of nature which results in the survival of the fittest and the destruction of the unfit, making man only the last product of a physical process with no destiny but final annihilation when the world is ripe and ready for decay. The strong, the richly endowed, the favoured by circumstances and by the civilisation which they have made, having large possession of wealth, become capitalists, masters of industry, and magnates of trade. They gain control of land, of "plants" for production, of machinery and tools, and become employers of labour. They toil and spin with brains and nerves and expend their energies in work as exhausting as any, and they are



worthy of their hire. But their efforts for more wealth would be unavailing and their own work would be fruitless without the labour which they buy and pay for in wages.

How have the learned economists treated the "questions" of capital and labour, the fundamental questions of their "science"? Mostly as a soulless matter of competition, of the survival of the fittest in a struggle for life, and the treading down of generations of men, women, and children to grind out wealth to be gathered by the strong as a means of increasing their power. From a merely economic point of view, laws and government are necessary to protect property from being stolen or destroyed, to protect persons who do the work of creating wealth from being killed or injured, to protect the liberty of individuals so far as that contributes to the welfare of society. The chief purpose of laws and their enforcement by an established authority is material and not moral benefit. Hence certain wrongs are made crimes or offences against law, to be punished for the safety of the community. It is mainly a question of producing and conserving, a question of income and its security, or of loss and expense.

These legal wrongs are recognised by the "science of economics"; but violations of the moral law which prescribes duties and responsibilities among men and makes of them a brotherhood, bound together by a common origin, a common relation to a supreme power and a common destiny, are treated as having no relation to the intensely practical matter of "making a living" or "making money." That is a struggle with the "best man" entitled to win, every man for himself, the incapable to be trampled upon, the hindmost the legitimate prey of the evil one. There is a "science" of ethics, but it is not a relative of economics. There is charity, but it is outside of "business." There is religion, but it has an exclusive field, and treats souls as having a destiny apart from the flesh which they inhabit and from the needs of the present life.

But after its long experience of struggle with selfishness unrestrained in the business of life, the human race is beginning to learn that this is not the best policy. While the members of that race in their several communities have great diversities of capacity and quality, there are no distinct lines of natural division. They form a common

working mass with a common destiny, and are not ranged by nature or by fate into ranks and classes with conflicting interests. They must rise or fall, advance or retreat, improve or degenerate, as one body, with a general consciousness, a common soul, as it were. The leaven of that mass must be a sound sense of justice, the savour of righteousness,—what a notable teacher of mankind was wont to call the “kingdom,” or ruling power, “of heaven.” In business relations, this is to be translated as plain honesty, honesty in the relations of workmen with each other, in the dealings of capitalists with each other, and in all the relations of capital and labour. Once this can be attained, the troubles, disputes, and conflicts will disappear, production will be greatly enhanced, the common wealth will be increased, the general welfare will be proportionately advanced.

## IV

### UNREST DUE TO UNFAIR DIVISION

**I**N primitive times, and in most lands in the times we call ancient, the strong ruled, the many toiled that the few might have power and wealth. Thousands worked for a miserable subsistence, because they could not escape, in order that scores might live in luxury, win predatory battles, and build monuments to their own glory. In modern times labour has been made vastly more productive and its fruits have been more widely and more plentifully distributed, but in their distribution the era of equity seems to be still remote. The increasing unrest of recent years comes from a sense of injustice in the diffusion of the proceeds of labour. In labour we include not merely manual and mechanical work, the toil of muscle and the strength and skill that direct it, but the service of planning, initiating, and managing, which multiplies the effect

of labour,—the toil of brain and the ability that directs activity to fruitful results.

It is almost a fixed practice to classify men and arrange them on lines of difference in capacity, crediting some with physical strength and a quality which they call skill, or capacity for skill, and others with mental force and what they call "ability." But nature fixes no such lines of division into classes. There is every gradation of physical and mental strength. There is brain in manual and mechanical labour in varying degrees, and there is difference only in degree between the ability that shows itself in "skill" and that which is displayed in the control of capital and the management of industries. There would often be gain by a shifting in the ranks to put ability where it belongs and incapacity in the right place.

The increase in the power of production in modern times has come chiefly from the division of labour, the invention of what are called "labour-saving" devices, and the accumulation of capital to control and direct a multiplicity of industrial forces working together. The division of labour so that each worker may be employed upon a single process or a single detail, and its effect in multiplying

results, is a familiar subject. The adoption of labour-saving devices is scarcely less so. These are not strictly devices for saving labour, but for multiplying its results. The labour of men or the number of workers has not been diminished by the adoption of machinery, but the fruits of the same labour have been enormously increased. Where has the chief benefit gone?

Before attempting to answer that question let us consider briefly another familiar topic, the accumulation of capital. Few men work only with their hands. The first multiplication of product comes from the use of implements, or tools, and the man who has these is possessed of capital. The vast enginery and machinery of the most highly developed industries are only implements or tools, magnified and multiplied. These are capital. Land and buildings, and machinery used in productive industry, are the proceeds and savings of past labour in fixed forms for further employment in producing. All such proceeds of labour thus saved and made available for such use are capital, and those who have it control the tools of production. Who has this control? Who benefits by it? There is no denying that the mass

of "working-men" have shared in the benefit and are better off for the greatly enlarged production of modern times; but have they received their full share of the benefit?

It is the comparatively few of the stronger among men, those more highly endowed with ability and the qualities favourable to success, more favoured by inheritance or environment or by circumstances and opportunities, that hire the labour of many who cannot, under modern conditions, live by working for themselves. As a rule they pay for this labour what they are obliged to pay in order to get it. The labourers depend upon the work for a living and there are many of them. They have nothing else to depend upon, and if they have to compete for the employment, they must take what they can get. Employers may compete for their service, but there are fewer of them, they are less dependent, and they have certain common interests which lead them to some extent to act in concert. If wages are determined only by competition, the employers have the advantage and get more than their fair share of the fruits of labour. The others have to work to live. These have to hire only to increase their wealth. In a

contest these can endure. The others have to yield or starve.

Those who have the capital and the tools of production own the farms, the forests, the mines, the mills and factories, the means of transportation and of exchange of products; and they hire the labour. The advantage is enormous and is not measured by the difference in capacity or ability, either to work or to direct the agencies of labour. It is a cumulative and accumulated advantage, and it puts the most powerful weapons in the hands of the strongest men. Under the operation of selfish instincts, it increases the profits of capital and the compensation of "ability" out of proportion to any increase in the wages of labour or the compensation of industrial "skill." It widens the difference in the condition of men out of proportion to the natural difference in capacity or any acquired difference in character. There is in the result an injustice, a lack of equity, which breeds discontent, and impairs actual efficiency. It requires something for its correction which the "principles of political economy," as heretofore expounded do not supply.

In spite of the increase in population in



modern times, in countries of what we are pleased to call advanced civilisation, there has been proportionately a much larger increase in the production by human labour in one form and another of those things which sustain life and contribute to its comfort and embellishment. The results have been very unevenly diffused, and there is need of some method or system which will distribute them, not equally but equitably. As there are differences in capacity and efficiency, differences in the practical results due to the efforts of men, there are also natural and just differences in the rewards they reap. Those who for generations have gained control of land and its resources, who have accumulated or inherited capital, who have mastery of the facilities and appliances for multiplying the results of labour, still "have the whip hand" almost as completely as those who used to own the labour or compel it to its tasks. They are able to arrogate to themselves far more than the share of the proceeds to which they are justly entitled on account of their "investments" of capital, and of their service in planning, directing, and managing industries and the agencies for affecting the distribution and exchange of the

products of labour. They are able to get more than fairly belongs to them, and most of them use that power with effect, some without scruple, and some because they believe they are entitled to the result for their superior endowment in property and in ability and character. They consider themselves benefactors of workmen in giving them a chance to "make a living" while they "make money," and feel bound only to "treat them right," being themselves the judges of what constitutes right treatment. Its measure is apt to be that which will retain the labour and keep it peaceable and efficient; calculated also to keep it in a state of dependence. Labour as distinguished from capital, workmen as distinguished from employers, do not always receive their full share, and this is the source of unrest and discontent, and of the "labour troubles," which entail a vast deal of loss in the industrial world. Economic science, truly formulated and applied, ought to suggest a remedy that is attainable and that will work a universal benefit. Thus far there is empirical treatment and many nostrums, but no cure. Many are the misdirected efforts for ameliorating conditions, on the side of both labour

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and capital, of workmen and employer; but an essential ingredient is lacking in the remedies suggested or attempted. A clear sense of justice and a desire to do justice are what is wanting.

## V

### THE USE OF MONEY AND CREDIT

**B**EFORE going farther in considering the relations of those who pay and are paid, whether in buying and selling or in hiring and being hired, it is desirable to have a clear idea of the use of money and credit. As it is hoped that the readers of this volume may include many who have not been students of the subject and have not acquired a knowledge of its technicalities, we will endeavour to set forth what it is essential to understand as clearly and concisely as may be.

Much confusion of mind is caused by the use of the word money in more than one sense. We speak of a man as being "worth" so much money, or having so much money, when we refer to the extent of his wealth; but the wealth may consist of a variety of possessions in tangible property and in investments representing shares in the loans

or in the properties and business of corporations. A very rich man may have little money at any particular time, but he has the means of getting it whenever he wants it, in any desired sums. He may have a dozen bank accounts and these may be large, and he is said to have a great deal of money in bank, but what he has there is not money but credit. Strictly speaking he has no money in the banks. What he deposits there is to buy credit, and it puts the bank under obligation to pay him or to pay others on his order, such sums as he may demand within the limit of his deposit or the balance maintained. Little of what he deposits is actual money, and that no longer belongs to him. It belongs to the bank and is not reserved for him but is used by the bank in its business. There may be no money at all in what he deposits. It may consist of checks or orders upon his own or other banks, which he has received for money due him. These transfer from others to him the right to receive certain amounts, and he transfers this right to the bank in which he makes the deposit and retains the right to get it from that bank as it is wanted, or to transfer it to others with his own checks. These pay-

ments and collections through banks represent values, something to be paid for; but comparatively little actual money may pass in and out of the banks or from hand to hand in transactions involving thousands or millions of dollars.

When we talk about making money or earning money, it is not money that we are after. Money is of no use except as a means of getting other things. The man who is said to be "making money" is merely getting gain and acquiring property in one way or another, and that gives him the command of money so far as he may have use for it; but he does not "make" it and he may never have much on hand. The man who is said to be earning money is merely earning a living, and perhaps a little more, which he can save. He is usually paid in money, which he has to pay away about as fast as he gets it for rent and the means of subsistence. That is what money is good for to him, and what he gets for his work is the things he pays for with it. His real wages are measured by what he can get with the money that is paid to him.

What then is money in the strict sense of the term? It is said to be the "measure

of value" and the "medium of exchange," but what does that mean? The fact is that all the transactions of our lives consist in giving one thing of value for another, parting with something we have to get something else that we want. What we have may be commodities of some kind, materials to be worked up, or products ready for use, which we have made or acquired from others, or it may be ability or capacity for labour or service in the world's work. We furnish one kind of commodity to get another, or we furnish labour or service to others in order to get the kinds of commodities that we want; but it is only in the most primitive state of society that this can be done directly by barter. We need some one thing that everybody can take for what he supplies and can give for what he wants, to save the trouble of hunting up those with whom we wish to exchange. This one thing must have a value equal to what it pays for or what it is received for, in order to be a safe "medium of exchange."

This thing is money, the only real money. It is worth in itself just as much as it pays for in something else or is received for in return for something else. The world

settled down long ago to the conclusion that the best thing for this purpose was the "precious metal" gold, and "standard money" is now made of that in all countries of highly developed industry and trade. Why was gold settled upon by experience as the universal medium of exchange? Because it is a relatively scarce material, in universal demand for its utility or its attractiveness for display, and consequently of great value in small compass, and of comparatively little variation in value in different places and at different times. It is not absolutely unchangeable in value, because there are changes in the supply of the metal in relation to the demand for its use. If there is a large increase in its production without a corresponding increase in its use, it will slowly depreciate. If there is a considerable increase in the demand for its use and a less increase in the supply available, its value will slowly appreciate. In the former case the prices of things measured by it and exchanged for it will rise. In the latter case they will fall.

In spite of the fact that gold is not absolutely invariable it is the best material there is in all the products of nature for use as



money in effecting the exchange of other things. It is the least variable that we have in sufficient quantity. It is most convenient because it has large value in small compass and can be easily wrought into pieces of different size to represent different values in exchange. It is readily coined and stamped to certify the value of the pieces so as to circulate safely from hand to hand. The value of these pieces is determined by the weight of pure gold in each, and if they contain anything besides gold, as they usually do, it is to make them harder so as not to wear out so easily. Gold might be, and sometimes is, exchanged for other things by the ounce; but to make sure of the purity and value it is coined into pieces of uniform size for different denominations of money, and stamped in a way to give assurance that the real value is there. The value is not in the stamp but in the gold. The stamping must be done by some authority that can be relied upon, and that is why coining is done in each country by its government and it is made a crime for anybody else to do it.

Why is gold called a "standard of value," as well as a measure of value and a medium of exchange, which is due solely to its own in-

trinsic value? Unfortunately different countries do not coin it into pieces of the same size, the same degree of fineness of metal, and consequently of the same value, and do not give to these the same denominations and the same names. If they did, exchange between different countries would be simpler and they would have a common standard. A standard of weight or of length or of value, is that to which anything commonly used for measuring these may be referred, or with which it may be compared, to make sure that it is correct. The standard for money might be made of something else, but in most civilised countries it is for reasons already given of gold. But there must be a standard unit as in other measures. For the sake of simplicity and conciseness we will refer only to one, that of the United States. There the standard unit is the dollar, which consists of 23.22 grains of pure gold, to which to give it more firmness and durability, an alloy of baser metal is added, making one tenth of the weight of the coin. This makes the dollar 25.8 grains of gold nine-tenths fine. The value of the dollar is in the gold. The coin of that denomination is small and little used, but multiples of it are made for

greater convenience, chiefly five, ten, and twenty dollars. These contain exactly five, ten, and twenty times as much gold as the dollar.

This is all quite elementary and ought to be easily understood; but it needs to be firmly fixed in mind as fundamental to the whole money question. It ought also to be easily understood that money in the terms of the standard of one country can be readily converted into the terms of another by a simple calculation. An English sovereign, representing the pound sterling, is worth just as many times the American dollar in exchange as it contains times the amount of pure gold; and so of the twenty franc piece of France or the gold coin of any country. The relative values depend entirely upon the amount of gold in the composition of the coins and the "rate of exchange" between them is easily calculated. If a different metal than gold is used in a country it has to have a fixed relation to it in value in the coinage or be redeemable in it in order to maintain its stability in measuring value. For instance, a larger coin is needed for small values, as fractions of a dollar or of a pound sterling, and for that a cheaper

metal is used, like silver, and for very small values copper or bronze. If these can always be exchanged for the standard coin, it will not matter if they are of low intrinsic value in their composition and not so stable. They will circulate on account of their convenience and the fact that full value can be obtained for them at any time. It does not do to make them a standard, for two standards cannot be used conveniently at once for the same measuring purpose; and, in the matter of values, they cannot be kept in the same relation to each other, for gold and silver do not have the same stability and do not vary together when there is variation in the value of either. Silver alone may be used as a standard but it is inferior to gold for the purpose.

If now it is understood what real money is and what it is for, it will be well to consider briefly how its use is economised by substitutes and by credit. In a sense, the fractional coins, or those made of inferior metal to represent small values, are not standard money, but substitutes for it, used for convenience, and keeping their value for purposes of exchange because gold or its equivalent can always be had for them at the standard rate.

But what are commonly treated as substitutes for real money are circulating notes, or what we in America are accustomed to call "bills," made of paper and printed by government authority in more or less artistic form, with devices and official signatures to certify value and prevent imitation or counterfeiting. These have practically no value in themselves, but they represent dollars, and will pass for dollars in paying and receiving payment, because dollars in gold can always be obtained in exchange for them. If it cannot be obtained to the full amount represented on the face of them, they depreciate proportionately in their purchasing or paying power. If it cannot be obtained at all they become worthless and will not "pass."

In the United States for some years the Government has issued coin certificates, which circulate in place of the coin itself. They differ from what are commonly called "circulating notes" in not resting at all upon credit, but entirely upon specie. They are issued dollar for dollar for coin deposited in the public treasury, and they certify that the holder of the certificates owns the coin and is entitled to receive it at any time.

They are more convenient to use, more easily and cheaply renewed when worn or mutilated, and they save the coin from being worn out by handling, or lost, though of course certificates may be lost and not replaced. Their value rests upon the actual coin which they directly represent and which can be had in their place at any time. As the Government is always ready to take them back and return the coin, banks will make the exchange so that there is no inconvenience in the substitution.

There may be government notes as a substitute for money, but these are a needless and undesirable substitute. During the stress of the great civil war, when banks suspended, public credit was strained, and coin was scarce, the United States Government issued its own notes to circulate as money, and made them a legal tender for the payment of private debts. They were not money, but only promises to pay. They represented debt, not value, and depended upon the credit of the Government, which was at the time impaired. Nominally, they were payable on demand, but practically they were not then redeemable at all, and for a long while they depreciated and

fluctuated in current or exchange value. Finally, they were made actually redeemable in coin, and provision was made for their payment on demand, but when a certain limit was reached in their withdrawal from circulation, they were re-issued after payment, and they have been maintained at that limit ever since. As an ample redemption fund is kept on hand, and coin is paid for the notes whenever demanded, they are a safe part of the currency so long as there is no strain upon the public credit; but it would be much better to have the redemption fund raised to the full amount of the outstanding notes and to substitute coin certificates for them. It may be added that provision has been made for issuing certificates on gold bullion and foreign coin deposited in the Treasury, as well as American standard coin, and these may be used as money. They represent full value in gold.

It may be well to refer just here, more fully, for the purpose of illustrating a principle, to two notable experiences in the financial history of the United States. Prior to the Civil War, its "money" consisted of gold and silver coin upon which were based for a time a National as well as a State bank-

ing system, but for many years State banking systems only.

Gold and silver were coined at a ratio of value to each other of 15.98 of the latter to one of the former, a ratio popularly known as 16 to 1. It is impossible to keep together on a common basis two metals which fluctuate differently in value under the influence of the law of supply and demand for their use. Whenever the value of one materially exceeds that of the other it will disappear from the currency, to be used for other purposes. For some years before the war, silver was undervalued in the coinage and had ceased to circulate, except as subsidiary currency in fractions of a dollar, for which it was kept under the standard weight. Gold has become in practice the single standard.

When the exigencies of the great conflict led to a suspension of the legal requirement of meeting all financial obligations in coin or its equivalent, and to the issue of a great volume of legal tender notes, these constituted the bulk of the "money" of the time. It depreciated and fluctuated in value, causing prices to rise and fall proportionately until the time came after the long struggle to provide for the redemption of the notes



and to restore specie payments on the old coin basis of gold and silver at "16 to 1." The promise and assurance of this had brought up the current value of the notes for all payments substantially to the specie basis. Fulfilment of the promise was nevertheless strenuously resisted, and the opposition of a large part of one political party was reinforced by an independent greenback party, "pledged to the perpetuation of government paper as a legal tender for the payment of all debts." The policy it advocated was equivalent to a repudiation of a floating debt by the Government, but it was founded in the delusion that government promises could be made equivalent to money, whether they were redeemed in actual money or not, by printing upon them the denominations of the national currency and making them read as promises to pay.

Specie payments were re-established in 1879, and all government notes and other pecuniary obligations became legally payable in standard coin. This still consisted of both gold and silver, but not long after this time, the development of large deposits of silver caused that metal to decline in value until it fell to about one-half that of gold, at the

existing coinage ratio. The inevitable tendency was to drive gold out of circulation and cause it to be exported, because it was too valuable to exchange on equal terms with silver. Only the limitation of volume could hold them together, and it was a question of time, if the free coinage of silver had been kept up, when the whole currency would have been precipitated to the level of its intrinsic value with a crash, and yet there was a strong resistance to the suspension of the coinage of "standard" silver dollars and the establishment of the gold standard, and it took years of political tumult to accomplish it. Free silver coinage at the ratio of 16 to 1 of gold would have meant a payment of debts with half the value received and a doubling of prices; and yet few who strove for it realised that fact or had any dishonest purpose. These two causes of political conflict, the "greenback craze" and the depreciated silver "craze," were the occasion of great political disturbance and enormous loss to the people of the United States.

This brings us to the common and legitimate substitute for money, the circulating notes of banks. These are not money and do not directly represent money. They repre-

sent credit, which should be the credit of the banks issuing them, and they serve the purpose of money because they are, or ought to be, payable on demand in actual money. Anybody is willing to use for money any convenient substitute for which he can get money at any time. That is alone what gives the substitute its "value," that is, its power to pay for things wanted. For nearly fifty years the United States had no real bank-notes. What were called the circulating notes of national banks were engraved and printed by the Government and supplied to the banks to be issued, but the banks could not get these without depositing with the public Treasury the full amount in interest-bearing bonds of the Government. They were in effect certificates of the deposit of these bonds, in which the equivalent amount of bank capital was locked up. They rested upon government credit rather than bank credit, and what they circulated was in effect the bonds, just as coin certificates virtually circulate, or pass from one owner to another, the coin which they represent.

This does not at all serve the proper purpose of a bank-note circulation, and the notes might just about as well be replaced with

coin certificates or even with government notes. The proper function of a bank circulation, based upon the credit of the banks themselves and secured by their own assets, with an adequate reserve of coin always on hand to pay any notes that may be presented for payment, and the legal obligation always to redeem them on demand, is to give flexibility, or elasticity, to the general volume of currency. The amount of currency required in the vast volume of business transactions of the country is constantly varying; and, as in the case of all other exchangeable things, the supply should be adjusted automatically to the demand. This cannot be done by continually shifting the amount of coin in use and the certificates representing it; nor can it be done with any readiness by changing the amount of bonds deposited, for securing notes. But if banks issue their own notes on their own credit and their own security, under proper regulation for safety, and redeem them as fast as they are returned to them for the purpose of being redeemed, they will be issued whenever there is the pressure of demand for more currency, and redeemed whenever there is a shrinking in the demand, and the

volume will expand and contract according to the requirements of business.

Speaking of currency, we ought to pause and inquire just what is meant by that term. It is more comprehensive than money or substitutes for money which pass from hand to hand. It includes these and more. It is anything that is used to effect the current exchange or transfer of values in commodities and services, and credit is used for the purpose much more largely than money, though all forms of credit must rest upon actual value in some form and be redeemable in the last resort in standard money. Bank deposits, which are credited to the depositors, represent values that belong to them and upon which they can draw, and in the United States and Great Britain, and in a less degree in some other countries, they constitute the most prolific source of "currency." The checks, or orders, which are used in making and receiving payment, thereby transferring the right to draw upon the values, are instruments of currency as much as bank-notes or coin itself. They are not money; neither are the notes of the banks. But they can be used to draw from the banks money representing other value, when it is needed or wanted.

The great volume of business nowadays in highly developed countries is done with credit and not with money, and confidence in credit is as important as value in gold. We need not for our present purpose go into the intricacies of the credit system. The point to be insisted upon is that the pivot upon which the whole rests and revolves is solid money of intrinsic value, by which all values are measured, and all exchange of values is determined, and in which, as a final resort, any value may be redeemed. Credit is involved in the use of bank-notes and bank deposits. It is involved in all book accounts by which charges and credits are made, payments and receipts are deferred, and periodical or occasional settlements are made. It is involved in all advances and loans on security, or in cases of assured confidence without other security than a promise. In all cases, back of the security or the promise, is the substantial value, belonging to or at the command of the person to whom the credit is extended. The terms in which it is calculated are the terms of money. It is measured and computed in dollars. The dollar is the unit of all the exchangeable values represented, and those values are

certain and stable because dollars in money may be had for them at need. If the dollars were not there, with the definite and stable value in themselves, and if they could not be had in exchange for other values and in the liquidation of credits, the huge fabric of credit would have nothing solid to rest upon and could not be held together.

The proportion of money to the values that are being constantly exchanged or to the payments that are being continually made with instruments of credit is small. It need only be amply sufficient to meet the demand in settling balances and making payments in which the actual money is wanted for the many small uses of every-day life, with a proper margin of safety for emergencies or unusual demands. This suggests how vastly important is confidence in the system that has been built up and in the integrity of those whose operations are dependent upon its successful working. If from failure here and there confidence is impaired and the demand for actual money is greater than the supply immediately available, there comes a strain, a spread of distrust, alarm, a crisis; and, if panic cannot be stayed and the situation controlled by the wise use of resources,

there will be a disastrous collapse which it will take months, perhaps years, to repair. To avoid this the system of credit must be well devised and soundly secured, so that values may be as freely and safely exchanged as possible without using money, but sufficient money must be at command to meet every requirement.



## VI

### MEANING OF WAGES, PROFITS, AND PRICES

**I**F now we have a clear idea of what money means and what its use is, there is another elementary subject that should, if possible, be made equally clear. The object of all labour and effort, whether of muscle or brain,—and in a greater or less degree according to endowment and training, muscle and brain must work together—and of the use of capital to increase the results of their application is not to get money for its own sake, but to get those things which sustain our lives and minister to our comfort and enjoyment. What really matters is not the amount of money we get, but the amount of those things which money is used to buy, for it is only a “medium of exchange,” something that we receive for what we give in labour or the product of labour, in order to pay it out for what we wish to obtain in other labour or the product of labour. The things really

exchanged are the labour or service or their products, and the money only enables us to bring about the exchange of what we have for what we want. For labour or service we receive wages or salary, and ordinarily we receive it in money, for which we have no use except to spend it for what we want now and to save what we may to spend or have somebody else spend in the future.

What we get for our work, then, be it the work of muscle or brain, is measured not by the number of dollars received, but by what the dollars will buy in rent for shelter, food, and raiment and the comforts, pleasures, and enjoyments of life. If our wages are low and the cost of these is correspondingly low, we are just as well off as though wages were high and costs were correspondingly high, provided there is the same amount of production and we get in each case our fair share of what we help to produce. By production we mean everything that contributes to getting the needed or desired things from their natural sources to those who are to have and enjoy them in their final form for consumption or use. Wages are what workmen get for their "labour," and salaries are what a different grade of hired persons get for their

“services.” There is no difference in principle. The difference is only in the use of words. All are workers and all get paid. What signifies to them is the amount of their pay measured in what they can get with it.

There are workers who do not get paid in wages or salaries because they work for themselves, and in many cases they hire others to work for them also. Some work for themselves without help and a few hire others to work for them or have them hired and pay them, and do not work themselves, except to look after getting and spending their income. What they contribute to production is capital, that is, tools and appliances of production. They may also contribute the oversight that makes the use of capital effective and prevents waste, or they may leave that to others. How do the capitalists and employers get their pay? They are entitled to pay for the part they contribute to production, and that is often a large part. Their capital is the product of past labour, but it has become theirs and they are using it in new production. They may be using it in connection with others in a way greatly to increase production in proportion

to the number of persons employed, and therefore for the benefit of all. They may be exceptionally endowed with ability and training, with enterprise and capacity for management. These qualities make the difference between success and failure, and determine the degrees of success. They are entitled to a just compensation for their services as well as for the use of their capital, for others benefit by these and wages and salaries are higher, or ought to be so, on account of what they do.

There are the owners of land who command the resources of the soil and of forests and mines. There are builders of furnaces and factories and workshops. There are those who furnish facilities for transportation and for collecting and distributing the products of industry. There are the traders with their warehouses and stores and their service in buying and selling as intermediaries between those who only sell in the first instance and those who only buy in the last instance. There are the bankers who handle the vast volume of money and credit necessary for effecting the operations of production and of trade and exchange, on the great and complex scale of modern times. These

all contribute in their several ways and degrees to production for the common good. How are they paid for their services and the use of their property? In the profits of business, or the difference between what it costs them to do their work and supply their facilities and what they get for it. It is for their interest to make their part contribute as much as possible to large production, to make it cost as little as possible by the most efficient and economical methods, and to get as much for it as they can.

What they can get depends a great deal upon competition among them for the rewards of business. We are not going into the details of economic principles and their working in practice; but it may be necessary to remind the reader that men with capital and business ability look about for employment, as well as other workers, and they go into that which they think will pay them best. Their rivalry for getting into the best paying business begets a competition that tends to establish a common level of profit for the use of capital and of ability to manage its use in different lines of employment. In the same line there will be rivalry for doing the best in it, and competition

between those with varying amounts of capital and different degrees of ability. The best equipped in capital and ability will be most successful. They will exercise the greatest efficiency and economy in reducing cost and increasing results to widen the margin of profit. Men who work for themselves and hire others take risks, and there is every degree of success and failure among them. Some get rich and some get poor. What they are working for is profits, and in any single business these vary greatly. Here again is one of the factors which tend to produce inequality in the condition of men. Profits from production and trade in the same line differ from various causes besides amount of capital employed and the ability with which it is used. Circumstances of place and time affect them, and these are liable to change. Supplies of needed material and demand for finished products may shift in ways that cannot be foreseen, and the needed labour force may become unstable.

The real regulator of profit is and must be competition, and it is a just regulator so long as it is fair and honest; but in the hands of the strong against the weak it may be a terrible instrument of destruction if un-

scrupulously employed. Our point just now is simply that profit is the reward of the capitalist and employer, and the amount of that reward, as in the case of labour, is determined, not by the reckoning in dollars, but by what the income will procure for its recipient in the things that satisfy his wants. A moderate profit with a low cost of things may command as large a portion of those things as a high profit when the cost of them is high. This brings us to consider what is meant by the value and the prices of things. Everybody thinks he knows, but there is a good deal of confusion in thinking.

Whatever may be said by professional economists, value is not in itself a definite or a strictly definable thing. With reference to any particular object it depends upon what people think of it or how much they care for it, and it is only by comparing one thing with another in that respect that any statement of value can be made. Some things are valued because they are necessary to support life, some because, though they may not be necessary, they are desirable for convenience or comfort, some because they give pleasure, and some because they minister to vanity. Some are more desired

than others by people in general, but people differ greatly in their desires. Some things are attractive to certain persons which others care little or nothing for, and there is every degree of variation, except for things which are necessary, and in regard to those desires and tastes differ. The same things are differently valued in different countries and in different stages of human development. Nevertheless, with means of intercourse and communication and ease of exchanging one thing for another, a sort of general or relative value is established for all the objects of human desire. A sort of fluctuating average is found, and from that value varies with the abundance or scarcity of desired objects and the difficulty or ease of obtaining them. An article much desired and scarce or hard to get has a high value, though it may be of little use. Carbon in the form of coal is useful but plenty and cheap. Carbon in the form of diamonds has a certain restricted use, which would not make it of very high value, but diamonds are much desired for their beauty as ornaments, and that makes them valuable. A picture or a book may have no great merit or attraction, but may be so scarce or so associated with



some famous name or event that its possession is coveted, and that gives it a high value.

Value is a relative thing, and in order to make it definite we must have a standard of comparison, something by which to measure the value of different things as they are estimated by mankind, and to form a basis for exchanging one thing for another in trade. We have seen that what we call money affords a means of measuring values and effecting exchanges, but we must have terms in which to express and to reckon values. We must know how much of each commodity or service corresponds in value to a dollar or fraction of a dollar. We have our denominations of money, expressing the unit and the divisions and multiples of the unit of its value; and we have our denominations of quantity in the things to be exchanged, measured by size or weight, or in the case of labour or service by the time occupied or the amount of contribution to product. Thus we are able to express how much a certain quantity is worth in dollars and cents. In the case of labour, we express this as so much a day or week, or month, or, it may be, a year; or so much for the yards or tons or other quantity which the labour

helps to produce. We call what is paid for the labour wages or salary. In the case of commodities we call it prices. There is no distinction in kind, and wages may be regarded as the prices of different kinds and amounts of labour.

The common word price, therefore, designates how much in money must be paid for a certain quantity of each several thing that enters into trade, or is to be sold or bought. It is an expression of the value in terms of money of each thing to be disposed of and affords a means of reckoning or computing values in all the exchanges of products that go on from the time they are derived from the resources of nature until through processes of extracting, making, transporting, and distributing they reach the "ultimate consumer." We need not dilate further upon what price means, but a few words upon what determines price may be desirable to supplement what has been said about the determination of value.

This may make the matter a little clearer, now that we have the means of making value definite in prices. We have said in a general way that the value of different things depends upon how plentiful or scarce they may be,

how easy or difficult it may be to obtain them, and how much they may be desired. In treating of prices it is common to say that they depend upon the relation of supply and demand, which is another way of putting the same thing.

The price of anything is low when it is common and abundant and easily got, or when nobody cares or thinks much about it; and the price is high when the thing is scarce, difficult to obtain, and much desired. Prices may range from nothing for air and water and the sand which is on the seashore to a fortune for rare gems and unique works of art, and there is every variation between. Everywhere and always the price of each thing will depend upon the relation of supply and demand, or the quantity to be had and the strength of the desire to have it, coupled with the means of getting it. With most things which satisfy the wants of man the supply is constantly varying. New resources may be discovered and opened up; methods of availing of them may be made more effective; processes of putting them in form for use may be improved, and so the supply may be increased. On the other hand, there may be a dwindling of resources by exhaus-

tion, wasteful methods, or neglect; or the means of availing of them may deteriorate. Then the supply will be diminished. In case of products of the soil the supply is affected by climatic changes, and so on. The main point is the continual variation of supply from changing conditions of one kind or another. On the other hand demand changes from time to time. Change may come from increase or decrease of population or shifting conditions which increase or diminish the capacity of people to provide for their wants or which modify their tastes and desires. This ought to be understood without pursuing it into further detail. It is one of the firmly established principles of economics. This general reminder is only preliminary to considering the force of the more directly human factor in determining wages and prices.

## VII

### RIGHT AND WRONG IN FIXING WAGES AND PRICES

PROFESSIONAL economists have elevated the principle of the relation of supply and demand into a "law," which they are apt to treat as a law of nature, like gravitation, which works automatically and in spite of human effort. Man can by ingenious devices make the law of gravitation serve his purposes, but its operation is not dependent upon his will. There is no inexorable law of supply and demand for those things derived from earth and air to sustain the life and satisfy the wants of man, for by his efforts he produces the supply from sources provided by nature, and the demand comes from his own desires.

The human element is predominant in the relation of supply and demand and exercises a potent control. This depends not merely upon the capacity and power of men, but in

no small degree upon their sentiment, and has its moral or ethical side. The question of human rights and of the duty of men to each other is involved, and there is no such law that works in spite of human volition. Economists have had a "doctrine" as well as a law in regard to this matter of supply and demand, which determines what share of the product of human activity for satisfying wants shall go to labour in wages and what shall go to capital in profits, and consequently which determines the rate of wages for different kinds of work and the price of commodities in selling and buying.

This doctrine used to be dignified by the French phrase *laissez-faire*, "let alone," which in effect is the same as free and untrammelled competition, free from moral considerations and untrammelled by a sense of human duty, as if it were based upon an immutable divine law which the human will should not venture to interfere with. It was analogous to the later doctrine of evolution in the physical world, which lets force have its own way with matter, crushing out and treading down the weak and defective and letting only the fittest survive, and thus ruthlessly making progress toward a more perfect state of

things. This is quite scientific and proper in the physical world, but when it comes to the life of men new considerations enter in. The doctrine is one of the supremacy of selfishness in human nature and human action, as leading to the best results; but a different doctrine has been introduced into the conduct of human affairs, and for a long time the best teachers of the race and leaders in progress have refused to let things alone to go their own gait in the process of development.

Let us hark back to first principles for a moment. The one great object of all human activity of the kind of which the "science of economics" treats, is to produce from the bounty of nature in the fullest measure those things which minister to the varied wants of man, and to distribute them among mankind in the form best adapted to serve their purpose, whether of mere subsistence or of satisfaction or enjoyment. The distribution is quite as important as the production, and in its control there is great opportunity for the application of the Rob Roy principle, of robbing the weak to enrich the strong. How is the labourer for hire to get his share? Only in the wages paid him for his part of

the work all along the line from start to finish and the command which such wages give him over the products in the course of their distribution. The more effective his labour or the more value it has for the purpose for which it is employed, the more he ought to get for it as his share.

How is the capitalist or employer to get his share? In the profit he can make out of the conduct of his part in the business of the world, and that will depend upon the charges for the service he renders or the prices of the things he produces to sell or buys to sell again in the processes of distribution. The margin of profit will depend on one side upon getting as much production as possible at the lowest cost, and on the other side upon getting as high prices as are obtainable in disposing of products. This will apply at all stages of the process of production and distribution, and to all the agencies engaged in carrying it on. Intelligent selfishness dictates that cost of getting work done shall not be crowded down so as to impair efficiency and reduce the output of productive activity, and that prices of products shall not be pushed up so as to impair the ability of consumers to buy, and thereby to



reduce consumption. Between these flexible barriers, dependent for their stability upon human intelligence, judgment, and sense of right, the principle of competition is supposed to have free play, each person striving to get all he can for his share in return for what he does.

Producers and consumers are often referred to as if they constituted two separate classes with opposing interests and in constant strife with each other. In a restricted sense and with reference to particular articles of production this is often so, but in a broad sense and with reference to the whole field of supply and demand, everybody who is not a drone or a parasite is at once one of the producers and one of the consumers, with interests common to both. The general level of wages and of prices concerns everybody in much the same way, but in a different degree according to his place in the whole scheme. What he gains by a high level of income may be offset by a high level of outgo, or more than offset.

Now in the strife of competition the strong have an advantage over the weak. There are all degrees of strength among mankind and various qualities that contribute

to strength in different ways. According to the doctrine of *laissez-faire* and the survival of the fittest, the proper thing is to let them fight it out, and may the "best man" win and the devil take the hindmost. Let those succeed who can and those fail who must. It is the business of each to help himself and not of all to help each other, according to capacities and needs. Altruism, a sense of equity, even generosity, may enter into these economic relations, but that is a voluntary and individual affair and not a question of economic principle or a matter of "science." The strong may be just or generous, or he may take every mean advantage. That is between him and his God or his own soul, but does not concern the community as a whole. This is the theory; but it does concern the community, and the State and every individual who is part thereof. It concerns the welfare of people. It concerns the true wealth of nations.

In every country, whatever its institutions, its government, and its laws, there are great numbers of people of limited but varying capacity, in strength of body and of mind, and of different opportunities and advantages in making their start in life, and

in making progress along the way. The number of those having highest capacity is small, and mankind might be represented as a pyramid with a great mass of the individually weak at the bottom and a small number of individually powerful at the top, with every gradation between, the number diminishing as individual capacity increases. Collectively the power may be at the bottom, where it is latent or dormant; and, in the case of a pyramid of living particles, if the base once gets active and moves together, the structure may be disturbed with much shifting of those particles. Taking things as they have long been, great numbers are at the bottom of the pyramid busily working. They have to work to live, and take what they can get, and they are necessary to the support of those who are higher up and who get more light and air. It will not do to work the pyramidal figure too hard, for those on the higher levels work too and are necessary to the structure, which is not a stolid mass resting upon firm ground.

Suppose there is unrestrained competition among the great mass of workers in the lowest rank, and that the compensation of each is to be determined by the employer's

estimate of its value to him. The result will be many always on the verge of destitution and some within its borders for lack of employment or from inability to earn a living. There will be desperation and yielding to evil impulse and propensity. Are these to be ruthlessly crushed out in the struggle for life, or is there obligation in human society to relieve the pressure? Cannot employment be so adjusted in hours and wages as to give them a chance for their lives with some little comfort, if there is sympathy and encouragement from fellow workers and employers, though it involve some sacrifice of self? If not, the penalty must continue to afflict society in vice and crime and poverty, which will be a burden and a source of loss until there is some care for the weak before their state is desperate. Is there not reason in so organising labour that care shall be taken of the weak and the burden be distributed; and shall not employers and society in general take part in a policy of uplifting those who need help in the struggle? Among workmen shall the strong forever strive for themselves alone and climb up by treading down or kicking out the weak? Shall employers in competition with each other for lowering

cost crowd labour down in wages to the limit of subsistence without sacrifice of efficiency?

As a rule, it is the comparatively strong who get capital and employ the labour of others. The rule is not invariable, for often the hireling is the equal or the superior of him who hires, but the latter has the advantage of a position which is inherited or conferred upon him by favouring circumstances. The employer is always in the stronger position, because he commands capital and the opportunities for labour. He is not dependent upon those who are working for him for daily subsistence or for a share in the profits. If competition has full sway he may hire others more easily than they can find other employers. Is it right for him to take full advantage of his position to keep them subservient, though not satisfied? Is it not right for them to unite their strength and make it equal to his if they can? Is it not right for other workmen to unite in helping them at need as part of the common cause of labour? Shall not other human qualities besides selfishness enter into the bargain by which wages are fixed?

It is largely competition among employers to lower cost in order to increase profit that

fixes the level of wages, and the well-disposed are constrained to adopt the standard of the ill-disposed in order to "hold their own." As another means of increasing profit the capitalist and employer seeks to put up the level of prices; but there competition tends to keep it down. The seller strives to get all he can for his goods, while the buyer tries to get them at the lowest price. Here enters that "higgling of the market" under the "law of supply and demand," which is said by the economists to fix prices at the legitimate level. This is plausible in theory and within certain limits is sound in practice, but competition among producers and traders has another aspect. Here again is a struggle between the strong and the weak. The big capitalist and large employer of labour, with great ability for managing and directing industrial and business operations may, by economising cost, increasing efficiency, and gaining a wide command of markets, acquire such advantage over those of smaller capacity as gradually to push them to the wall. Weaker concerns may be driven into bankruptcy and pushed out of the field of competition or may be so hard pressed as to find refuge in being absorbed.

This has been the modern tendency. The result of unrestrained competition is slowly to destroy competition, the strong squeezing out the weak, until a few great concerns control an industry and are in a position, by allying themselves together, to establish a virtual monopoly. Then, if the power is subject to no regulation but that of the will of those who wield it, it may within uncertain limits determine the wages of labour, the cost of other elements of production, and the price of products, and thereby enlarge the margin of profit while the number among whom the bulk of profits is divided steadily diminishes. The result is to increase still more the riches of the few and widen the differences of condition among the people.

There is but one natural restraint upon this tendency to monopoly and that is a constant struggle to revive competition. The thousand sons of emulation will constantly strive and there will be those of energy, ambition, and ability to seize every opportunity. The greed of any one man, or group of men or combination of groups of men, to control a field of activity and gather profit for themselves, will reach a limit beyond which it ceases to be effective. Many details will

get beyond control. The mechanism will become too complex and weakness will develop here and there and dominant forces will become turbulent. There will be loss of economy and efficiency and a decline in profits, and the great fabric will be open to renewed attack from competition, which will have its way for a while, until the new upbuilding is followed by a new era of slaughter. These cycles may be natural incidents of development, but they are costly and they are not inevitable. They mark spasms of progress, but steady progress is more desirable for mankind than progress by spasms of warfare and destruction, with intervals of recovery and new growth.

What is needed for healthy growth and steady progress is co-operation among the forces of humanity for the common good, as a restraint upon competition for individual aggrandisement. Instead of the continual struggle of selfish instincts, the use of every faculty and power for self-gratification, there needs to be emulation for the general benefit. This is not mere altruism in the narrow sense, a sympathy for the individual fellow-being who is not strong or capable or fortunate, but a rational and ethical regard for the well-



being of the great economic family, the community, the state, the nation, the federation of mankind. In this every one must share and to this every one should contribute to the measure of his capacity and opportunity. The policy of selfish competition makes some rich and powerful and many poor and feeble. It causes much enjoyment and more suffering; it results in multiplying and widening the difference among beings of the same race and a common fatherhood.

A policy of co-operation would create no less wealth, but it would prevent much loss and distribute wealth far more equitably. This is not a matter of cold-blooded economics, taught as a science; but it is a matter of sober reason and sound moral sense, applied by the enlightened will of man, for the good of every individual as well as the common benefit of all. How is it to be applied? Not by outward force but inward development under proper teaching and discipline. It is a doctrine to be taught in the family, in the school, in the lyceum and in the church, until the ethical element shall regenerate economic theory, and make men work together to produce and distribute the means of subsistence, of comfort and of

enjoyment, equitably and for the good of all, and not scramble and fight that each may get all he can. This does not mean that all shall share alike, for all do not contribute alike to the store that is to be apportioned; but all should share equitably, in proportion to their actual contribution, while giving to others every fair opportunity and to the weak and unfortunate encouragement and needed help.

This may be called a matter of sentiment, an old, old doctrine of ethics, taught for centuries, professed and pretended by many, but practised by few. It is more than that. It is an element in sound economics and safe politics, because it would contribute to practical results better than those attained by disregarding it. But how are we to get it applied? By teaching and preaching it and insisting upon its application on every proper occasion and by enforcing its application by authority so far as that can be successfully done. The spirit of co-operation instead of conflict should prevail in the organisation of labour. The object of the organisation should not be the benefit of some at the expense of others, but the benefit of all. It should prevail in the organisation

of capital, where equity and fair play to all should be the rule, and not advantage for those who are in position to seize it. It should prevail in the relations between capital and labour, between employers and employed, where every effort should be made for a complete understanding of the rights and claims of each side and a willingness to concede what is justly due. The settlement of these relations should be a judicial matter, and not the result of a test of power to injure or to endure injury, the decision to be in favour of the side that can wear the other out.

The power to apply and enforce this doctrine of ethical economics is the same that must support any policy, the same that establishes law and maintains government, the power of public opinion, the concentrated force of the sentiment of the community or the state in which it is to be applied. Public opinion, or "popular sentiment," is not an emanation from the mass of a people, proportioned to their number and proceeding with equal effect from all its members. There is as much inequality in begetting and propagating opinion as in all other capacities. In some countries it proceeds mainly from

the few, while the many, ignorant and unthinking, have little influence upon it. In others its source is wider and more varied, but everywhere it is a blend and that which predominates is determined by an average force and direction. It is not a wind that bloweth where it listeth, but a force that can be aroused, trained, and directed. According to its power and direction it makes and unmakes government and laws and shapes policies and their enforcement. It is determined by the intelligence and education of a people and the character of the men who assume leadership and command in the movements of a time or are chosen to take it. The motive power in a country of free institutions, where government is representative and rests on the consent of the governed, is public opinion, and through that every change for the better or worse is wrought. If sound principles are to be applied and safe policies carried out, it must be through educating and directing public opinion to desired ends.

## VIII

### SOCIALISM NO REMEDY FOR INEQUITY

IN seeking to attain the standard of honesty in all business dealings and relations, the most important, and perhaps the most difficult, matter is to determine how an equitable division of the fruits of labour, aided by the instrumentalities which invention, skill, and enterprise have devised, is to be attained. Here, as before, we mean by labour all the variety of human effort that is applied to production for supplying human wants, labour of the hands, labour with tools and machinery, labour of the mind, the driving force of energy and the direction and guidance of a sense of right. In instrumentalities of labour we include whatever is provided by capital in land, buildings, and the varied appliances of industry, and the organised methods which increase efficiency and conserve economy.

Among the methods proposed for solving

the problem of equity in apportioning the fruits of labour is that commonly called "Socialism." This has been based upon a sort of aphorism: "To each according to his needs, from each according to his ability." Natural justice says: "To each according to the part he contributes to the production of the fruits to be divided." That is an ethical as well as an economic principle. The question of needs, so far as it is not thereby met, is one of philanthropy rather than equity.

What are needs? They vary as greatly as ability to provide for them. At every step we encounter the inequality and diversity of men. There is the need of bare subsistence. Without the means of supplying this men cease to live. There is the need of a sustenance which will maintain the natural efficiency of men in what they have to do. Without the means of keeping this up they will fail to do their full share of the work to be done, and the fruits of labour will be impaired. There is the need for comfort in life, for reasonable and wholesome enjoyment, and this varies with temperament, with capacities for enjoyment, with constitution of body and mind derived from birth

and heredity, and from environment and habit. What is a crying need to one is a matter of indifference, and may be a matter of aversion, to another.

Some will not make the effort to supply more than the urgent wants of the life in the midst of which they find themselves. Others will strive and live laborious days to satisfy eager cravings of their nature. Is it equity for the indolent, the indifferent, the thoughtless, to make no exertion except to sustain a miserable existence, while the active, the ambitious, the energetic provide for them comfort or enjoyment for which they will not toil and which they hardly appreciate? Is it well to encourage the careless by taking care of them? We speak not now of the unfortunate or the really incapable. All should have a fair chance to do for themselves, but none should have that done for them which they have a chance to do, can do, and will not do. A doctrine that encourages that is not helpful to progress. It will not elevate humanity or improve society, but it will impair the general prosperity, because the work done will be lessened and the fruits of labour for all will be diminished.

What is called socialism takes many forms,

but all have a pernicious quality which would weaken efficiency in the economic body from top to bottom by detracting from the incentive to exertion of the less capable by relieving them of necessity through the exertion of others. It would lessen the incentive of the more capable by depriving them of part of the just reward for their efforts. The total result would be less of the fruits of production to diffuse for the satisfaction of all wants. The extreme of socialism, so far as it is not founded in sheer charity or the obligation of the strong to take care of the weak regardless of merit or actual necessity, is based upon the fallacy of human equality, equality of capacities and equality of needs. If not that, it is based upon gross injustice. It assumes that everything is produced by labour, which with a proper definition of labour is true. It assumes that the owners of capital which has been produced by labour and belongs to those who have created or inherited it, and which is essential to the further employment of labour with efficiency, are entitled to no share in the proceeds for the use of their capital, though without it production on any adequate scale would be impossible. It



assumes that all workmen, as it defines workmen, are entitled to an equal share in the distribution of the results of labour. Either this is based upon the assumption that all contribute equally to production, which is not true, or else it assumes that what some have produced should be given to others, which is not just.

But grant that this theory of production and distribution, right or wrong, could be established and that an effort were made to put it in practice, what would the result be? There is no power on earth that could enforce the practice, and the power on high has so ordained the forces of nature and of man that it would not work. No human power could efface the differences in men and no divine power would efface them. They would immediately assert themselves and overthrow the system based upon assumption of an equality that does not exist. Start with an equal division of existing property. Proceed on the theory that the work of each is equally important in carrying on industries and distributing their products, and that each is therefore entitled to an equal share in the proceeds. Watch with the mind's eye for the results. As everybody knows, in spite

of the assumption to the contrary, there are vast and varied differences in men.

It must be clear to the humblest reasoning capacity and the dullest imagination, that the existing system would speedily go to wreck unless the strong and capable immediately united to rescue it and keep it going. If they seized it in time, it would not be long before they began to recover their places and regain their property, until inequality reigned again, and in saving themselves they would save the weak from the ruin they were bringing upon themselves as well as others. If the experiment went far enough to produce the anarchy which would be inevitable unless averted, the same strong men would have to rebuild from the wreck until the system based upon inequality was established again. There could be no other system, since men have been created unequal and will continue to be so. But where there is inequality there is the greater need of applying and enforcing the principle of equity and seeing that every man has an equal chance according to his capacity and receives a reward according to his deserts as a producer.

The socialism that would effect an equal

distribution by some sort of voluntary association of workers to eliminate the capitalist and the "employing class," and take possession of industries and of property, means anarchy and is a futile dream. No less futile is what is called State socialism, which would have governments take possession and direct industries and trade. While there are strong and resourceful men in possession and others striving to do their part and eager to get their full share, it will be impossible to establish any such system, however great the multitude that may demand it. The multitude may be led by visionaries, but it will be like a numerous army without effective organisation, without capable commanders, without the rank and precedence that enables each to do the part for which he is best fitted and to which he has been trained and disciplined. It would move against a solid and intrenched phalanx defending its stronghold and its heritage, and would be broken and scattered. It might do much harm and cause a wide-spread ruin, but it could not get control of government.

But, for the sake of argument, suppose it did, and got possession of land and buildings

and all the instrumentalities of industry and interchange, as government property to be used for the general benefit, on the presumption of equality of needs and the right to have them satisfied. Suppose we had the social state after the manner of the dreamers. What would happen? Would it make men equal? Would it make the incapable capable, the indolent and wasteful industrious and thrifty, the vicious virtuous, the lazy and indifferent energetic and ambitious? Would it abolish poverty by eliminating its causes and destroy riches by taking away the motives and incentives for it?

“Not even far from it,” to use the hyperbole of the Greek orator. If such a system of socialistic government could be established, with its many functions of organisation and management, its provision of employment for all its subjects, and its direction of the processes of production and interchange and the apportionment of the proceeds, it would become instantly unworkable. The strong and capable would have to take control, and men would have to be assigned to duties according to capacity and fitness, or the system would speedily go to pieces and bring a state of anarchy from which government

would have to be rebuilt upon rational principles. The selfish motives of human nature would work as before, the motives of ambition and greed, of restless energy and adventure, of desire to get more than was earned, and the motives of sloth, of vicious indulgence, and the desire to be supported by the efforts of others. There would be economic ruin as well as the destruction of all rule, and again the strong and capable would have to take control and reorganise industry and trade as well as re-establish government.

State socialism is a disordered dream of the ignorant and unthinking, or a vision of impracticable idealists who lack "discourse of reason"; and it can never appeal to that saving common-sense which is the fortunate gift of those who have well-balanced faculties however much the faculties may differ in power and activity. Agitation on the lines of socialism will never cease until all human nature becomes well-balanced and reason holds its seat in all minds except those which will be recognised and treated as disordered. It serves a purpose and is an active force for human progress though it is mistaken both in its end and in the means of promoting it.

It seeks to attain the unattainable, but it may work in the direction of the attainable and the desirable. It aims at equality. It may help to reach equity, or a nearer or more speedy approach to it than conservatism and tradition would permit without its restless and disturbing activity.

There is here as in all economic striving,—the striving to make a living and the striving to "make money" or get wealth,—a deficiency of the ethical motive and of moral sense. It is these which chiefly need to be stimulated and developed to correct the evils of the existing system. The human selfishness which has its source in the physical constitution of man, its passions and desires, which spring from the instinct to preserve and prolong life and to propagate and perpetuate it, is essentially unmoral, and it needs to be controlled by the spiritual nature, which is the source of moral sense, ethical conviction, and of care for the well-being of others. Selfishness is the mainspring of human action. It needs to be tempered and controlled. It may be gross and blind as that of the beast. It may be refined and enlightened until it finds more satisfaction in doing good to others and conferring benefit

upon all than in gratifying the desires that spring from the physical nature. It may find more joy in ministering to the intuitive longings of the soul than can be derived from any indulgence of the instinctive needs of the body.

The guiding star of the socialist is as much selfishness as that of the seekers for wealth who make gain from the toil and pain of others without granting them the meed of a fair share in the fruits of labour. These latter take advantage of position and power in the economic world to get more than justly belongs to them. This it is that causes warfare for a more equitable division and excites wrath in those who feel that they are deprived of their birthright and robbed of some part of their natural heritage in the work of their hands. The sense of wrong is not without reason, but the demand for right may go beyond reason. The socialist who would take away the property of the capitalist or deprive it of value for him by leaving him no profit from its use; or who would not allow to the employer, whose investment in capital and whose ability and experience in management multiply the production from labour far beyond what it

would otherwise be for the same workers, a commensurate share in the return from production, is no less a thief and a robber in his intent than the "predatory rich." He seeks for those whom he professes to guide more than they are entitled to, and would convey to them without proper consideration a part of what by right and equity belongs to others. He preaches a doctrine of selfishness as perverted in morals, if not as sordid in nature, as that of the unscrupulous among employers.

We will admit that there may be honest differences of opinion as to what constitutes an equitable division of the proceeds of labour and capital working together, or, more strictly speaking, of labour of hand and brain working together with the use of capital, and difficulty in determining a just apportionment. We are sure it cannot be fairly determined by unrestrained competition on either side, the competition of labour for work to do or the competition of employers for the labour available. There is need of organisation on both sides and of co-operation between them to determine fairly what each is entitled to. If it cannot be accomplished by agreement with a mutual convic-



tion of what is just and right, there should be an impartial tribunal to pass upon their conflicting claims. Before considering this question further it may be well to give attention to the subject of organisation of labour and organisation of capital; but socialism as a means of solving the economic problem may as well be dismissed as futile.

## IX

### HONESTY IN LABOUR UNIONISM

IN these times of organised effort in various lines there is especial need of an awakening moral sense and the application of ethical principles to associated action. Men who in their individual capacity and their personal relations scorn to use deceit or misrepresentation, to take unfair advantage or resort to force to gain their ends, will often countenance, defend, or directly advocate such means when associated together to accomplish a common purpose, or to advance what they consider an important "cause." When uniting and arraying their forces to overcome opposition or resistance, the spirit of warfare arises in them, and nothing so demoralises all standards of human conduct as war.

In dealing with a foe, moral sense vanishes and principles of right have no place. The enemy may be deceived and tricked, robbed, hunted down, and slaughtered. That belongs

to the field of strategy. But the purpose of war is destruction, while that of peace is production and enjoyment of its fruits. Those engaged in it are necessary partners and sharers in those fruits. Those who supply capital and those who supply labour may have good reason for organising their forces, but not for fighting each other. To treat each other as foes and engage in warfare is the height of folly, for that means injury and destruction. It is as sensible as for the individual and his hired men to quarrel and fight in the field or the shop. These productive forces will always find their advantage in dealing amicably with each other and that necessarily means fairly and honestly.

The term "workingmen" is commonly applied to those who work for others, who are hired and paid in "wages." Those who are hired and paid in "salaries" also work. Their labour may be of a different kind, less manual or mechanical and more mental. Usually it brings them more in contact with the employer, but the economic relation is no different from that of the "wage-earners." They are often no better paid and no better treated and their position is equally depen-

dent. The capitalists and employers work and their labour is as essential as any other. It usually has a high value and is entitled to large reward, for without it the "workmen" would have less to do, would earn less and be worse off; but the capitalist employer has control of his own compensation, and if successful is apt, like the hired workman, to take all he can get. The radical difference lies in the power to get, and there the advantage is all on one side, unless the hired men join forces to assert and maintain what they deem to be their rights.

There is no sound argument against "organised labour." Workingmen not only have the right to organise, but it is a necessity if they are to assert and maintain the right to a fair share in the fruits of labour. They must have power to bargain for their labour, and without union there is no strength for bargaining. The individual is helpless in the struggle. Free competition in "making a living" and free competition in "making money" means a state of absolute dependence of the weaker upon the stronger, a state little better than slavery. It means extremes of wealth and poverty, with power and rule in the hands of the few, and in the

end it means ruin of the common weal. Union and co-operation of labour is necessary not only to the salvation of the workingmen, with the rights of manhood, but to the salvation of the political and social state founded upon the rights of man.

But, it implies a responsibility for which workingmen in the mass are ill-prepared and for which the sympathy and support of the more enlightened and the more favoured are greatly needed. Let us never lose sight of the inequality of men. Let us remember that on the whole the many are individually inferior in capacity to the more favoured few, favoured by nature and by circumstance. Power increases, not so much with numbers as with individual capacity, and where selfish instincts have free play a small minority arrayed together may be too much for a large majority disunited.

There must be an arraying together of the unselfish, or those with a high ethical standard and a spirit of altruism to preserve the equilibrium of safety. Wisdom and prudence and integrity of purpose must rule in the union of labour, and not ignorance, recklessness, and brutality, if it is to serve its purpose. These qualities reside in "workingmen" no

less than in those who are not in their ranks, but they need to be reinforced from without and made to prevail. The really enlightened, conscientious, and reasonably unselfish among employers will be on their side if a fair chance for it is afforded.

But many have been the mistakes in the conduct of labour unions. Perhaps these have been no more serious, while they are more excusable, than mistakes of employers in dealing with labour. In treating of right purposes and methods, it is not necessary to be too severe upon the mistakes to which human nature is all the time subject. It is a mistake, for instance, for workmen, banded together, to impair their own efficiency or the productivity of labour, whether of the individual or of the whole. Plainly, if by division of labour, the use of machinery and improved methods, the organisation of capital and the most skilful and effective management, production is increased, there will be so much the more for supplying human wants, in proportion to the number whose wants are to be supplied; there will be an increase of the common wealth and should be an increase in the general welfare. It is only a question of just distribution of the fruits.

Those who devise and execute improvements in appliances and methods; those who supply capital, ability, and energy in carrying them into effect, are entitled to their reward, but they could accomplish nothing without the labour of the many workmen employed, and these should share the benefit fairly with them. At first, when any important industrial change for larger production is made, fewer men may be employed in the particular industry affected, because the demand for its products does not at once come up to the increased capacity for supplying them. Unless the time of labour is materially diminished, the number employed will have to be reduced; and if the time of labour is so far diminished as to restrict the legitimate increase of output, the benefit of multiplying and cheapening production will be lost. There will have to be a process of adjustment during which some labour will be dispensed with to seek employment elsewhere, which is a hardship and should be treated with the utmost consideration. There should be a shortening of hours and an increase of wages as well as a cutting down of working force, and those who "have the power" should not take all the benefit of improvement. In the course of

time the demand for products will rise to meet the enlarged supply at the reduced cost. More efficient and productive methods in one industry will give a new impulse to others through larger output and lessened cost and in the end the number of persons employed will not be diminished. To some extent they will get shorter hours, higher pay, and better conditions, but they will not get all that they are fairly entitled to without a struggle, on account of the propensity of those to take who have the power and those to keep who can.

Notwithstanding the hardships attending the introduction of greater division of labour and more improved devices and methods for multiplying the products of labour, and the difficulty of securing a fair distribution of the results so as to give the workmen their fair share, it is a mistake to try by combination to limit production so that there shall not be so much to distribute. There is nothing to be gained by that. Whatever keeps production below its normal measure is a loss to labour as well as to capital. Workmen in any industry who by agreement limit the output of work per man with the idea that there is gain in it by securing em-



ployment for a larger number of men, or keeping up wages by restricting the supply of products and thereby keeping up prices, are labouring under a delusion. There is no benefit in preventing products from being plentiful and cheap for the buyer and consumer, who are at the same time among the producers and sellers. More men are not employed as the result, but fewer. If wages are kept higher in the figures of weekly payment, they are made lower in what they will purchase to satisfy daily wants. It is an injury to any man to keep down his efficiency as a producer, and it is an injury to all to keep the net production less than it might be. The idea that anything is to be gained by it is one of the common errors of labour organisations.

Another serious mistake is the attempt to keep men of varying capacity on the same level of efficiency and to prevent one from doing more work, or better work, and getting more pay than another in the same time. While men are unequal in capacity they have an equal right to make the most of such capacity as they have, and they should have the opportunity. Men in every station ought to be encouraged to do their best,

and ought to be rewarded according to what they do. This is as true of labourers as of professional men, clerks, traders, or any class of business men. Every man should be allowed to do the best he can for himself and those who depend upon him, to have the incentive for bettering himself, and the chance to rise in the world as far as his capacity will enable him. To keep any back lest they do more or better work and get better pay than others of less capacity or less industry and ambition is a wrong to them and an injury to the community. Having fixed wages per hour or per day or week in any trade, the same for all, irrespective of capacity or disposition to work, and having these set either to the lowest or a supposed average capacity, and then striving to keep the work of all down to a standard corresponding to the wages agreed upon, is the worst kind of error. It is based upon a false notion of an equality of right and works rank injustice to the individual for the supposed benefit of the mass, which in reality is injured thereby. To the industrial community and to society at large it is a gross wrong.

We are looking at this from the point of view of a land of supposed free institutions,

equal rights, and popular government. The labour union policy of uniform wages in any trade or employment and uniform work in earning the wages is the offspring of the caste idea and its effect is to perpetuate that idea. It assumes that workingmen, "wage-earners," constitute a class into which they are born and in which they must live and die. They are segregated from other "classes" in a social scale and must know their place and keep it. It recognises an aristocracy, which may degenerate into plutocracy, and a proletariat, whose chief function is to breed workmen and spend their lives in toil to furnish supplies for those upon whom they are dependent. It has an element in it of slavery, of serfdom, of feudalism. It is unfit for the people of a free country. There men should have an equal chance to benefit from their inequality, to do the best they can and win reward, or "get paid," accordingly. They should have a chance to rise, to get on, and to help others to get on, and not be kept down and made to help in keeping others down.

The chief purpose of organised labour should be to improve the condition of workingmen, not by striving to get the best wages

for the least or the poorest work, but by making labour worth as much as possible in production and trying to get for it what it is worth in real value. It should endeavour to make workmen more efficient, more industrious, more faithful to a sense of duty, more sober and self-respecting, and better citizens. It should try to lift up the less capable, and not to pull down the more capable. Its arrangements for mutual aid in case of accident, sickness, loss of employment, or other misfortune are commendable and worthy of co-operation and of aid from employers and others in sympathy with them, but the funds collected for these purposes should not be diverted to contests for injuring industry.

Apart from the fundamental mistakes already mentioned are others that are incidental, but a hindrance to the essential purpose of labour unions. Workmen, like other citizens of a free commonwealth politically organised, are bound to respect the rights, not only of each other, but of those in other employments; to observe the law and submit to the authority of a system of government which derives its just powers from the consent of the governed, of whom they are

a large part, and which depends upon their support for its perpetuity. Those who organise industrial trades into unions, and affiliate unions with each other for greater strength, are naturally desirous of making their membership as complete as possible; but if they are to retain vitality and accomplish their purpose without violating essential principles of human freedom, membership must be voluntary. There may be appeal and persuasion, but there must not be coercion, intimidation, or compulsion. These will sow the seeds of strife and defeat. The non-union man has the same right to life, liberty, and the pursuit of happiness as the union man, and he must be allowed to "make a living" in his chosen occupation as freely as another. Persecution of him will serve no good cause.

Labour unions should be so constituted and managed and become such a benefit to workingmen as to attract the competent and gain their willing adhesion. Then there need be no fear of the competition of those who refuse to join. They would win the sympathy of the disinterested public and the confidence of employers, and union labour would be preferred because more valuable.

But for this union regulations must have in view the securing of efficiency and fidelity to obligation, as well as mutual support. The management of unions will require knowledge of economic principles, administrative ability, and a sense of fairness. They must be able to make bargains that are businesslike, and carry them out in good faith. That requires the same kind of qualification and character on the side of the employers, but there is no reason in the nature of things why bargaining should not be as honourable and as mutually satisfactory between those who require labour and those who supply it as between those who contract with each other in buying and selling commodities or in providing facilities for their production and exchange. The chief difference has always lain in the advantages of the parties to the bargain. In dealing with labour the employer has had the position of advantage and has used it selfishly, often unjustly, sometimes outrageously. He should be brought to a position of using it fairly and of having no advantage of position. Parties to a bargain should be on an equal footing so far as making and enforcing terms is concerned.

The great difficulty here lies in the fact

## Honesty in Labour Unionism III

that the advantage of the employer has long existed, that it is based largely upon possession and is tenaciously held, and that human selfishness is the controlling motive of action. There is much controversy as to whether the normal relation of capital and labour is that of hostile rivalry for the division of the results of their joint employment or that of amicable co-operation and mutual benefit. It has been chiefly the former because the owners of capital have striven for the lion's share of the fruits of production; and labour, as it has come more and more to appreciate the rights and equities of the case, has fought for a fairer division. Strife and fighting imply and beget hostility.

The relation should be one of co-operation, for if labour and capital were to work together amicably and efficiently and on terms of mutual benefit, there would be a larger product to distribute; and though under the fairer division which equity would dictate some might not get so much wealth, there would be far greater equality of condition and that would be for the general well-being. Even the rich would be "better off" in the true sense of the term. The doctrine that there should be an equal division, or a division

according to need and not according to merit or value of service, is delusive. It is not founded in justice, and if put into practical effect would paralyse the strongest incentives to industrial effort. The resulting equality would be a degraded state of general poverty. Fortunately the innate impulses of human nature make its practice impossible.

Labour organisation should seek by all means to make labour more efficient and workmen more capable and discard every rule or "principle" in conflict with that idea. It should allow freedom in apprenticeship and training for industrial trades, leaving the distribution of employments to the law of supply and demand for their labour and the capacity of the workers. It should favour the best mental and manual training and the highest ethical discipline of its members. Then it should strive by every fair and honourable means for an equitable division of the fruits of the co-operation of labour and capital in production. Literally speaking, labour and capital cannot co-operate, but both are instrumentalities controlled by men who do the co-operating. Men own and apply and direct capital, but capital is impotent without labour. Men have a capacity



for furnishing the needed labour, but in modern conditions labour is virtually helpless without the opportunities offered by possessors of capital. Each is necessary to the other for the creation of a state of well-being for the possessors of both, who make up human society. It is not right that the possessors of one should dictate the terms and award the compensation for both.

Hence the need of organising labour and giving it the power for effective bargaining for its services. That power needs only to be used intelligently, honestly, and justly to achieve its purpose of benefiting labour, or the general body of workingmen, without injuring capital, or those who employ workingmen. It will thereby promote a more perfect union of labour, win the sympathy and support of those not directly concerned in the disputes or conflicts that are liable to arise, and make easier and more successful the efforts at establishing amicable and mutually beneficial relations between those who supply capital and direction for industries and those who furnish the labour necessary to make these effective. Labour and capital must work together in order to attain fruitful results

and their equitable distribution. The more amicably and fairly they do this, the better for both.

It is not alone in disregarding the rights of others when disputes and conflicts arise and defying the law for the protection of such rights and the maintenance of public order, that "labour leaders" are apt to err. They have been disposed to claim exemption in the law itself from the restraints and penalties which have been imposed upon all subjects and for the general good while their application is to be maintained for all others.

This would make of the workmen, known collectively as "wage earners," a "privileged class," in so far as they organised themselves into "a class,"—a term which should not be tolerated under a democratic government. It would be a dangerous departure from the principle of American institutions, far more dangerous to workingmen than to capitalists, who can wield a greater power if forced to unite in self-defence. Only a small proportion of the wage-workers of the country can be so united in an organised force under systematic leadership, and so far as those who are so organised gain anything by privilege and exemption, it must be at the cost

of others, whose condition will be made the harder. The organisation will be privileged to abuse its power in a way not permitted to others, and this will speedily bring the sentiment of the community against it, and obstruct the progress of unionism for its legitimate objects. The purpose of such exemption can only be to give labour organisation a legal advantage over those who employ labour, whether organised or not, and it would impel employers to an attitude of resistance and self-defence, and an activity in politics which it is as desirable for labour as for capital to avoid. Such an effort to secure standing before the law as a privileged class is calculated to lead to conflicts and antagonisms destructive to our very form of government, and should be an object of dread and not of desire for honest and patriotic workingmen. They above all other citizens should cling to the fundamental principle of free government,—equality before the law.

## X

### POWER OF ORGANISED CAPITAL

ORGANISATIONS of capital, or of men owning capital which is employed in processes of production and distribution, have far more power than organisations of labour. They are not used so blindly, but they are about as liable to be abused. They are just as likely to be used selfishly. There is the same desire to get as much as possible of the fruits of production for their members, with neglect of the rights of others and of the general welfare of the community. The organisation of capital has taken the form of incorporation and has long been legalised and more or less regulated by public authority. Its power is necessarily directed in each case by a few men and mainly in the interest of those who furnish the capital. It has greatly increased the scale upon which industries can be conducted under a centralised control and the scale upon which any business can be

successfully carried on. At the same time it has vastly magnified the control of capital over labour and made more necessary the organisation of labour for the defence of its own interests.

The individual who owns land, buildings, and machinery, and has the means to buy materials and hire labour, has an advantage over those who work for him. He is one and controls the means of production. They are many and depend upon their labour for subsistence. He may have a sense of justice and a disposition to do right by those who work for him, and in any case the relations are personal and amenable to the prevailing standard of right and wrong. In a partnership the power of capital is increased but personal relations may still be maintained. With corporate organisation the case is different. Those who have immediate relation with workmen and come in contact with their daily life are themselves employees of the corporation and have little control over conditions. However honest or well disposed they may be, they are under orders or instructions and are servants of a system. Even the officers and managers are compelled to act as trustees for others and feel a sense of

obligation to owners rather than of duty to employees.

As modern industry developed and its instrumentalities multiplied in number and increased in effectiveness, the corporation became necessary to bring together and apply larger capital and greater power for the conduct of business and the employment of labour. By this means the capital of a large number of persons could be massed together, with their combined ownership represented in shares of stock and with their control of property and its use proportioned to their part in the ownership. Control could no longer be exercised individually and could be exercised collectively only in an indirect way. Personal interest became limited to the right to receive a proportionate share in the profits of the business. The law gave an artificial personality to the corporation, with certain defined rights and privileges, including those of borrowing money, making contracts, enforcing obligations, suing and being sued at law, etc. The power to borrow money enabled it to raise capital on bonds secured by mortgage upon property which belonged to the shareholders.

So the business of producing and of trading

in products, and consequently of employing workmen of various grades, was indefinitely enlarged, while the control was concentrated in few hands. The great body of stockholders could take no part in management. They must elect from their number a board of directors to represent them and act for them. Their suffrage in this election was proportioned to their ownership of shares and one large holder might have as much influence as many small ones. As corporations grew in size, only a small proportion of stockholders could attend the meetings for electing directors, and the practice grew up of voting by proxy, or giving to the few attending the meetings power of attorney to act for the many absentees. This enabled the few who had a large interest and were near to the management to make up a "ticket" for directors and obtain proxies to insure its election. The choice could be made from their own small number, thus giving them the practical control. Then the board of directors would choose the officers of the corporation and managers of its business and prescribe all the methods of conducting it. Practically, it was as if they owned the business and the property, though most

of the capital was furnished by a large number of others, some of whom held certificates representing shares of ownership, and others held bonds representing debt due them for borrowed capital, but giving them no part in control or direction.

In this way a small number of men closely associated together came to control and direct industrial establishments of large extent and to employ a multitude of men in various capacities, with whom they came into no personal contact and most of whom they could not personally know. While this system of corporate organisation and control of industry and trade was the outgrowth of increased production, and, by reason of its effectiveness on a large scale, contributed to its further increase, it exaggerated still more the inequality of condition among men and enhanced the advantage of the powerful few over the dependent many. The power thus obtained, like all power in human hands, was subject to abuse. A little group of men, animated by selfish motives, perhaps dominated by one ambitious and aggressive person of autocratic temperament eager for power and wealth, could acquire control of vast agencies for production and for the distri-



bution and exchange of products through trading, transportation, and banking systems, and make themselves masters of the fortunes of thousands.

In the management of any great corporation in these days a small group of men under the lead of one dominant person almost always exercises control as absolutely as if the ownership of the property and the obligations and responsibilities were their own, instead of being held in trust. By their large voting power and the exercise of that of many others by proxy, they can carry things their own way and perpetuate their management so long as they escape financial loss. The interests of creditors and shareholders, as well as those of employees of every grade, are in their hands. Except as restrained by legal limitations duly enforced, they may raise more capital by the issue of stock or of bonds and direct its expenditure. In the marketing of these securities and in contracts for the expenditure of capital in new works or the improvement of old, it is possible for them to make gains for themselves and increase their personal share in ownership and control. The payment of interest on bonds and dividends on stock depends mainly

upon them. In no small degree they determine the cost and the selling price of products, and they are absolute masters over the wages of labour, except so far as wage-earners have an organised power of resistance and defence.

As the result of the development of corporate organisation and concentrated control of capital, a kind of modern feudalism has been built up, with a "class" of "captains of industry" and magnates of finance upon whom thousands are in varying degrees dependent. Shareholders depend upon them for dividends from their stock. Employees depend upon them for salaries for service and wages for labour and for the treatment they receive. In no small degree the "cost of living" for the whole community depends upon them. Their power might be exercised beneficently, with justice to all, and with due regard for the interests of the public and for the general well-being, but that is not the tendency in human nature in its present stage of progress. The tendency is to self-aggrandisement and the increase of autocratic or oligarchic power. Such power will seek to intrench and strengthen itself and to defend itself against

attack, restraint, or legal regulation, by exerting its influence in political action and in the making and administering of law. It is a development from the natural inequality of men under the unrestrained sway of selfishness. It is carried to its culmination when powerful corporations become merged or closely associated under a common control, whether by a board of trustees holding the stock of many or a separate corporate holding company, or by mutual agreement of boards of directors made up in part of the same men, or by mere common understanding between controlling authorities.

What is the relation of competition to this growth of corporate power, and what is to be the means of curbing and bridling it, to make it the servant and not the master of the general welfare? The theory of the old economic doctrines was that competition would prevent such consolidation of power, and the theory still prevails that competition may restrain it. In point of fact, its results are achieved by competition and when it has accomplished its purpose it may kill competition, unless prevented. Competition is the weapon with which the strong in corporate organisation have beaten down and

trampled out the weaker or have absorbed their substance and their energies. Left to its own devices it would create monopolies and bind them together for mutual protection and common conquest, until plutocracy reigned supreme.

What is to hinder this and save the commonweal from the consequences of a struggle for life in which the weaker elements shall survive only so far as they serve the uses of the stronger and by them are permitted to live? The process of evolution cannot be allowed to have its way, as if there were no moral sense, no conscience, no will power in the elements of humanity, and no destiny but destruction, any more than in the conflict of elements which make up the physical world. Appeal must be made to the altruistic side of human nature, to the moral sense, and this must get the better of selfish instincts and establish a reign of conscience as well as reason.

The power of the few in the management of corporations and combinations has been allowed to go far beyond their rights as part owners, and they have used it to increase their advantage and their wealth at the expense of other shareholders. There needs

to be better co-operation among the smaller shareholders. The system of stock-voting, which allows a vote for every share held, without regard to rights pertaining to the individual, gives an undue advantage to the large holder. Beyond a certain moderate limit the number of votes should be restricted to one for a number of shares, on a graduated scale. The proxies for many small shareholders should not be turned over to the few large shareholders who are close to the control as officers, or to committees of directors, to be used in their own way. There should be a legally established method of representation by which proxy votes shall reflect the will of those to whom they belong. As a further qualification of the power of control, either a smaller proportion of capital should be raised by borrowing on bonds, or bondholders should have some voice in management beyond the right to foreclose mortgages and reorganise the corporation when it becomes unable to meet its legal obligations, thereby squeezing out shareholders and taking their place.

Until there is a higher development of moral sense as applied to business on the part of those directly engaged in its practical

work, there will be need of some kind of control or regulation on behalf of the public whose well-being is at stake. That can go no farther with effect than is dictated by a prevailing moral sentiment and standard of honesty in the community, but so far it must be exercised in the interest of progress. There are the interests of investors and creditors to be guarded and the rights and claims of employed workmen to be considered. The latter have their own organisation as a means of defence, but its power as well as that of organisation of capital needs to be regulated and restrained. No more in one case than in the other can it be left to take its own course, for selfish impulses need restraint as much in one as in the other.

There is need of the regulation of trades unions and federations of unions as much as of corporations and combinations of corporate bodies. The organisation should be fairly representative of its members; and its directors or trustees and its officers should be held to definite obligations and responsibilities. Membership should be as completely voluntary as that of shareholders in a corporation; and those who are not members should be as unmolested in their rights

as subjects of law, as those who choose not to invest in corporate enterprises. Labour unions should not any more than corporations be permitted to use competition of the strong to kill the rivalry of the weaker and thereby establish a monopoly of labour in different occupations. They and their members and officers should be in all things as subject to law as should corporations, their shareholders and their officers. This is of the essence of the doctrine of equality in rights and opportunities before the law, so long as uniform obligations are observed, whatever may be the differences in capacity and character.

After all is said about legal rights and obligations, the one supreme need for both capital and labour is the development of a higher sense of right, the constant application of ethics in economics, and the cultivation of a sound public sentiment, which shall enforce higher standards of action in industry and business, as well as in social and political life. The era of piracy and brigandage in "making money" and "making a living" should be superseded by the reign of moral principle. This is a matter which cannot be forced by legislation, but it can be encouraged and supported by

the enforcement of judicious enactments. The chief means of promoting it is a sound education of the "common mind" by all the agencies which can be appropriately employed for the purpose. This means not only development and direction of the mental faculties and the training of the reason and judgment, but the stimulation of the moral sentiments and the inculcation of ethical principles, the teaching of honesty and right conduct, not merely as matter of personal salvation from dire consequences in an unknown hereafter, but as a part of the economic policy which will make for both the wealth of nations and the welfare of peoples. The policy of unbridled selfishness, with its attendant derelictions of conduct, sacrifices to the immediate gain of the grasping few the lasting benefit of the many, the safety of the community, and the perpetuity of the state and nation.

It is a common fault of both capitalists and labour men to have too much regard for immediate results, and too little for their own permanent interests. Capitalists of real foresight and ability but little scruple, may gain wealth quickly by dishonest schemes, which sacrifice the rights of others



and virtually rob them of their own by inflation of securities or fraudulent exploiting and promoting. This works ruin to the properties involved and if the "malefactors" escape the immediate consequences, they are liable to lose in the later operations through the distrust which they incur. In any case, they suffer in reputation and harm the business upon which subsequent income may depend. In the long run, their wealth is liable to be less than it would have been if they had devoted their ability and energies persistently to honourable methods, which would bring the respect of their fellow-men.

Workmen, in insisting upon the highest wages and the easiest terms that present conditions will permit, and using the power of organisation to exact them, are sacrificing the future to the present, with ultimate loss to themselves, as well as to their employers. When the industry in which they are engaged slackens, as the result of this short-sighted and exacting policy, many of them lose their employment altogether and others are put on short time or lessened wages, as the alternative of idleness with no income. The gain of thirty days under pressure is more than offset by the loss in three hundred days of

a working year, while the opportunity for steady employment is permanently curtailed. Better \$4.00 a day for full time than \$5.00 for two thirds time or \$6.00 for half time, in the year's work. Besides, steady work is far better for comfort and happiness than irregular and spasmodic employment. Better also the favour and good-will of employers than their distrust or dislike.

Workmen employed by great corporations are apt to think that whatever they can exact from them in excess of a fair wage, to the injury of their profits, comes from the rich or the well-to-do, whereas much of it may be extorted from the scanty income of the small shareholders or estates upon which widows and orphans depend for a barely comfortable living. Stocks of the manufacturing companies of New England and some other parts of the country, for instance, are widely distributed among small holders who have invested in them the slender savings of many years. It is eminently desirable that this kind of investment should extend and should be made as secure as possible, and that workmen themselves should be encouraged to be investors of capital, and to have an interest in its

safety and the steadiness of income from it.

Indirectly, many of them have an interest far beyond what they realise. Those who are thrifty and make deposits in savings-banks are supplying capital which, in the aggregate, amounts to vast sums. When the interest is paid to them or is credited to their account, they do not think about its real source. It comes from investment in securities of corporations which conduct great industrial establishments and the railroads of the country. The rate of interest depends upon the earnings and profits of these, and the safety of the principal depends upon their prosperity and stability. So it is with premiums upon life insurance policies, into which many slender savings go to insure provision for families when left without the mainstay of their wage-earners. These premiums are not idle. Policies must be paid, not from funds of philanthropy but from the earnings of these steadily invested premiums, which constitute a large share of the capital of corporations. These investments are carefully guarded by law in many States and should be so in all, and they need to be guarded by depositors in savings-banks and

holders of life insurance policies, a large proportion of whom are wage-earners, from the risks of loss and injury caused by strikes, boycotts, and exactions of every kind that are not justified.

The consequences of a short-sighted selfishness and disregard for the rights of others, which in the long run will prove to be disregard of the real interests of those guilty of it, cannot be effectively averted by statute laws or by public authority. But if against the spirit which begets them, the influences of education, in the home, in the schools, in the text-books, in the pulpit, and in the press of the country, could be arrayed for one generation, it would work a transformation which would make easy the solution of problems which now perplex the world. It would make of labour unions a real brotherhood, of corporations a beneficent power in the hands of upright men, and would ally the possessors of capital and the possessors of labour capacity together for their mutual benefit and the working out of the most beneficial results for the whole commonwealth. It would not abolish riches or poverty so long as men remain unequal in capacity; but it would diffuse the fruits of human effort, not equally but equit-

ably, and would slowly regenerate the qualities of human nature itself, which under the existing system tend strongly to degeneration. It is a task of more than one generation, but it should be pursued assiduously. It would grow easier with experience, but its difficulty will increase with neglect.

## XI

### REGULATION OF CAPITAL AND LABOUR

IT was part of the doctrine of laissez-faire that industry and trade should be left to the initiative and direction of private effort, individual and collective, under the influence of emulation and competition, and that there should be the least possible interference by government. Government should look to the ordering of public affairs, those which affect all its subjects alike, and care for the interests of the nation as a whole, the maintenance of order, the administration of justice, the "common defence and general welfare," and leave men free in their industrial and commercial activities, except as these might be affected by policies for raising revenue or conserving national power. The free operation of individual self-interest might result in incidental wrongs and abuses, but it was better to leave them to be worked out and rectified through experience than for

government authority to meddle for their correction.

In the huge development of modern times, the great association of effort, the organisation of capital and the organisation of labour, new and difficult problems have been evolved, which there is no adequate means of solving except through that organisation of a whole people which is called Government. Let us keep in mind that organisation of capital means organisation of men who own and use capital in the employment of labour for production and the distribution of products, and who are subjects of government; and that organisation of labour means the organisation of men who are employed at work in production and distribution and who are also subjects of government. Government itself, in an American sense of the term, is an organisation, not of blind forces or old traditions, but of men who constitute the whole people and who act through their own chosen representatives and officers, delegates of their power, to direct their common affairs just so far as they need such general direction.

The people themselves are both the source of the power of government and the subjects

of government. Even where government is not "popular," or democratic, it is an organisation of men who assume to represent the people and act in their behalf and for them. They are ruled by human motives and purposes and not by a mechanism under the direction of divinity or destiny. In treating of capital, of labour, of government, we are dealing with men, with the forces of human motives and purposes, human sentiments and impulses.

Men who control capital and employ labour are organised in corporations in different industries and branches of trade, and in the direction of agencies of distribution and exchange. The capital may be owned by a large proportion of the people, but under organisation it is controlled by a small proportion. These corporations may be large or small, but the tendency is to large organisations which may dominate a particular industry or branch of trade. They may be affiliated or associated together so as to act in unison for their general interest or the interest of those who direct them. In each case a small group of men may exercise a controlling power. The same group, or association of groups of men may acquire a



dominating power in more than one productive industry and in trade in the products of the industries, and may reach out for a large control over the agencies of distribution and exchange. They may be representatives and trustees of many shareholders and creditors; the property over which they hold sway and the instrumentalities which they direct may be owned by many and their own share in them may be relatively small; but their position gives them a power which they can exercise largely at their discretion and with little restraint from their numerous and scattered constituents.

Necessarily the men who attain this controlling and directing position are able, energetic, assertive, commanding men. They are strong men. They may be ambitious for wealth and power. They may not be men of high integrity or a keen sense of justice. They may be strongly selfish and care little for the human forces which they direct except to make them effective and keep them under discipline for their own purposes. They may care little for individual rights or the welfare of those employed. They may be little concerned for the rights or welfare of the community at large except

as it yields revenue to them. Their interest in government may be limited to the desire that it help or protect, or at least do not hinder, their enterprises; and they may exert their own power to make government subservient to them rather than supervisory over them. These men are in a position to draw wealth to themselves which does not belong to them and which is drained from the earnings and savings of others. They may so direct affairs as to leave to the shareholders whom they represent less than they are entitled to. They may allow to employees and workmen less than a fair remuneration for their service and labour. They may through their combinations draw in prices and charges from the substance of the people in a way to enrich themselves, restrict the incomes of many, and keep a multitude in poverty.

This is not a general characterisation of capitalists and employers on a large scale, or the officers and directors of great corporations. It is admitted that among them are men of high character as well as great ability. It is a statement of what is possible and of that toward which unrestrained emulation and striving tend. In this strife for great success

and power in the world of industry and business, the tendency is to drag the standard down to that of the least scrupulous and not to elevate it to that which the most scrupulous would gladly establish and maintain. Shall this tendency be allowed to assert itself and develop to its logical results in a plutocracy that will not only control a vast system of industry, trade, transportation, and finance, but dominate professional service and sway the government of the people? If the government of the people is for the people, shall it not continue to be by the people, and shall they not assert their power over the organisation of capital to make it serve the interest of all and contribute to the general welfare, and not be used to build up wealth and power for a ruling class?

The rights and interests at stake are not merely those of "labour," that is, of the men who are employed by "organised capital." They are those of the entire community, and especially of the great mass which is not organised, except in so far as the citizenship of a state or nation is an organisation, the mass who can act only through the organisation of government. "Labour," the men who are employed to perform service and do

work, have their organisation whose rights and interests are not identical with those of the public or that mass of people whose only organisation is government. Should not that organised government which is the agency of all exercise supervision and restraint over both organised capital and organised labour, so far as it may be necessary for the protection or promotion of the general welfare? Organised labour may be a menace and a danger to the general well-being as well as organised capital.

We have spoken in an earlier chapter of some of the mistakes of labour unions, which cause economic injury to workingmen as well as to employers, and to the community whose wants are supplied by productive industry. These may be corrected through experience and the inculcation of a better knowledge of principles and a higher standard of action. The danger does not come from that source. Organised labour has been extending its power, not only by multiplying unions in different industries, which is not in itself objectionable, any more than multiplying corporations, but by affiliating or federating them together to exercise a united influence, which may be as much

abused as that of combinations or associations of capital. A union of the workmen of a single employer, however large their number, for the purpose of making a collective contract for their service, prescribing for a certain term the wages, hours, and other conditions of their labour, has comparatively little power for enforcing demands or insuring compliance with contracts. These workmen may strike work and peaceably abandon their "jobs," but their places may be filled more or less readily, while they find difficulty in obtaining new ones. They may use up such savings as they have and suffer privation, while the employers only suffer loss which they can endure without hardship and soon recoup.

This is what provokes hostility to non-union labour and tempts to violence to prevent its employment or to prevent the prosecution of an industry without taking back the strikers on better terms. Attempts to force the employer either by peaceable or violent means are apt to be futile unless union men in the same trade or industry sustain each other. Hence they all become members of the same organised union or the separate unions are so affiliated as to act together,

making the cause of one the cause of all. Then the demands of the workmen of one employer may be supported by a union whose members have different employers; and, if they "go on strike," they receive help from the entire organisation. If this does not enable them to hold out, there may be a general strike in the particular industry within a district or section or over a wider area, even throughout the industry in the entire country, to bring the obdurate employer to terms.

In this there is evident injustice to the employers who are not parties to the dispute, and against whom there is no complaint. Their workmen may quit under orders which they have voluntarily bound themselves to obey. It may be against their will that they are forced at heavy cost to themselves to aid in a contest in which they have no responsibility and no obligation, and in which their interest and their sympathy may be against those whom they are compelled to aid. Moreover, the whole community which is served by the disturbed industry is made to suffer loss, and other employments are interrupted and their workmen made idle. In this there is wrong against which there

should be safeguards and for which there should be redress.

The general strike may be a more serious calamity for the time being than could be inflicted by organised capital or than organised capital would dare to attempt. A strike to enforce the demands of a union of workmen which causes loss or injury to those who are not responsible for their rejection and have no power to settle the dispute, is an injustice. Violence or intimidation to prevent others from taking employment which the strikers have abandoned is not only an injustice, but a violation of wholesome laws for protecting personal rights. Violence which interrupts business and injures property is an injustice and a violation of laws for the protection of property rights and the maintenance of public order. Strikes that seriously interrupt general industry and business and the service of the public are an outrage that cannot be safely tolerated. They destroy values and check the creation of new values, and do economic injury to entire communities, and even to states and nation. That will have to be made up by labour and capital for which the return is impaired.

The general or concerted strike is in the nature of a conspiracy against the general welfare. Against that the community has a right to be protected. A concerted boycott of the goods or the trade of those not directly concerned in a labour dispute, which coerces others than those concerned into refusing to "patronise," in short, which goes beyond the freedom of every man individually to buy or sell, to work or to employ labour where he will, does rank injustice to many and should not be tolerated.

How then are the "rights of labour" and the rights of capital, which means the personal rights of those who work for others and of those who furnish capital and employ the labour of others, to be maintained on a plane of justice and sound economics, so that each shall obtain substantially that to which he is fairly entitled? Free competition will not accomplish it, because the stronger will get the better of the weaker and selfish impulses will prevail over altruistic impulses and the sense of justice, unless restrained by a prevailing standard which the sentiment of the community is strong enough to sustain, under social penalties for its violation. This might be the case under millennial conditions



or in an ideal state of society, but that appears to be far off. Voluntary association and concerted effort on the side of labour, or of those who work for wages, and on the side of capital, or of those who employ men and pay wages, does not accomplish it at the present stage of human progress. The attempt is largely misdirected and beset with errors. It is attended by continual failures. It causes a vast deal of economic waste and loss, and hinders prosperity. It is a fruitful source of "outrage and of wrong."

No people is at a stage of development where it is capable of self-government through individual action, private co-operation, or voluntary association. It is not safe or salutary to leave every man to do that which is good in his own eyes. That will not be practicable until all men are equal or the race is far nearer perfection than at present. It would mean anarchy, and at the present stage of human advancement anarchy would work neither prosperity nor peace. Government, to be effective and orderly, and to produce the best results for its subjects, must be organised in a way to prescribe duties and functions and to have capable men fitted by selection and training to perform

them. This is generally acknowledged in regard to various relations of men in constituting a state, and it may be extended to apply more widely as evolution works a change in conditions so as to require it for the common defence and general welfare. Government is not a fixed and stable thing, as the variety of its forms and the changes it undergoes in its various forms constantly testify.

The large and complex industrial and commercial development of this age has made it necessary for governments to take up new problems and new tasks, and they will be constrained to regulate the relations of "capital and labour," that is, the relations of their subjects who supply the instrumentalities and direct the operations of industry and trade and those whom these employ and pay for various kinds and grades of labour. They must do this, not simply that justice may be done in these relations of employer and employed, but that the interests of the communities of which they are a part may be conserved and safeguarded for the general well-being. This is the opposite of anarchy and it has no kinship to socialism. It is a step forward in the self-government of peoples

through chosen representatives or delegates of their power. It may even be a step forward in government by a constituted or hereditary class of men representing people by their consent rather than their choice.

There is still a great deal of individual employment where men come together and agree upon terms and maintain their own relations on a footing of amity and mutual understanding. It is only where there is organisation on a large scale that the direct intervention of government is necessary to regulate the relations of employers and employed, and then only where they fail to do it themselves on terms of mutual satisfaction and with due regard for the interests affected by their relations. Corporations and combinations or associations of capital, whereby labour is employed on a large scale, are directed and managed, not by a numerous body of shareholders, but by a small number of directors and officers to whom power and responsibility are delegated. The conduct of these can be prescribed and regulated by government so far as that may be necessary for the common good. Organisations of labour, or of workmen, unions, brotherhoods, federations, or what not, are not directed or

managed by their individual members, but by selected boards or committees and officers, acting under constitutions and rules, to whom authority and responsibility are delegated. These may also be held responsible for their actions under government regulation. Why should they be free to act arbitrarily or unjustly, to disregard the rights of others or the interests of the community, any more than those who direct and manage corporations, or organisations of those who furnish the capital necessary to the employment of labour?

There is no reason why a form of incorporation should not be provided for labour, with defined powers, privileges, and obligations. Men cannot be compelled to organise under any prescribed form, but they can be denied the exercise of certain powers and privileges unless they do so; and voluntary associations, whether of capital or labour, can be made amenable to public authority in regard to the things they may do and those they may not do, and they may be held responsible through those to whom power and responsibility are delegated. There is no reason why there should not be definite legislation regulating the relations of capital and labour with each

other and the relations of both to the public, so far as that may be necessary for authoritatively settling disputes which may rise between them. So far as their relations are voluntarily regulated in an amicable way by mutual agreement, they need not be interfered with unless that regulation is in conflict with the interests of others and of the public.

A system of regulation, in order to be carried out effectively, would require a scheme of administration adapted to the purpose, and a competent tribunal for adjudicating disputed questions and rendering judgment. It is sometimes contended that under a system of the kind there can be no way of enforcing awards or penalties. Why not, as well as in other matters where government control is deemed necessary? Men cannot be compelled to work on certain prescribed terms or to hire others to work on such terms, but they can be made to abide by a judgment rendered by competent authority where their rights and claims have been duly passed upon, and to suffer the penalty if they do not. They can be made to leave others in peace, and to accept the award of a tribunal or go their own way in

peace. It does not follow because a thing has not been done or is something to which we are unaccustomed, that it cannot be made to work if the object is one desirable to attain. Labour disputes, like other controversies over the rights and claims of men, can be settled by government interposition, so far as that may be found necessary for the general welfare, for the promotion of which governments are instituted among men.

## XII

### CAN GOVERNMENT REGULATE BUSINESS?

**I**F the government in this country is, to a constantly increasing extent, to undertake the regulation of the affairs of the people in their industrial and business relations, it becomes a question of vital importance whether it is in form and method fitted to exercise the necessary power. Here again it is far more a question of the capacity and character of men than of mechanism or kind of organisation. Government cannot make its subjects honest by legislation or the administration of law; but if it is to endeavour to promote a higher standard of honesty in the conduct of their business, it must itself be both honest and wise. That means that the men who are charged with making and administering its laws, must be competent and upright. At least the controlling majority must be so.

It is the theory of government in America

*Particularly when the*

that the people rule. That theory is based upon the assumption that the people as a whole are fit for self-government and capable of making it the best government for themselves. Yet there is distrust of any extension of the powers of government. That is the chief obstacle in the way of establishing any legal and official regulation of the relations of capital and labour,—the relations of large bodies of men engaged in the industries and the trade by which the people are sustained, whether in poverty, in comfort, or in luxury, and by which communities are made prosperous and progressive or otherwise.

Are the people fit for and capable of self-government? It is a mere truism to say that it depends upon the capacity and character of the people. We must revert once more to the self-evident truth that all men are distinctly not created equal, and are not endowed with rights that are inalienable, or that may not be forfeited as the result of their incapacity or misconduct. Some persons are capable of ruling themselves to the best advantage and the utmost benefit of themselves and others, but many fail and need the help and support of those who are wiser and



more capable than themselves. Some peoples are on the whole sufficiently intelligent and enlightened for self-government and some are not. The average in a particular nation may be high enough to make a system of self-government better and safer than government by an established ruling class, or by hereditary rulers and their advisers, however wisely the latter may be chosen.

Even with this higher average, the capacity and the actual power are not equally distributed, for the more capable and more highly endowed exert their influence over large numbers of the less capable, who are swayed in their opinions and in their political conduct by leading minds and forceful characters. The controlling public opinion is not the average, reckoned by numbers, but the resultant of the influences exerted by strong minds and weak, by knowledge and ignorance, by the trained and disciplined and the untaught, by varying forces of moral sentiment. It is through the power of public opinion, evolved by these conflicting influences, that the people rule in a democracy, and not by mere force of numbers.

It depends upon the strength and quality of the power that may be thus evolved,

whether the people of a nation or country are fit for self-government or can rule themselves better than they can be ruled by a part of their number. It needs no argument to prove that there are still peoples on the face of the earth who are not capable of self-government in the democratic sense. If left to that there would be sheer barbarism, no ordered government, and no progress; but where there is a tendency to progress the stronger and more capable take power upon themselves and do the ruling after a fashion. This is the beginning of government, which by revolution or evolution may expand to a larger and larger ruling class and ultimately reach the periphery of the whole mass. Even then there will be differences and inequalities.

Government must necessarily be through representatives and delegates of popular power, and voice in their election may be limited to adult males, and may be qualified among those so as to exclude the incapable or those who are deemed incapable. Absolute popular government is unknown on the planet and could hardly be distinguished from anarchy if attempted. Popular government as known among civilised nations is representative government, and the degree

of popularity is determined by the suffrage for choosing those who are to exercise the powers and perform the functions of administering the government.

Not only are there people who are not self-governing because they are incapable of establishing and maintaining a democratic or representative system, but there are people who nominally have such a system but are incapable of administering it with success. The form may remain, but the substance becomes government by a ruling class, sometimes by a dictator and the more or less capable men with whom he surrounds himself and who are subservient to him. A government may be republican or democratic in form and its paper constitution may be admirably framed according to the best models; and yet the people under that government may not be in any sense or in any degree self-governing, simply because they show themselves incapable of it. Such an artificial system is unstable and subject to frequent revolutionary attempts to dislodge those in control. Perhaps it is only through these that the people can grow up to the system, but until they do so they will not have real self-government.

Let us come home to our own country. Are all the people of the United States fit to take an equal share in the government of city, state, and nation? Do wisdom and capacity reside in the mass; and if so, how is it to find expression in word and act, in legislation and administration, for the general good? It is certain that all adult male citizens are not equally qualified for an intelligent and honest exercise of the suffrage, and so far as its exercise fails to be intelligent and honest it tends to degrade the character of the government. It tends to put power in the hands of organised groups of politicians who aim at selfish ends and employ evil means to attain them. It tends to breed a ruling class which is not composed of the best citizens and which may derive its main support from the baser elements of the community.

Where the suffrage for the election of representatives and delegates of the people, who are to exercise the actual powers of government, is largely in the hands of those whose intelligence and moral sense are of a low order, the crafty and unscrupulous gain control and use the authority delegated to them for their own advantage and profit, and to the detriment of the commonweal. They

become the masters of the people rather than their servants, "bosses" rather than leaders, and use political organisation as a "machine" to accomplish their ends and maintain their power. The fault is not primarily in the unfitness of those entrusted with power, but in the unfitness of those who entrust them with it, and that is where the remedy is to be applied for the resulting evils. Good government cannot come from ignorance, incapacity, and a low standard of moral conduct through any system, however well-devised.

There is another danger to which popular government, or government by the people, is subject when the qualifications of a large part of the people for exercising the power of self-government are of a low order. A self-seeking demagogue may arise at a time of dissatisfaction and unrest, such as is liable to come as the result of misgovernment or of economic and social conditions which impair the general prosperity. Regardless of the real causes of discontent, which may be complex or obscure or not understood, and regardless of the proper remedy for a distressing situation, there may be a vague but intense desire for a change which shall

somehow make things more comfortable, nobody knows exactly how.

Such a time is the opportunity of the demagogue. He may be a crafty and designing person with an overweening ambition and a vast conceit. He may be morally unscrupulous and may work, not only upon ignorance, passion, and prejudice, and inflame the prevailing discontent, but he may also appeal to the selfish and sordid instincts of human nature, using corrupt means and delusive promises of what he knows he cannot perform, in order to get power into his hands. Having obtained it, he may make use of all its agencies and instrumentalities to strengthen and maintain his hold and defeat the hopes of the people who have elevated him in the expectation that he would be the servant of their will instead of the master of their welfare. He may establish in the name of democracy an autocracy or an oligarchy and endeavour to maintain it until he can pass it to others of his choice, and it will take time to dislodge him and recover the lost ground of popular rule through representative government.

A demagogue of this kind is not at all likely to succeed in a country of the large population, varied interests, general intelli-

gence, and common education of the United States, and the attempt is not in the least likely to be made; but there is another type of demagogue who might under peculiar conditions gain ascendancy for a time and do a vast deal of mischief, though such control as he could attain would not last long. He would soon find himself a fallen idol in consequence of his inability to fulfil delusive promises. He would set out as the reformer of real abuses, the leader of a crusade against wrong, and the champion of a change for the better. He would be of an ardent, vigorous, and generous nature, in full sympathy with those who suffered from injustice or the oppression of those in power. He would indentify himself heart and soul with the cause of "the people," confident of their right and their power to rule, and to rule wisely, provided they accept his guidance and entrust him with the custody of their rights and the exercise of their power in high office.

In his self-confidence, in his conceit of lofty motive, of exalted capacity, and of infallible wisdom, innate in his temperament and cherished in his dreams of service to mankind, he will by his intense earnestness command a great following. It may be with

sincerity that he flatters the people in the belief that their instincts and impulses are always right, that their wishes are at all times in accord with the highest wisdom, and, if they are permitted to decide everything by a majority vote, all will go well. He may regard the ends at which he aims as of such supreme importance and his capacity for attaining them so essential, that he will stoop to any means that appear necessary or effective for securing them, blind in the ardour of pursuit to their actual turpitude.

Such a demagogue is always a possibility under a free government, though the combination of qualities and the concurrence of circumstances are not likely to coincide. If that should occur and such a leader of discontent and desire for change should arise, he would probably be a man who had already acquired prestige in high office and would seek to attain his object through the party which had already honoured him, swaying its organisation to his will. Failing that, he might attempt to form a new party, convinced of the righteousness of his cause and its ultimate triumph, for which the ruin of the old party was necessary, and looking to the future for success. Such a demagogue,



however sincere in his delusion and however able in handling his resources, is hardly more likely to succeed in this country than the other, and if he should gain ascendancy it could not last long; but the agitation, the disruption and confusion, and the hasty experimenting with legislation and administration, might do a great deal of harm. But the subversion or perversion of representative government would not go far unchecked.

Progress in popular government does not lie in the superior wisdom and capacity of any one man. That it does so is the theory of autocracy, not democracy. It lies in greater enlightenment and better training for the mass of citizenship, in improvement of the organisation and conduct of political parties through those who constitute them, in an orderly advance in public sentiment and popular action. For this there must be large co-operation of many forces working steadily forward, and not a tumultuous following of some self-constituted champion of high pretensions and loud claims. Safe progress is slow and laborious, and in making reforms we must hold fast that which is good and build upon it with care.

“Government of the people by the people

for the people" is yet far from highly developed in this country and the results are far from satisfactory. Has it been showing a promising advance in recent years? Many think it has been losing ground. Its difficulties have increased with the growth of the nation in population mainly because the accretions have been drawn so largely from the lower grade of the peoples of other countries, not the "scum" or the "dregs," but in great measure the less capable of the industrial class, the ill-educated and illiterate, who are valuable for labour but poor material for citizenship. Meantime the complex development of industries and trade has increased the difficulty of the problems to be dealt with. The haphazard way in which the growth and development have been allowed to go on without regulation, restraint, or supervision, under the impulse of individual self-interest and ambition for success, with the strong crowding forward and trampling on the weak when they are in the way, has added to the complexity and intricacy of the situation.

All this is the result of rapid growth in a land of vast extent, resources, and possibilities, discovered and occupied by civilised men at a late period, but at a time when

their civilisation was crude and brutal. There has been a huge collecting of the elements and materials of a great nation at a rate too fast for careful and progressive building, and there is much to be done in working it into shape for symmetry, strength, and endurance. On the whole the material is good and the making of the nation is not a hopeless task, but it must be progressive. What has been accomplished is not to be torn down or abandoned but to be corrected, adjusted, and added to. The point has been reached where the people must do more through the agencies of government, because many things that need to be done cannot be accomplished by private effort, individual, collective, or co-operative. The people as a whole, through political organisation and associated action upon tried principles, must use the government machinery to produce results which cannot be attained in any other way; and among these must be the regulation of capital organised for efficiency in its work, and the regulation of labour organised for efficiency in its work and for protection against the power of organised capital; and above all, the regulation of the relation between these two organised forces in a way

to secure justice for both and to safeguard the rights and the well-being of the great community of interests of which they are a part.

The people are ill-fitted for the tremendous task of self-government in the United States. Many mistakes have been made and will be made, but the task cannot be given up. It will have to be performed through the political organisations and by the choice of delegates and representatives, officers and servants of the people, fitted for the functions and duties assigned to the government. There must be leading minds and guiding characters, but the business must not be left to self-seeking "bosses" and party "machines" controlled and directed by them. It must not be turned over to some one "great man" to take care of, even though he consider himself equal to the task and persuade himself and others that he is by some divine dispensation the incarnation of the people's will and the embodiment of their power, acting only for them and in response to their inspiration. There is no such easy way to the salvation of popular self-government; but the people must be fitted to exercise it, not by the wisdom and capacity of each and

all for rule, but by their ability and willingness to choose as their instruments men highly qualified for their work. The work must be done and it must be well done, if free institutions are to survive. More government and not less will be required as the conditions of society become more complex; and if it fails in the hands of all the people, it will pass into the keeping of the strong who have much at stake and who can by combination wield sufficient power for its defence.

## XIII

### MAKING GOVERNMENT MORE EFFICIENT

THE chief weakness of popular government in the United States comes from a great mass of uneducated or defectively educated citizens who exercise the right of suffrage. These do not constitute a majority; but, with the division into parties on certain lines of policy, in the main between those of liberal or progressive tendencies and those of conservative or reactionary tendencies, they hold the balance of power without capacity for its intelligent and honest exercise. Many are of foreign birth or parentage. Some are dull and stupid, more are ignorant, and many have defective moral sense. It may be said that those of alien origin are too easily made naturalised citizens with the same political rights as natives. With equal justice it may be said that many natives of mature years are ill-qualified for exercising the right of suffrage; but that right

cannot be taken away from those who are born to it or upon whom it has been conferred, and it is difficult to draw a clear and firm line of restriction.

More practicable than stricter rules for naturalisation and for qualification of the suffrage, is a better education for the exercise of the right of suffrage. It is not altogether a matter of degrees of intelligence or intellectual capacity. Those of humble mental equipment are often better qualified to exercise a political choice than those of keener perceptions and larger capacity. That balance of faculties known as common-sense is as likely to appear in those of moderate mental equipment as in those of large endowment, who are often one-sided or badly balanced. Persons of actual genius in some particular line or within a narrow range are apt to be defective in judgment of ordinary affairs. Able men absorbed in some exacting pursuit, in which they are exceptionally successful, become so "subdued to what they work in" as to lose their sense of perspective and proportion, and to belittle everything outside of their special range. Where they do not consciously sacrifice everything else to their own particular interests they regard

these as of such importance that they confound them with the interests of the community at large. They get the notion that the general prosperity is bound up with their own success or can only be attained in their way.

It is far from certain that if the suffrage were limited to men of intelligence, tested by education or the possession of property, the results under representative government would be better than with what is usually meant by universal manhood suffrage. Human nature is as selfish in its upper ranks as in the lower and has stronger incentives for subordinating the general good to the self-interest of individuals or allied groups of individuals working together for what they consider best for themselves and everybody else. Power is safer in the hands of the many than in the hands of the few, provided the average of intelligence and of training of the faculties is well maintained. Everywhere there is need of educating the rising generation for the duties of life, including the duties of citizenship.

That is generally acknowledged in this country and liberal provision is almost everywhere made for the education of the "com-



mon mind"; but where this education is not deficient it is almost always defective. Nowhere is it more important to recognise the inequality of human beings than in the effort to develop and discipline the faculties and qualities with which they are born, and to prepare them when young for the life that is before them. It is not a matter of difference of social station or environment or the pecuniary circumstances of parents, but difference of natural endowment and capacity. Some of the best material may be in the lower ranks socially, and some of the poorest may be in the higher. So far as education is under public control the accidental and adventitious differences of society should be disregarded and the best use should be made of all the material at hand.

"Learning" is important and the gathering of knowledge of many things may be desirable, but the training of the mind and the discipline of character is vastly more important. Knowledge may be power, but only if one knows how to use it. It is a beneficent power only if one is able and disposed to use it for the benefit of others as well as himself. Capacity for effective action is a greater power than wide and varied information.

Education should be directed to enabling its recipients to make the best use of their faculties. It is a mistake to subject all children to one uniform plan of instruction without regard to differences of capacity and tendency. They should be taught individually or in groups formed with reference to those differences, though it may require more teachers and more time. The greater expense would yield a far larger return in results. There is no calling in life of greater import than that of teaching and training the young.

After the earlier years and a fair test of capacities and tendencies there should be a steady differentiation with a view to the most effective development. This does not necessarily mean along the lines of least resistance; but forcing against resistance is useless. Guidance and stimulus to overcome difficulties and gain strength where there is weakness is desirable so far as practicable, but there must be leading rather than driving. There is much dispute over beginning early to educate for callings in life. It depends upon differences, which must be observed and studied. There are few who are destined to become scholars. The capacity and tendency of these may be

recognised comparatively early and may be encouraged; but it is useless to try to develop them where they do not exist. There are more who will not only accept a training toward the callings known as "learned professions" or technical vocations of a higher grade, but will desire it. There is no reason why education should not be directed toward the desired goal, though some may change their inclination afterward. There is useful discipline in any application of the mind to study if properly directed.

But the greater number in the schools will inevitably be of moderate capacity and destined for the humbler walks of life. For them an industrial training may well begin early and be pursued systematically with a view to their "working for a living" in the way for which they are best fitted by nature. They can be interested in that in which they are most likely to excel, and to be interested is essential to progress in education. The later years at school should be distinctly directed to preparing pupils for what they are to do. But all along, in all grades and upon all lines, there is one most important purpose of education to which least attention is generally given. That is the forming of

character. There is no culture so essential to the living child as ethical culture, no training of such consequence as moral training, and nothing is less intelligently attended to in the schools, especially the public schools.

No doubt the family is where this kind of education should begin and be constantly maintained, but it is often sadly neglected there. The neglect is not confined to families of the poor and the ignorant, where conditions are least favourable. Many poor parents are more anxious about the character and conduct of their children than those who have every advantage in the world. The public school should not be merely a place of learning, or for study of a variety of subjects more or less useful or more or less interesting. It should be a place for training and discipline, not only of the mental faculties but above all of the moral character. The inculcation of the habit of truth and honesty is more important than reading, writing, and arithmetic. The development of a sense of honour and sound motives of conduct is more essential than geography and history. The cultivation of high ideals is more useful than all science and literature. But given

this higher culture, all these things will accompany or follow it with far better results than if that is neglected.

This is important for the work of life in all its everyday walks and in the relations of men in industry and commerce. It will conduce to material success and prosperity as well as to personal satisfaction and domestic and social happiness. But it is of the highest importance to citizenship. The evils and defects in making and administering laws under democratic government, are not due primarily to bad or incompetent men in office, or to selfish and dishonest leaders or "bosses" in control of political organisations, but to the unenlightened and untrained electorate, which is supposed to be and should be the source of power. The proverbial statement that the stream will not rise higher than its source is peculiarly applicable to political action. If bad or incompetent men get into office, if selfish and dishonest men gain control of party organisation for their own purposes, the fault is with the people who put them where they are or allow them to get there. There is no device of regulation which will raise the stream of service above the level of the spring of mastery.

Men of ability, of one type or another, will work for control where anything that they desire can be thereby attained, be it wealth or power, notoriety or prominence in the public eye, or honour, dignity, and the respect or admiration of their fellow-men. The crafty and subtle, with sordid aims, will gain control if they can. Most capable men of worthy character will seek success in the various callings of private life and they are apt to become so busy and absorbed as to neglect their share in the duties of citizenship, and fail to make proper efforts to keep the public service in clean and competent hands. The few who are specially fitted for public service, who have taste and aptitude for its duties and responsibilities and a laudable ambition for the distinction which may be won by it, either have to forego their aspirations or contend with forces which are repugnant to them, without the support they ought to receive. They are tempted to stoop to methods that are unworthy, to attain success which seems otherwise unattainable, and many compromise with conscience and honour on the plea that only thereby can they gain a position in which they can at least improve upon the service which the public is getting.

The blame for the success of the incompetent or the unworthy and the failure of the competent and worthy in public life, under the representative system, lies at the door of the electorate, which is the source of power and has the choice of its instruments. The fault is not so much the ignorance or the incapacity of the mass of people as the lack of right motives and incentive among those who have sufficient knowledge and capacity for civic duty. Many are indifferent or insensible to moral considerations, and many more are in positive sympathy with sordid aims and eager for a share, however small, in the fruits of corruption. Great numbers of citizens regarded as respectable tolerate practices by which they may gain, or avoid sacrificing something which they covet. The prevailing ethical standard is at fault.

Hence the importance of laying special stress upon ethical culture in all schools in which the young are taught, from the kindergarten to the university. It is hard to convert or transform the mature generation. In fact, it is to all intents and purposes impossible, and the influence that can be exerted to change its course is but small. But a new generation can be made to grow

up to a different maturity and a higher character, by taking it at its start and applying to it the influences of the higher standard through competent and faithful teachers. Only thereby can the "prevailing standard" be raised in private life and in public life, in the relations of society, in business, and in politics. Three generations under a sound system of education, faithfully applied by wise teachers, would regenerate the world.



## XIV

### HOW GOVERNMENT'S OWN BUSINESS IS DONE

THERE is no business in which efficiency, economy, and integrity are more essential than that public business which the government itself must conduct; and there is no business of a legitimate character, on whatever scale, in which those qualities are so generally lacking. It is the people's business; and, whether they realise it or not, they pay all its expenses. All the people pay the cost, not some of them, and all suffer loss in so far as the service is defective, misdirected, or extravagant. The United States Senator who said a few years ago that a capitalised business organisation in the hands of competent men could manage the government business better than it is now done at a cost thirty per cent. less, or with an annual saving of \$300,000,000, was not far out of the way.

And yet, while members of Congress and administrative officers are arraigning those who organise and direct corporations and combinations of capital for private or "quasi-public" enterprise on a large scale for defects in their methods or for unscrupulous conduct, and are endeavouring to regulate their manner of doing business, efforts to correct defects in the direct public service are almost always baffled and defeated. It is not intended to imply that the methods of private business are not often deserving of condemnation and in need of regulation by public authority, or that this may not be made effective. The faults in private business are mainly due to the instinct of selfishness and the desire for gain, but these are also the mainspring of its efficiency and its economy, which are far superior to those displayed in the conduct of government business, while its integrity or honesty is only in exceptional cases inferior.

The inferiority of government methods of doing business is due to as natural causes as is the superiority of private methods; but the defects of human nature work in a different way. Those who seek and obtain the commanding positions, so far as it depends upon

their own efforts, are inspired mainly by ambition, a craving for prominence, and a love of power, rather than by a desire for gain or profit. It is not to be denied that in many cases there is a consciousness of ability to serve the public in office and a patriotic desire to do so with efficiency and fidelity. That is an element which enters into the politician's aspiration in varying degrees and affects his conduct when he attains office; but it is rarely predominant except in a few conspicuous positions of high honour, and there it meets with obstacles and difficulties which often defeat its purposes in spite of the best efforts.

In the ranks of the service below the responsible heads, the motives for keen interest in the work, for sustained effort, for efficiency, and for attention to economy of cost, are weak or altogether wanting. Those who are doing the work have nothing to gain by it beyond their salaries, except it be promotion to better places, and the opportunity for that is not sufficient to inspire continuous effort in most men. The tendency is to "take things easy" and get along as comfortably as possible and retain the places. The more secure the places are made

by civil service rules, the more likely is that to be the case, though that does not make the rules less desirable for quite other reasons. But the actual fact is that in government business, the most effective motives for constant attention to duty, vigilance, and fidelity in performance are lacking.

The result is a general inefficiency which makes the employment of a much larger force of men necessary to perform the same work than would be required by a great corporation. There is less attention to details, which causes waste and loss and makes economy impossible. There also enters, in spite of civil service regulation and rules, the influence of politics, or rather of politicians. In their several States and districts these men enlist in their support many who themselves desire public employment and who expect reward for their efforts in helping to get legislators chosen and administrative officers elected or appointed. There are many more seeking places than there are places to be filled and one inevitable consequence is an unnecessary multiplication of places.

This aggravates the tendency to inefficiency in the individual public servant, and to

a disregard for economy in the cost of service. It makes a large requirement of rules and processes seem necessary, not only to keep the numerous force occupied, but to guard against the results of carelessness and error, if not of actual dishonesty. In short, the result is a complex bureaucracy, a vast deal of circumlocution and reduplication, and enormous webs and tangles of "red tape," which would not be tolerated in private business or would lead to speedy bankruptcy if they were. There is no monopoly like that of the government business, and none so beset with the evils which monopoly breeds. The more that business grows the greater the evils will be, unless a remedy is found. The only remedy lies in a full comprehension of the condition on the part of the people who pay for all the waste and cost and suffer all the consequences, and an insistence of public opinion, backed by public action, that this business be better managed and at less cost.

How is the result to be attained over the resistance of an intrenched bureaucracy, with a powerful party organisation behind it? This question is never altogether neglected. There have been many committee inquiries

into details here and there. There have been efficiency commissions created to hunt through departments and bureaus and divisions for defective methods and to suggest improvements, with a view to simplifying processes and making them more effective, reducing expenses, and preventing waste. They have had adequate power for obtaining evidence, examining books and accounts, and compelling testimony. They have had no difficulty in finding defects and making recommendations. They have turned in reports, which make a temporary stir and then repose in pigeonholes, while the same old decrepit system goes maundering on.

A new head of the administration, whether national, state, or municipal, may come in pledged to "reform" and determined to have it. Heads of departments and even some of the continuing deputies and heads of bureaus who cannot be dispensed with, may sympathise with the purpose, but they soon come up against the intrenchments of the system and find them almost insurmountable and immovable. At the national capital and the chief offices of the government elsewhere there is a virtually invincible inertia. Investigators are welcomed, grudgingly or indifferently,

and allowed to see the wheels go round. These must keep going. Government cannot stop. The machinery is gauged and cogged and connected in a way that everybody is used to, and it will not do to shift it. At all events nobody in charge is disposed to help to change it. Heads of divisions do not wish to be hindered in their routine or bothered with overhauling, or run the chance of being dispensed with.

Heads of departments may be anxious to do something and may issue orders and instructions. Then comes a fear of cutting down the force and losing places, of interference with profitable contracts, of disturbance of established methods to save expense, which will cause a lot of trouble. There is no spirit of co-operation to secure improvements which none but those in high position seem to care for, and to which the rank and file of the service is stolidly opposed. If real efforts are made and the menace of change becomes serious, there is the resort of the bureaucrats and department heads to their Congressmen. Changes may require legislative action or authority for applying funds, and somehow it proves from month to month that there is "nothing doing." The public seems to know

and care little about it, and unless some kind of an outbreak occurs, such as flagrant customs frauds or scandal involving a big sum of money, or some conspicuous official turpitude, it will forget what all the stir was about, until there comes another change of administration or a new spasm for reforming abuses in the government's business, as well as in that of everybody else.

If it is the people's business, what are the people going to do about it? First, they need to realise more fully that it is their business, that they are paying all the cost and bearing all the burden, and that they are deprived of something that belongs to them and having their life made harder. For the most part those who are employed in the government business are producing nothing. So far as their work does not help the productive labour of others and make the output larger or better or safer than it would otherwise be, so far as it does not contribute to the welfare of the people or the wealth of the nation, it is wasted. So far as there is any waste in their manner of doing the business, so much is unnecessarily taken from what the rest of the people are producing and the share that is left for their own use is diminished.



That ought to be plain enough to the simplest understanding. The cost of government is thereby made a factor in the general cost of living, for what that uses up takes from what there is for general distribution.

When we take into account all the cost of local and municipal governments and of state and national government, this is no small item. This cost is paid out of what is produced by industry and distributed in trade, and it diminishes by so much what reaches the consumer for his use and what can be added to savings and investments. It constitutes what is called "the burden of taxation." Who bears that burden? The fact that it is diffused over the backs of the people and they have to carry it, and is not borne only by those who pay tax bills, is one of the things which are not sufficiently appreciated. Methods of taxation, the "incidence" of taxes, the diffusion of the effect are subjects of a complex and rather arid chapter in economics, not at all entertaining to most people and some of it not readily understood. We do not need to venture into more than the outskirts of the wilderness to see clearly enough that nobody can escape taxes any more than he can escape death,

and consequently everybody has an interest in having the business of government conducted efficiently, economically, and honestly.

Suppose taxes are levied directly upon property. If it is improved real estate the owner pays them; but, if he uses the property himself for productive purposes the taxes enter into the expenses of his business. He does not seek any less profit because the payment goes to the government, and so far as it is in his power he makes up for that expense by higher prices for what he sells. His customers pay at least their full share. If he rents or leases the property to another he gets the taxes back from the tenant in a higher rent than he would otherwise charge, and the tenant passes it along, or the bulk of it, to the customers in his prices. The consumer pays. If it is residence property, the rent is so much the higher on account of the landlord's taxes and they enter into the tenant's cost of living. The poorest occupant of a flat or a tenement is indirectly the taxpayer. He helps to support the government.

If the tax is laid upon personal property in possession, it is directly felt; but there is usually an exemption of a moderate amount,

so that those in modest or humble circumstances do not pay. It is a tax easily evaded and is very unequally collected from those who are legally subject to it. The scrupulous pay while the dishonest escape much of the burden. If it is upon goods in the hands of manufacturers or dealers, so far as it is actually collected at all it is reckoned in the expenses of the business and added to prices. Again it reaches the consumer and affects his cost of living. If it takes the form of a license fee or a charge for the privilege of doing any kind of business, it has a like effect. It may be used for the purpose of restricting a business which is regarded as injurious rather than beneficial, like liquor selling, and it may not matter that the consumer pays.

There are other subsidiary purposes that it may be made to serve. Taxes in the special form of customs duties are levied upon imported foreign goods. These are collected at the ports of entry and paid by the importers, but we may be sure that they are fully added to the prices at which the goods are sold and the last buyer has no further recourse. He is the ultimate consumer. Many of these foreign goods compete in the markets with domestic products, in most

cases products of manufacturing industry. The duties are sometimes made heavy for the very purpose of protecting the domestic producer against the competition and enabling him to maintain high prices for his own profit. Whether or not this policy is justified for the encouragement and support of American industry, there is no doubt about who ultimately pays the duties and the extra prices for domestic goods. If the dutiable foreign goods are bought for use or consumption, it is plain enough that the extra cost on account of the duties appears in the selling prices and the last buyer pays. If competing domestic goods are higher in price also as a consequence, it is equally plain that the consumer pays the difference. He "feels it" in his cost of living whether he is conscious of the cause or not.

If the protective policy is justified as a means of encouraging, developing, and maintaining domestic industries on a high level of profits and wages, there is still no doubt that the cost is paid by the mass of consumers, much the larger part of whom do not directly share in the benefit of the higher prices while they help to pay them from the proceeds of their own unprotected industry. Our present

point has to do, not with the wisdom or the advantage of the policy, but with the fact that the people pay the whole cost of supporting it and not merely what goes to the government as revenue from customs duties.

Corporations are favourite subjects of taxation, especially those engaged in the "quasi-public service," or "public utility business" of transportation or supplying light or power with gas or electricity. They are supposed to be soulless and greedy, and not to suffer from the exaction. They may pay upon their property like others, also for their charter privileges and the right to live and labour as organised beings. As corporate entities, they may not feel it or care about it any more than a machine, but that does not prevent the effect. If they are industrial corporations, the taxes enter into their expenses and are added to their prices just as if they were human beings, for they have to be managed by human beings. If they are railroad or public utility companies, they are entitled to charge enough for their services to get a fair return upon the capital invested in them; and if that is not permitted, they cannot get the capital and keep up the service. In the end what the

government gets out of them the people they serve have to pay. They cannot escape without impairing the service and losing more some other way. If the government should undertake to perform the service itself they would have to pay still more and get less in the end.

There is no use in trying to get away from taxation and the cost of government. There are two forms of taxation which give some promise of relief, but they have their own drawbacks. There is the tax on land, apart from the cost of what is used in connection with it in the way of buildings and other property, and from the cost of making use of it for its various purposes. Nobody can get along without more or less use of land, and it is a natural monopoly. Nobody can by his efforts create it or increase the supply in any particular place. Being thus absolutely limited in quantity, it rises in value as the demand for its use increases, and where that demand is concentrated upon limited areas it may rise very high, not from anything the possessor does or pays for but from the growth of the community which occupies it.

Here is an increment of value, not created

by the landowner, but by the community, from which the community might derive a revenue without injustice to the holder of the title or injury or cost to anybody else. Private ownership of land is an artificial matter, established and protected by law. How it originated and became established we need not inquire, but present owners hold it by valid titles and have acquired it at a cost determined by conditions at the time they got possession. There are those who contend that all private ownership of land is in the nature of unjust private monopoly, and advocate taking for the public, in the form of "economic rent" for its use, the whole of the artificial value, or "increment of value," caused by the growth of communities and the demand for space upon which to bestow labour and capital and produce new values. This would take away from the present owners values which they have paid for and would be equivalent to confiscation. To put upon land a tax which would reduce its present value would be an injustice. But to tax further increments of value, due to no effort or expense of the owner of the land, but to the growth of the community, thereby deriving revenue for the benefit of the community

and the relief of taxation on productive property and productive effort, would be eminently just. Instead of adding to the burden of the people for the support of government it would lighten it.

The other kind of tax which people are apt to think they would not feel, and which would in some measure lighten their burden, is that upon incomes in excess of the amount requisite for the reasonable needs of the recipient. There would be much to be said for this, if there were not so much to be said against the way it works. If all the people were honest and patriotic, and disposed to do their whole duty to their fellow-men and the State as well as to themselves, it would work all right. It is a great merit for a tax to be easily and cheaply collected, so that the government gets readily all that is due and substantially all that is taken from its subjects, with the least loss, waste, or expense in the process of transfer.

If people having an income above a certain limit of exemption, no matter how derived, were willing and glad to contribute as revenue for the support of the government a small percentage of the excess, increasing perhaps with the liberality of their own income, and



would make a truthful statement of this amount and promptly pay upon the self-assessment, it would be so simple and easy, so completely and cheaply collected, that everybody would rejoice and the general burden of taxation would be so much lighter. It might finally rest at one end on the land and at the other be borne up by generous incomes. But there are dreadful drawbacks about this "system." Land cannot get away or shrink or shirk or hide itself; but incomes can. An income tax is the hardest and costliest to collect. It costs the government a large amount to get it and the complexity of the system of assessment and collection makes it cost those subject to it a great deal to pay it, in addition to what the government gets. When all is done, it is inadequately and unequally collected. There is much evasion as well as vexation. The effect upon individual and national character is demoralising and there is no treasure of individual or nation so precious as integrity of character.

Nor is an income tax wholly without a burdensome effect upon the industries and business of the country. It draws upon invested capital and capital available for investment. It takes somewhat from pro-

fit, and we may be sure that those who have to pay it pass it along just so far as they can in increased rents, increased prices, and increased charges for service rendered with invested capital. A few make the actual payments, and the rest think they do not feel it. They do not feel it perceptibly or consciously, but they do not wholly escape the effect. There is one serious disadvantage in having the substance of values in any form drawn from the people indirectly for the support of the government without being felt. It is calculated to make them indifferent to the cost of the government's business, which is their business. It encourages extravagance and waste in public expenditures. It makes more difficult the effort to secure efficiency of service and economy of expense. This will tend, in spite of the extra revenue drawn apparently from a rich or well-to-do few, to increase rather than reduce other taxation, the burden of which is felt.

We are forced to conclude that after all, so long as human nature remains what it is and works in its customary way with taxpayers and revenue-devourers, the income tax furnishes on the whole the least desirable method of getting support for the govern-

ment, if not an absolutely pernicious as well as vexatious method. It is justified only by emergencies to meet which a sudden increase of revenue is imperatively demanded. Very much simpler, more easily, surely, and cheaply collected, and equally prolific, is a small stamp tax upon the multitude of records, documents, and instruments of exchange constantly used in the current transaction of business. This is more widely felt and appreciated, but the impression is so slight as to be virtually imperceptible.

The point to be pressed home is that government business is the people's business and they have to pay its expense and suffer for its shortcomings; but in so far as it pertains to what cannot be successfully done by private enterprise and co-operation, we have to make the best we can of it. We can only strive to improve it by setting more capable and more honourable men to do its work; but if we are wise we shall confine its functions to legitimate public work which cannot well be done by private effort. We need also to guard vigilantly against too much meddling, or any needless meddling, with business that does not belong to government. Efforts at regulation and supervision may go too far

or be misdirected and that may be much more costly to the people even than legislative and official extravagance and waste.

Politicians who get into public office under a democratic government are seldom trained or experienced in practical business. They are not often well versed even in the principles of commerce and finance, or capable judges of their application. Beyond doubt, in the development of large operations in industry and trade wrongs and abuses have grown up which need to be corrected by an exercise of public authority and the recurrence of which needs to be prevented. This may require a watchful supervision and prompt means of correction; but within the limits of lawful action there must be freedom from official restraint and meddling directing or dictation, if there is to be successful business and general prosperity. Men with a natural talent and aptitude for industrial and commercial pursuits, who are trained and experienced in them and have their personal interest bound up in their success, are far better judges of their requirements than members of legislative bodies or official boards; and, as a rule, they are not inferior in integrity of character and sense

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of honour. The ablest and most upright are not less concerned for the public welfare, for they know that what is best for that is best for themselves in the long run.

An officious regulation and supervision of the organisation and operation of business enterprise in any of its various branches, though it may be provoked by a tendency to excesses and abuses and may be well intentioned, will inevitably hinder and embarrass and can only do harm, not merely to those who are actively conducting the business, but to all who are employed in it and whose wants are supplied by it. Business must have reasonable freedom of action, which means complete freedom except for doing wrong, if it is to thrive. If hampered, hindered, and embarrassed in using the means necessary to obtain and apply capital and labour and to get the most fruitful results, the consequence will be restricted production, costly distribution, high prices, and impaired prosperity. Nobody will escape the effect.

There is no occasion to go into detailed discussion to prove this. As a general proposition it is easy to see that it must be so, for the highest welfare depends upon the

greatest abundance at the least cost, with equitable distribution. Whatever interferes with that impairs the general well-being. What needs to be pressed upon the attention is the universality of the injury. It affects labour as well as capital, and diminishes saving and the accumulation of wealth. We do not mean accumulation of wealth in a few hands or by any favoured class, but for the people at large. Whence comes most of the accumulated capital in this country? Who are the investors? Who receive the usufruct from the investment of capital?

Those who propose stringent measures of regulation and restraint are apt to think only of what they term the "capitalistic class," but a large part of the accumulated savings invested in the securities of corporations come from wage-earners and persons of small means. There is about \$7,000,000,000 deposited in savings banks in the United States and nearly twice as much held in the funds of life-insurance companies, derived from premiums upon their policies. The bulk of these vast sums is invested in securities, mainly those of corporations. Upon the profitable operation of the corporations depends the value of their securities, and

the return to savings depositors and the beneficiaries of life insurance. Government business is the people's business, but government organisation is not adapted to controlling or directing their private affairs. Its only function in relation to these is to see that those engaged in it have freedom under law without abusing it to do injustice to each other or harm to the public. If it is difficult to secure men in public office who are qualified to perform its duties efficiently and honestly for the necessary purposes of government, how much more difficult must it be to secure those capable of directing and guiding the general business of the country! With that the government "trust" or monopoly can meddle only to mar. The people must manage their own business, and the nearer they keep it to their own hands the better they can do it; and the less they try to control it through one vast central organisation the safer it will be.

## XV

### THE DREADFUL WASTE OF WAR

**O**F all the waste of human energy and invention and destruction of the fruits of labour there is no other comparable with that entailed by the barbarism of war. No nation is entitled to boast of its Christian civilisation, or of any advanced civilisation, which engages in warfare with another, unless driven to it in self-defence or in defence of vital interests of its own or of its citizens which cannot be otherwise vindicated. It takes from productive pursuits hundreds of thousands of able-bodied and able-minded men, in some cases millions. This curtails by so much the production which ministers to the wants of mankind, and aggravates by so much the hardships of those who have to do the producing both for themselves and for the armies and navies. It consumes an enormous amount of the products of labour, physical and mental, in armaments, military

*Written before the war  
of 1914-18.*



and naval supplies, and the subsistence of fighting men, making so much more scanty and more costly the subsistence of those who do the work of peace. It destroys vast values which have been previously produced and laid up in property in one form and another, constituting national wealth. It entails suffering, bereavement, and privation upon thousands and thousands of families. It greatly increases the cost of government, the debts of nations, and the burden of the people in taxation. It wastes the wealth of nations and mars the welfare of peoples. Those who do the daily work of production pay for it all and get so much less of the fruits of labour for themselves.

These are commonplace statements; but it is said that, so long as some nations are not advanced in civilisation, it is necessary for those which are so to be prepared to defend themselves and their interests in the world in the most effective manner. They must, therefore, maintain powerful armaments and trained forces at all times, and be ready to vindicate their rights and their honour at any cost. Largely this is a pretext. What induces the so-called Christian nations of Europe and America to spend so much of

their substance on armaments and the support of armies and navies, is not danger of attack from less civilised nations, but jealousy or fear of each other, or disputes which might be settled by peaceful methods with as much justice as human nature is capable of attaining and far more than can be attained by fighting. If these nations had no designs but justice for themselves, for each other, and for mankind, they could enter into agreements for a peaceful settlement of all their own differences in as equitable a manner as is attainable on this earth. They could also insure the peace of the world against surviving barbarism and greatly advance civilisation, at an immense saving from the cost of present policies. Discarding that self-interest which is purely selfish and grasping or unwilling to concede the just claims of others, they could police the world and promote progress in civilisation and the general welfare of less advanced nations at a fraction of the cost of their warlike preparations. They are not Christian nations. They are not highly civilised, no, not one.

It is common to say nowadays that it is not the governments or the ruling men of nations who bring on wars, but their unruly

subjects whose passions are aroused and who have in the end to suffer the penalties and pay the costs. Men who have the responsibility of directing governments and who understand the sacrifices of war, we are told, are only anxious to avoid the necessity of it, but something happens to excite a whole people to the fighting pitch; and, blind to consequences, they precipitate the nation into conflict. This may happen, but who prepares the situation which leads to exciting the passions and arousing the warlike spirit? Who provides the means of terrible slaughter, cultivates the desire to use them, and makes conquest a matter of pride and glory, regardless of the justice of the cause? Who is responsible for failure to provide the means of deliberate and peaceable settlement when differences first arise which are liable to lead to inciting popular passion?

Another plea is often made, that war evokes the energies of a people, stimulates daring, cultivates endurance and heroism, develops and sustains the highest qualities of manhood, and, apart from other considerations, is worth what it costs, if it does not come too often or from unjustifiable causes. It is even contended that the result is to maintain

the activity and the productive capacity of a people in a way to repair the ravages in a short time and to promote the prosperity of a nation in the long run. The nations which excel in fighting excel also in the more renowned victories of peace, and are the most prosperous and wealthy in spite of their burdens. A calm world and a long peace beget the cankers of degeneration and decadence which sap a nation's energy and threaten its life. This is a plea proper to a backward civilisation and an argument which states that certain events are the effect of others because they follow or accompany them. Things which go together may have different or the same causes without being the causes of each other.

In this age is there not enough to be done to develop energy, inspire heroism, beget courage and endurance, incite emulation and a noble ambition, without having men turn against each other with deadly weapons to kill and mutilate? There are perils to overcome, dangers to face, wrongs to redress, benefits to achieve, and victories to win with a nobler glory than that of the battlefield or the bloody deck. There are hosts of evils to be overcome and good to be accomplished

for peoples and nations, which will contribute to their gain instead of their loss. They can be kept from degeneration and decadence by other means than fighting, if their teachers and guides are inspired by right motives. This is not to say that armies and navies are no longer needed and that wars can be completely prevented. Human nature has not reached the stage for that, and there are still backward nations to be reckoned with. The federation of the world is not yet at hand; but the "advanced nations" are in a position to do much more than they are willing to do for the cause of universal peace, the reduction of armaments, the lessening of the waste and loss, the cost and sacrifice, and the burdensome and impoverishing consequences of warfare.

How are they to be induced to direct their energies to winning the victories of peace? Only by an assiduous inculcation of more enlightened views of what makes for the welfare of people as well as the wealth of nations. More and more governments must act as the agencies of the people's will. Public opinion, the opinion of the many, not the judgment of a superior few, is coming to rule the nations, and it is through that opinion

that progress is to be made. Self-interest will control, but self-interest may be enlightened and widely distinguished from narrow selfishness, personal or national. Selfishness is short-sighted and may bring ruin instead of success. Real self-interest, that which begets the highest satisfaction and most enduring rewards is far-seeing and regards the well-being of all in which each must share.

Schools and churches must teach the lessons of peace and amity among nations as well as in families and in communities, and dwell upon the glory and honour to be achieved thereby, instead of stimulating that kind of patriotic pride which so easily degenerates into chauvinism. A generation of sound instruction from press and pulpit, in school and college, would put avoidable wars in the category of barbarism and national crime where they belong. Those capable men who organise and direct industrial and commercial enterprises, those who are engaged in business, as most men are in one way or another, must realise how destructive and wasteful war is, how disturbing and distracting to international trade, and set their faces against the course of politics that leads

to it. By some, money as well as reputation is made out of bloody conflicts, but it is at the expense of others and to the detriment of the common weal.

Those who devote capital and labour to the creation of armaments and munitions and the production of supplies to support armies and navies may thereby get gain for themselves and give employment to labour. Those who direct operations in the field and on the sea, those who administer the military and naval service, and those who do the fighting or take their ease in the intervals of slaughter, make their living without productive work. But this is all paid for by the labour of others, its cost is taken from their means of living, and that large and orderly and continuous business which provides for the wants of mankind suffers enormously. The supplies that minister to those wants are diminished and their cost to the consumers who do all the paying is greatly enhanced. The general cost of living is raised and the standard of living is depressed. The inequalities of fortune are aggravated. Savings from the fruits of production for the benefit of those who earn them and for the improvement of the conditions of human

society, are swept away and swallowed up by a devouring monster which has been too long worshipped as an idol.

Business men and workingmen have every motive of self-interest for opposing war, and without their support it would cease. It is in the power of financiers to put a stop to it, except so far as it may be justified by dire necessity, affecting the interests of the people of the nations to which they belong. Bankers and financiers perform a necessary service of vast value in the industrial world and are worthy of their reward. They handle on a great scale the resources and credits of others in effecting the multifarious exchanges and interchanges in the collection and distribution of the world's goods, and upon these they take their toll. They are called upon by governments to divert some part of their resources and credits to carrying on war. It is other people's money that is loaned for this deadly and destructive business, but the financiers are called upon to obtain it from the people for the governments and they get profit in so doing. Lenders and bankers are assured of their gain. They may not think of the loss to others, but in the long run they must share it.



It is in the power of the financiers, whose ability to serve is due to peace and whose service they owe to the works of peace, to withhold support from wars and preparations for wars that are not justified in the opinion of an enlightened public; and the time is at hand when they will do this from motives of self-interest. The thousands of humbler men who are lured from the world's work by love of excitement and adventure, by hope of reward or by pride of country and loyalty to rulers, and those who are coerced or driven into a service they detest and are led to slaughter for a cause they do not understand, will learn that no great body of men can be forced to fight against their will. When the people become so far civilised that they hate the barbarities of war and are intent upon the greater renown of the victories and glories of peace; when they realise that by these they can achieve greater prosperity, greater power in the world, and a higher and more widely and justly diffused welfare for themselves and their posterity, then will warfare cease, and the unruly among the nations will be held in restraint by a consciousness that fighting will be for them worse than futile. The world's police will be the

only soldiery. The vision of the poet will be realised, when

“The war drum throbbed no longer and the  
battle flags were furled,  
In the parliament of man, the federation of the  
world.”

## XVI

### COST OF THE DEFECTIVE AND USELESS

THOSE fortunately constituted and fairly developed members of human society who bear the burden of the world's work for the production and diffusion of its wealth, meaning by wealth that which contributes to the weal of human society as a whole, owe a duty to the unfortunate from whom they cannot get free, which is in reality a duty to themselves. The greatest of misfortunes, both for society and for individuals, is to be so defectively constituted or so badly developed as to be useless or helpless and doomed to misery. Such as these must be looked after and cared for in one way or another by the efficient and capable, not because the latter are responsible for their condition, not out of sympathy or on their own account merely, but as a matter of economic policy. These defectives are the cause of a vast deal of waste and loss and those who conduct the activities

of industry and business cannot escape the effect. It is as much for their interest to weed out or to reclaim this defective and degenerate human material, as it is to reclaim and vivify the waste places of the earth and make them blossom. There is benefit and gain as much in relieving misery and reducing poverty, in removing parasites and curing defects in human kind, as in recovering arid or swamp lands or overcoming the pests of nature.

The inequality of created men ranges downward from the highest pinnacle of capacity for doing whatever is within the reach of human endeavour to helpless inefficiency, poverty, and misery, and there is no escape from the perils of the defective material at the bottom. Not only are the poor always with us, but we have the defective, the incapable, the vicious, and the criminal, and the remedy for their defects is part of our problem. Their existence is one of the costliest things in civilised society, but the conventional rules of that society, which it would not be safe to dispense with, forbid us to get rid of them by extinction, however merciful. They must in some way be provided for. Whether it is done by private

charity or by public taxation, it is almost always wastefully done and often in a way to aggravate rather than mitigate the causes of the evil condition. Elimination of this source of loss and waste is a business proposition, on account of its economic results, and everyone, out of intelligent self-interest and for the benefit of society, must contribute his share to the cure and prevention of the malady.

There are many causes to which poverty may be attributed and many maladjustments which aggravate it; but what we have chiefly to consider are the human defects of which it is the inevitable consequence. Whatever the theories and arguments of socialists, treating of physical, mental, and moral conditions of mankind, we know that some are born weak and perverted. It is in their nature. Call it heredity, prenatal influence, or what you will, human beings come into the world with germs and tendencies that determine their destiny in this world, whatever may become of them hereafter. For this they are not responsible and they have within them small power to avert the consequences. Environment may have much influence, but they do not choose their environment at

birth and can do little to change it afterwards until character is formed beyond remedy. Others may change it and help them, but they have little capacity for helping themselves. It is part of their defect that they lack the wish and the will, as well as the understanding of their own case and the strength to steer their own course. It is all very well to talk about everyone being responsible for his own acts and justly subject to the penalties of his own misdoing, but that will not make the cripple run from danger or prevent the blind from falling into the ditch. Neither will it avert the consequences to others.

Many are mentally and morally deformed, crippled, and blind from birth, and responsibility is a thing they do not comprehend or are unable to meet. They have passions and impulses, without the will or the power to control, or weakness and stupor without the will or power to overcome. Those who are normally constituted may say that it is their own fault and leave them to their fate, but they cannot escape a share in the consequences. The wise and prudent will do what they can to mitigate the conditions and avert the consequences. What can they do?

Something even for the mature generation, much for the generation that is lately born and is now growing up, a vast deal for generations yet unborn; and it will pay to do all that is within their power.

The defective and wretched members of the community in the slums of misery are mostly useless for the production of wealth. As a whole they are a burden. Imbecility, insanity, vice, and crime are destructive and wasteful. Guarding against them and caring for their victims in asylums, hospitals, and jails, through private and public agencies, eats up a vast amount of the substance of those who do the work of the community. It makes life harder for them, whether they realise it or not. It involves a large share of the expense and more of the difficulty of government, and is the source of much of the corruption in politics. What can the healthy and strong, the sane and sober, do for these weaklings of society, not simply for their sake or out of sympathy and mercy, but for the sake of the health and soundness of society and the progress and prosperity of the race?

They can only mitigate conditions for the grown up generation of men and women. They can do little to regenerate and reform,

but they are bound to do that little. They can, through public agencies and private effort, improve environment so far as it is unfavourable to health, physical, mental, and moral. They can do something to restrain influences that cause degeneration and minister to weakness, and to stimulate those which make for regeneration and strength. They can do something to have the victims of vice and crime so treated as to encourage and help whatever forces may be in them tending to reform. They can bring to those in danger of becoming victims the influence of the kind of education that they need but have never had.

But it is with the young and growing generation that most can be done. Few of the children are so perverted and doomed that they cannot be saved and made useful, and those who are so can only be segregated and so cared for as to minimise the harm they may do. Generation is a continuous process. There is no beginning or end to what we call a generation, any more than there is beginning and end to the current of a running stream. The saving of children cannot begin too soon in their lives, and it is the mothers of the poor and the unfortunately



situated who need the "first aid" which is to minister to their offspring. There is nothing more efficacious than training mothers to the duties of motherhood, so far as it can be done, and with young mothers it can be done with much effect. It is a trying and often a discouraging task, but it is beneficent. Babyhood is a period in which the making of character gets its start, when the twig is first bent or set straight.

The earliest stage of education is the most important. The kindergarten, under competent teachers and with well-directed methods, is a most beneficent institution, which should be spread over the land and liberally supported by both public and private means until every child can be started right. Thereby the generations may be regenerated as they go along till poorhouses, asylums, and prisons disappear, and the labour force of the country is recruited with better blood and made more effective. But the process of character-making as well as mind-training must be carried through all grades of schools from the lowest to the highest. True education is not learning, but training and discipline for the work and the duties of life. It is not those who know most but those

who do best that are of greatest value in the world. Genius and talent are able to take care of themselves where opportunity is offered. It is for the mass that we speak, with a view to mitigating poverty and wretchedness and keeping up a warfare to banish them from the world.

But really we need to go back of those who are born to-day and get human beings better born as well as better bred. Human society, with its conventionalities, its banalities, and its euphemisms, speaks of breeding, good or bad, as a matter of surroundings and training after birth. In the breeding of other animals than man we know that its quality depends greatly upon the begetting and the conception, upon life before birth. It is as truly so of men, except that with their plastic brain and nervous system, with the higher intellectual capacity and the moral sense that belong to humanity, and with spiritual instincts and aspirations, more can be done after birth to correct the defects of begetting than in the lower animals. There are souls as well as bodies to be considered in the breeding of men, and souls are susceptible of a different training from that of the physical powers.

The work of long heredity is hard to undo. The current comes through hidden channels out of the irretrievable past and through some mysterious pressure is liable to show itself for good or evil in the character of a new generation or some members of it whose ancestry is lost in oblivion. A deep stain may suddenly appear which had its origin in a sin or an accident of long ago. We can go no farther back than parentage, but if the parentage is sound in motive and in purpose it will extinguish any ancestral taint that lurks in the blood. But how often is there motive and purpose of any kind in parentage? It is the most important thing in human experience, and for the most part it is the most heedless and haphazard.

So far as the propagating of vice and crime is concerned, or that of imbecility and insanity, or even of serious physical defects which are liable to be transmitted, much can be done by way of prevention, though the transmission is far from being a matter of certainty. There might possibly be some regulation to prevent the marriage of those unfit for the responsibility of having offspring, but that would probably be ineffective and it might make matters worse on account of the

ease of illicit mating. But the power to beget or to bear offspring can be effectually sterilised under competent and judicious supervision.

The begetting of poverty and misery cannot be prevented by any such expedient. Neither can that of folly and vice or the many sins and defects which appear in children without having their origin in faults of parents so marked as to justify interference with the course of nature. As in the case of most of the evils that beset human life, this is a matter that must depend for improvement upon better training and education. How often is marriage in any rank in life determined by wise consideration of fitness or an intelligent regard for parenthood? It is commonly the result of blind passion or an attraction that proceeds from physical desire or else of a calculation which ignores the rights of posterity. It is almost a matter of chance if it turns out happily or in any sense favourably, and often its mistakes are visited upon children to the third and fourth generation, or sent down the stream of heredity to unknown lengths. There can be no authority of state or church effectually to control the nature of men and women, but there can be

more heed given in education by both state and church to inculcating sound ideas on the subject and to counteracting the pestilent effect of treating it as a matter of mere romance founded upon passion and heat of blood.

It is well for men and women of fairly mature years to come together in congenial companionship, attracted by qualities that make them fit to dwell together in mutual love and happiness, to the best of their belief, even though parenthood be not seriously considered. The male and female are complementary in other senses than the physical, and there are benefits, comforts, and advantages in wedded life even if it be childless, or considered apart from the begetting of children. Still, that is a consideration of first importance when marriage is consummated. The having of children may be avoided in a legitimate way without blame if there is serious reason for it. It is not to be assumed that the mating of men and women has for its sole purpose or justification the raising of families. The encouragement of large families regardless of circumstances and conditions, especially among the poor, is a sad mistake, and the cause of much wretchedness.

The economic argument in support of it favours the begetting of races of children to become overworked and ill-nourished toilers for others, or to be made food for powder in the wars which others foment.

Being married and living together, whether it be in happy concord or jarring discord, men and women do and will have children. Unless there is some legitimate impediment, it is their duty to themselves and to society. "The world must be peopled." Then comes the crucial point of all in human generation. We hear much of a new science or quasi-science in these days called "Eugenics." It gives promise of raising the minds of men and women out of the slough of ignorance and false sentiment, and out of deplorable filth in the sexual relation. Men and women past the age of puberty are drawn together by a powerful impulse, akin to what is called instinct in other animals, but an impulse which should be dominated by reason and moral sense in mankind. Its beneficent purpose is not merely the propagation of the species, the breeding of children to become men and women and to take the place of their parents and add to the ranks of workers. It is to establish a blessed personal and family

relation which has a potent influence for the progress and elevation of the race.

With regard to the function of their physical nature which concerns the sex relation and its proper purpose, the young are commonly allowed to grow up in ignorance or left to pick up their knowledge among themselves or from those whose ideas are gross or perverted. From a false sense of delicacy, parents and teachers alike treat it as a matter of secrecy, not to be spoken of, which by no means prevents it from being thought of or talked about under that ban of secrecy. The result is to make of the exercise of the function in an illicit way one of the most degrading forms of vice, upon which we need not dwell, but which is the source of more wrong and misery than any other that defaces modern civilisation. There is nothing sadder in human life than the constant sacrifice to the Moloch of sensuality of young life and character by the prostitution of a function that has a sacred purpose. This is largely due to ignorance, deceit, and concealment, though the iniquity is sometimes brazenly flaunted in the face of society or excused as the inevitable indulgence of natural impulses. While human nature is so imperfectly de-

veloped and is subject to so much weakness it cannot be wholly prevented, but it can be treated with truth, candour, and common sense, and its consequences greatly mitigated.

It is at least possible so to guide the instruction of the young, under the influence of parental teaching and the education of school and church, and under medical and religious advice, that when men and women are joined in matrimony, they will have a reasonable appreciation of the nature and responsibility of their relation as possible parents of children whose tendencies and characteristics will be mainly determined by the first act that gives them life and the period of gestation that is to bring them to the light of the outer world in which they are to develop and grow to maturity. Upon that first act may depend the fate of the offspring of father and mother, and yet with what utter lack of thought and with what reckless emotion of sheer sense is the responsibility incurred in most cases, and how little heed is given in the most tender period of life to correcting tendencies that may have been started wrong when the germ was planted in the womb from the momentary impulse of two souls to the begetting of a new life!



The degradation of the sexual passion through ignorance and lack of a sound moral sense is the direct cause of much of the misery, the poverty, and the disease that afflict human society. The heedless indulgence of it is the cause of many of the defects and evil tendencies which impair the efficiency of the members of that society in the work of providing for its sustenance, and so mar their efforts to make its life more comfortable and happy. It is this that creates disorders, breeds trouble and warfare, makes government difficult and costly, and human progress so painfully slow. The creation of man was not the sudden result of a divine fiat. It is a process of evolution which is still far from complete. The human race is still in the making. Generation is proceeding from day to day and from night to night without cessation the world over out of all sorts of material and under all manner of conditions, from the brutal to the angelic.

The stream of humanity with its leaven of divinity flows from the loins of paternity and the nourishing womb of maternity through the ferment and turmoil of the mill of life to the grave. It is vastly varied, with deep and shallow places, currents swift and currents

sluggish, eddies of turbulence and pools of serenity, with waters pure and waters foul moving from darkness to darkness under the light of sun and stars. Whence it comes we dimly know. Whither it goes we cannot see. We only dream and hope and believe it does not flow for naught, coming out of a lifeless void and falling into a sea of extinction. Else why this causeless and resultless phenomenon upon the face of a whirling planet?

At all events, we are moved by something within us or something above us to strive continually to better this life, to improve the human race and get finer results from the brief span of activity that seems to be preparing it for some higher destiny. Whether this be so or not, it is worth while to make the best of it while it is passing, and do what we may to improve it for those who come after us. Where most can be done is at the springs which constantly feed the stream. Or, to get clear of our poetical imagery, it is the part of wisdom and of philanthropy, in seeking to raise, purify, and strengthen humanity in the struggle of life, to begin the work of arresting degeneration and inducing regeneration at the point where generation goes on. One of the highest objects of striving for

wealth is to obtain the means and the power to improve and elevate the human race. It should be a part of the business of life and a motive for success in its work. No man can live and do business unto himself alone, and so far as he fails to conduct it for the common good he brings the penalty upon himself.

“To thine own self be true  
And it shall follow as the night the day  
Thou canst not then be false to any man.”

It may be drawn as a corollary that no man can be true to himself unless he is true in his conduct toward his fellow-men.

## XVII

### HONOURABLE MAKING AND USE OF WEALTH

IT would be commonplace to discourse at length upon the duties and obligations of the possessors of wealth after it has been accumulated or inherited and they have retired to a life of leisure. Much less thought of, but more important, are the duties and obligations of the makers of wealth while it is in the making and they are busy men, intent upon their fortunes. It is an easy matter for the retired rich man, with an assured income from secure investments, vastly in excess of his wants, though these may include all the luxuries and embellishments of a rational life, to be liberal in endowing institutions for education and research, in founding libraries or providing them with buildings as so many monuments to his own glory, in helping to support hospitals and worthy charities, and in contributing to schools, museums, churches,

and philanthropic causes. In themselves these things are commendable, but credit is won by them out of proportion to the merit acquired by thus disposing of superfluity. It is likewise creditable if the wealthy man is public-spirited and gives aid to civic advancement and political and social progress.

Many do not even seek the gratitude or favour of their fellow-men or even find satisfaction for themselves in these things, but they are the commonplaces of a worthy use of wealth after it has been accumulated and made secure. Sometimes they are done from the worthiest motives and in a judicious and unostentatious way. Sometimes they are done to gratify vanity, win applause, sanctify the memory of a name, or serve as a monument to a "generous giver." Sometimes they are intended to disarm hostile feeling, mend a damaged reputation, gild a career at its close which has been covered with stains and blemishes in its progress, and to leave a heritage of honour which has not been earned in a lifetime. But oblivion should not be purchased or memory bribed to silence by such devices. Eternal justice cannot be disarmed in the history of men or nations.

More important than the manner of disposing of superfluous wealth is the manner of acquiring it. This has a wider and more lasting influence upon the welfare of society and of the human beings who make up society. More essential to the good repute as well as to the character of the rich man, is the observance of the duties and obligations of wealth while it is accumulating than after it has been gathered in, though the ultimate sum in his keeping may be made smaller. He may be doing good throughout his career instead of waiting till the end and then trying to redeem the evil he has done or make amends for the neglect of opportunities for right-doing. His name may not be on as many tablets or as imposing a monument, or appear as many times in print, but it will be cherished in more and warmer hearts and written larger in the everlasting register.

The man who is gifted as a maker of wealth may be in his way a genius, and must be a person of large ability for the work he has to do. Getting rich is not a fine art and does not call for the exercise of the most exalted faculties, but it is vastly useful. It may, and usually does, benefit the community more than those who thereby achieve their individ-

ual purpose. In these modern days men do not get very rich in mean and petty ways, or by large methods of plunder and oppression, like the robber barons or the buccaneers of trade on land or sea in former days. They must be men of brains, endowed and trained for the tasks by which wealth is created, distributed, and accumulated. For many years they must live laborious days and pass nights of vigilance. Herein is found that same inequality among men of which we have frequent occasion to speak. The men who are ambitious to get very rich are not many, and those who are capable of it are still fewer. Most of those who try fail; and though their efforts may have benefited others, they would have been "better off" with less or a different ambition. Getting rich is partly a matter of circumstances, conditions, and opportunities, but luck has little to do with it. Some are quick to see chances, seize upon them and cling to them, while others are blind to them, or indifferent or listless in their presence, or afraid to grasp and wrestle with them. The great essentials are the desire, the determination, and the capacity for the work by which wealth is gained in the various lines of creative economy.

We have said that the art is vastly useful, but often too much is claimed for it on that score. For the most part those engaged in it care only for its use to themselves, though ready to claim credit, especially as an excuse for their own shortcomings, for giving others a chance to work and live, and for helping by their well directed energy to make the wealth in which whole communities and even nations share. It is true that by their ability to obtain capital, to organise industries and trade on a large scale, and to direct great operations of production and the interchange of products, they afford employment to thousands of others of humbler and varying capacities, which they would not otherwise have and could not provide for themselves.

By employing the best agencies and devices for making labour effective, they increase production and reduce its cost. They enlarge the quantity produced, transported, and exchanged by any given number of hands and heads, and improve the quality of the output of the labour of brain and brawn. They augment the volume and enhance the value of what is to be shared as the reward of the united effort, of what is to go to the wages of labour, the salaries and fees of



intellectual service, and the profit of those who supply capital and direct operations. They increase abundance and lower prices for those to whom the results are distributed. They confer a general benefit whether their desire is to do so or not. So much must be granted, for experience and observation prove it; but it does not follow that they do all that in duty and just obligation they are bound to do, or act from motives corresponding to their responsibility. Besides, they could no more accomplish the results without the co-operation of many heads and hands of less capacity than their own than these could accomplish them without the superior ability of the controlling men.

The agency through which such men chiefly work nowadays is the organised corporation. The patriarchal employer who chooses his own men and comes into close personal relation with them belongs to a past generation. The corporation may be a soulless organism, but it would be lifeless unless it were informed by the souls of men. As a working contrivance it has many souls, and these do not lose their responsibility or their destiny because they give motive power to a great machine for putting economic forces at

work with many labourers and much apparatus for production or for the distribution and interchange of products. Men who direct corporate power are as much bound to be honest and just with themselves and to others, to be faithful to duty and to their obligations to fellow-men and to human society, as if they stood alone to fight the battles of life. It may be easier for them to turn a deaf ear to "the stern daughter of the voice of God" in that relation, but it should be no easier for them to escape her judgment or the penalty of violating her decrees. A corporation has "No body to kick and no soul to damn" and it cannot suffer pains and penalties, but those who constitute it and who direct and manage it can be reached by the hand of the law and the judgment of men. They should be made to enjoy and to suffer according to their deeds like those who have no such shelter.

What then are the duties and obligations of men engaged in making and accumulating wealth by directing the efforts of others, whether individually, in partnership, or with all the power of great organisations of capital? They owe duties to the men they employ, who enable them to accomplish their objects.

The labourer is worthy of his hire. The workman is entitled to a fair share of that which he helps to produce, proportioned to his contribution to the result. This by no means signifies an equal share for all, for all do not contribute equally. "Labour and service" is of many grades and kinds of unequal value. The owner and employer, the director and manager, have the advantage of possession and power in collecting and distributing the proceeds from the co-operation of forces, and the general economic principle has been to allow to the employed only what is necessary to obtain their work and make it effective, and to permit the employer to keep the rest. The workmen being many must compete for the chance to live and must take what they can get. The employer, being one, with the treasury in his keeping, may hold on to all that he does not have to pay out to secure the service he needs; or, if he has to compete with others to secure labour, it is with those who act upon the same motives and on the same principle of selfishness, with the advantage on their side. Together they establish the practice of getting all they can and letting go only what they must. They make the "standard of wages" or claim the right to do so.

This is the old economics, devoid of soul and barren of ethics. It is as barbaric for its day as the economics that built the pyramids and the towers of Babylon, made the wealth of the Roman Empire, and wrought the mediæval castles and cathedrals. Payment by wages and salaries, under more or less competitive conditions, may be a necessity, but it can be modified and supplemented according to the demands of equity, and with due regard to circumstances in every employment. It is always possible for men to do justice, if they will. The plea that one employer cannot do better by his men than others are wont or willing to do, is plausible but fallacious. He can set the pace in a new competition for the good will, the efficiency, and the fidelity of the workmen, which will make them worth more to him as well as to themselves. He can set his wages as high as equity demands and make the conditions as good, and get a service that will make it worth while, thereby showing the competitor what he must do. If, perchance, the net earnings for capital turn out to be somewhat less at times, they will be more blessed to the possessors, but probably they will soon come to be greater. At all events, the policy is

right and should be insisted upon for that reason. It may seem ideal, but striving to make the ideal real is the mainspring of progress, and this is already practicable.

But the payment of just wages is not everything in the employment of labour for making wealth. Fair and considerate treatment of the employed is much. Making every provision for safety, health, and comfort and affording means of recreation and improvement in the lives of workmen and their families count heavily in the account. It costs, but if properly directed and managed it will pay. Workmen will be made more competent, more efficient, more trustworthy and faithful, and the result will be the production of more wealth to be distributed or accumulated.

Personal contact with men is necessary to establish and maintain proper relations. A wise, considerate, and liberal employer, who conducted business on a scale admitting of his own personal oversight, could treat all who worked for him with humane consideration and attach them to his service from motives of gratitude. With great industrial, transportation, and trading corporations this can no longer be done by one responsible and

considerate man at the head, with no interest but his own at stake; but the same principle can be applied by a proper organisation and with the right spirit in boards of direction. It only needs to have the principle accepted as sound, both economically and ethically, by the body of stockholders, and to have directors and officers chosen who understand its purpose, are in sympathy with it, and are capable and willing to see that it is applied. Though workmen are employed by thousands in the various branches of a great establishment or a great system, they can be made to feel that they are treated fairly and considerately, that the employer, even though it be a great corporate organism, is not without soul in its conduct and that their interests are regarded as an essential part of the interests of the whole.

Here that persistent question of the equality or inequality of men again obtrudes. Employers on a large scale are apt to consider "workingmen" as a "class" of wage-earners, dependent upon wages for their daily bread and occupying a different human level from that of owners, directors, managers, superintendents, and their various salaried subordinates. There is no distinct dividing line, so far

as human faculties and qualities are concerned. Many a man in the ranks is capable of rising to places of responsibility and command if the opportunity is open. Many are worthy of a place at the council table. All are entitled to be treated as men with common human motives and susceptibilities. There is no reason why those who are working in the ranks as wage earners should not share the confidence of those who direct their labours, have matters that concern them explained, and be consulted in regard to things which affect their comfort and welfare.

This suggests one of the highest obligations of the employer who is making wealth out of the labour of some men by means of the capital of other men. That is the obligation to look after the welfare of the employed, not as dependents or inferiors to be cared for, but as sharers in the industry or the business in which they are employed, getting from it that part of the wealth created which fairly belongs to them, to spend or to save. It should be part of the business to make conditions as favourable as possible to the health, the safety, and the well-being of those employed. Regard should be had to their domestic welfare, to their means of education,

diversion, and recreation, to diffusing the beneficence that proceeds from wealth in the making among those who are engaged in making it, according to their just claims, and not aggregating it to the utmost in the hands of those who do the directing or control the direction.

This does not imply that the employer as a superior and benevolent being, is to exercise a fatherly care over the workmen and contribute of his substance for their benefit in addition to paying them the wages which they earn. These conditions of welfare and benefit are part of what the workmen earn and are fairly entitled to receive from the proceeds of their labour. Whatever form they may take, the workmen should see how they contribute to them and should have their part in establishing and directing them. An industrial community can and should involve a "community of interest" between employers and employed for their mutual benefit in the creation and conservation of wealth. Thereby wealth will be, not lessened but enhanced. It will be equitably but not equally diffused, for so long as men are unequal in capacity and in the part they play in creating wealth, there will be and ought to be inequality in its possession.



But while men are entitled to the possession of wealth in proportion to their part in creating, conserving, and accumulating it by the processes of production, it must be derived from resources which are the common heritage, opportunities afforded by the organisation of society and government, and the joint labour of many without which the individual would be helpless. The man who succeeds by using these resources and opportunities and this labour in amassing wealth has a peculiar responsibility to the community, the society, the nation, which have furnished them, and corresponding duties and obligations as a citizen. If such men are faithful to these duties and obligations they have their reward. If they squander the substance which they have gathered in self-indulgence, they also have their reward. In the final reckoning there will be retributive justice.

## XVIII

### HONOURABLE CONDUCT OF LABOUR

THERE is no natural or legitimate antagonism between capital and labour any more than between the workmen and the tools he handles or the machine he operates. What is capital but a tool of labour, the shop or mill in which the workman works, the material he uses, the machine he runs, and the means of getting materials together and distributing the products? Labour and capital must be used together to produce results, and the more effectively and harmoniously they co-operate the greater the result. But there is no life or feeling in labour or capital as abstraction or as substance. It is men that have sympathies and antipathies, antagonism or co-operation, motives and purposes, not capital and labour. It is the men who own capital in buildings, supplies of material and machinery, or the means of obtaining them, and the men who do the

work for which these are provided that co-operate in producing results. Work is not confined to the unskilled labour of driving teams and handling materials or finished goods, and the labour skilled in the use of tools or machines. It includes the labour of managing and directing and of conducting the business, the labour that finds markets in which to buy or hire and markets in which to sell, and does the work of collecting and distributing, paying and receiving.

All the labourers, with hands or with heads, are alike necessary to the industry and the trade, and all are worthy of their hire and entitled to a share of the proceeds in proportion to their part in producing them. The more effectively they work together the greater the proceeds to be distributed and the rewards to be apportioned. Why should there be antagonism, which will of necessity impair efficiency and diminish results? Just because those who use capital and labour are human, and human nature is selfish and for the most part short-sighted. Men are created and grow up unequal, but not greatly different. They have much the same faculties and qualities. These differ in degree rather than in kind, and their combination varies in

individuals. With selfishness as the chief motive power for all, there is much clashing when they get to working together; but, with a clear understanding and a sound sense of justice, a willingness to be fair to each other, instead of grabbing each for himself all that he can get, the combination would work together smoothly with the best results for all. This is an unattainable ideal but it can be striven for.

Unequal as men are and different as they are in the makeup of their faculties and qualities, nothing is more unnatural than a division into grades and classes, with arbitrary lines of separation. Nothing in the world is more unjust than caste, the arraying together of the relatively strong and fortunate against the relatively weak and unfortunate, with an intermediate grade of a miscellaneous "middle class." This produces an artificial inequality and exaggerates and intensifies differences, giving to those who have, taking from those who have not, and working injustice. This it is that has created slavery and oppression and caused most of the outrage and wrong that have made the misery of mankind. The human family is one and in the industrial and social system

all should have an equal chance to rise and to get on by well-directed effort, according to their several capacities. For those who are forward to keep others back and those who are above to keep others down, does not make for progress and elevation, but greatly hinders the production and distribution of the benefits of the common effort. It prevents the highest prosperity and impairs the general welfare.

The attainment of an ideal co-operation for the common good is far off, and we can only strive toward it. In the industrial system as now constituted there must be employers and employed, capitalists, salaried men, and wage earners. Those who by inheritance or acquisition possess capital, own land and buildings and the various instruments of production, hold the position of power and others must work for them, the many for the few. The many, without means except strength of mind and body to work, cannot take possession of capital belonging to others and control and direct its use. That is the vision and the dream of socialism, and it can never be realised while men are created unequal and cannot make themselves equal. So far as present considerations go, we must

accept the situation in which some, much the smaller number, are employers, and others, much the larger number, are employed. We must also accept the fact that most men are selfish and disposed to use power and advantage for their own benefit; and those men who have power and advantage are apt to be more rather than less selfish than those who have them not.

What then are those who are destined to be employed by others in order to live and get on and up in the world to do to insure their share in the fruits of their labour while hired to work with the capital of others under the direction of its owners? We have spoken of the duty and obligation of those others to give them a fair chance and grant them their full share, willingly and for their own good as well as the common good; but that is an ideal unattainable while human nature is what it is, and we cannot wait for it to improve without trying to help it along. The employed have a cause for which they must strive for themselves. They can accomplish little by striving individually. Most of them have little capacity for striving and would be helpless in the effort. They would have to take what they could get for their labour or go

without, which was the fate of hirelings for ages. They can gain nothing by free competition for work to do. That would leave all the advantage in the hands of the employers and many of them, under the sway of selfish motives, would make the utmost use of it for their own immediate gain. They must unite their forces. They must organise. They must mass the strength of numbers against the power of wealth and position.

It is not necessary to go over again the right or the wisdom of labour organisation. That must be taken for granted. It is the purpose here to consider only the duties and obligations of labour when it is organised, which, as in the case of capital, means the duties and obligations of men with responsibility for their acts. They are as much bound to be fair and just, to do what is right and avoid what is wrong, as the employer, be the same a man or a corporation directed by men. Labour organisation is a representative institution, as much so as corporate organisation or political organisation. The men in a particular trade or occupation who organise in a union must have a constitution and rules, or laws, and choose men to represent them in committees and as officers, but they do not

lose their individual responsibility in the choice any more than stockholders in a corporation who delegate power to their directors and officers, or citizens who choose representatives and officers for their government. The character and conduct of the institution will depend upon its constituents who delegate their power.

Now men in labour organisations differ like other men. They are unequal in ability and in capacity. The average may be lower, and from the conditions of their employment it naturally will be lower, than that of men engaged in large affairs of business, as that of the general mass of citizens is lower than that of those who administer the affairs of government. But there are among them men who are in every way equal to the average of those engaged in business or in public affairs, men who might have been in the place of these if the circumstances and opportunities of their early life had been different. In labour unions everything depends upon the choice of leaders, those who are to take positions of power and responsibility to act for their constituents. In the choice of these, responsibility begins as the responsibility for good or bad governments



begins with the citizens who form political organisations and choose representatives to act for them.

It is the first duty of men who form unions in their several trades and occupations to choose as their representatives for the management of the affairs of the organisation and the enforcement of its rules those who are the most capable for that task, the ablest and most upright, not those who are most glib of speech or most belligerent in spirit, for the object is not to fight but to work with the best effect. The declared purpose of the union should be just, and the method of promoting it fair, reasonable, and honourable. Then it will appeal strongly for the support of all who are disinterested in case of any conflict. One object of the union should be to educate its members up to the intelligent performance of this first duty. With the best and most capable men for leaders, for officers and members of committees, the union will be best fitted to cope with employers on even terms. There is as much need of special instruction and training to fit men for the duties of membership in unions as there is to fit them for the duties of citizenship. The most effective teachers ought to be found in their own ranks.

The chief advantage of labour organisation is having the power for what is called "collective bargaining," the making of contracts for employment upon prescribed terms as to hours, wages, and other conditions of labour. Why should not workmen, if intelligent and reasonable, have the same right to make contracts for their labour and service that employers have to make contracts in their buying and selling, and why should not employers be as willing to make contracts for their labour force as for their supplies and their marketing of products, always provided that both parties are intelligent and reasonable? It is incumbent upon both to seek to be fair and reasonable in all their dealings, whether with labour or with capital, and in the long run it will be the best policy for both and for the industrial community at large. It will be best for the welfare of all the people. It will make labour organisation successful, and the advantage of it will be mutual for employers and employed.

But let us never forget that it will not make men equal in capacity or their labour equal in value. Using unions as a means of levelling men is a serious mistake, as we have said before. It will inevitably be a levelling down

rather than up, and there should be no attempt at fixing an average for work done, whether in quantity or quality, or in compensation. Every man should be encouraged always and everywhere to do his best, and should receive compensation determined by the value of his work. There could be no greater mistake than impairing the efficiency of labour, so that a body of men employed shall do less and do it less well than they are able to do it. That can only diminish production and lessen the amount to be divided among those instrumental in producing. It will be an injury to all, to the employed no less than to the employers.

A rigid wage system, with fixed scales per hour or per day, is inequitable. In some occupations a fixed minimum, a "living wage," may be desirable, but so far as practicable, compensation should be apportioned according to work done, in amount and in quality, that is, in value. This can be done by piecework and profit-sharing in most cases, if a spirit of fairness prevails on both sides of the bargaining. It is a problem that can be worked out in the relation of employers and workmen as well as in other relations between men. But workmen, as

well as others, must be reconciled to the self-evident truth of inequality among men, and acknowledge differences of capacity and of value. They must admit the importance to them of capital and of ability in management, and the justice of allowing to these a compensation proportioned to their part in producing results. They must above all appreciate the value of efficiency and of economy in cost, so that the largest product may be assured from the united or joint effort.

The way to get shorter hours and better pay, and to give employment to all who are able and willing to work, is to attain the highest efficiency in producing results. The way to obtain more pay for eight hours a day than for ten or twelve, is to do more and better work in that shorter time, which in many occupations is quite possible, but, in order to have the pay really worth more, the production must be larger, so that more of the fruits of labour can be got with it. The idea that there is only so much to be done and so much to be had for it is a fallacy. It is only a question of how much men are able and willing to do with the resources of nature and the opportunities of life; and they can,

within the limits of what these offer, determine their own income and standard of living.

There is no way of making all competent and willing, except by the slow process of improving the human race. It is desirable that there should be no unemployed, and that what is to be done should be equitably apportioned among those who are able and willing to work; but, unfortunately, there are the hopelessly incompetent and lazy and there are always the defective, the weak, and the disabled. They cannot be cast out and the best should be made of them and done for them by such wise and humane means as can be devised. They have to be reckoned with. Organisations of employers and of workmen and the social and political organisations have their part in this perplexing problem. But that is outside of the general economic situation of the worker and the employer of labour.

It is desirable in the highly organised industries of the present age that the labour forces should be organised in all employments in which large numbers are engaged in one establishment or under one management. It is the right of workmen as of capitalists to organise and co-operate, but it

is not an obligation. The right to do includes the right not to do. It should not only be made an advantage for the workman to belong to his union, but an advantage for the employer to deal with the union; but there should be no coercion and no interference with the right of the non-union man any more than with the individual employer. If the unions make it a benefit for workmen in different trades and occupations to belong to them and a benefit for employers to have them belong to them, there will be nothing to fear from the competition of those who choose to stay out.

Labour, in the sense of men engaged in labour for hire, owes the same duty to society and to the state that capital, in the sense of men who use capital, owe to it, the duty of regarding the rights of others and obeying the laws which they take part or should take part in making. They may refuse to work for a particular employer or to work at all except on their own terms; but they have no right to prevent others from working, no right to interfere with the property or the operations of those for whom they refuse to work, no right to break any law or cause any public disorder because their terms of labour are not

complied with and they refuse to accept any other. Tactics of coercion, intimidation, and violence, of doing injury to gain a benefit, may serve a temporary purpose, but the benefit will not be lasting and in the long run the policy will prove a losing one.

There ought also to be an amicable co-operation between workmen and employers in what is called "welfare work," arrangements for the health and comfort and the general enlightenment and improvement of the working force and their families. It is not a charitable or philanthropic affair, but a matter of mutual interest and advantage, in which all should take part, sharing in the burden as well as the benefits. Sometimes when employers endeavour to carry out welfare measures for their workmen, they are hindered instead of helped. They are expected to do all the work or have it done and bear all the expense, while self-respect and a sense of independence require the workmen to do their fair share. For both the effort fairly adjusted would have its recompense, greater than the cost in time or outlay. It would not in the long run deduct from wages or from profit. We are to remember always that real wages and profit, while reckoned

in money, are measured by what they bring in the substance that supports life and contributes to its satisfactions.

There are ways and means of providing against the exigencies of accident, sickness, and old age which impair or destroy the capacity for work temporarily or permanently. In the working force of every industry and every establishment employing numbers of people there ought to be provision of this kind adequate to prevent suffering and privation that can be avoided. The duty and obligation of making such provision should be appreciated by both employers and employed, by both capital and labour, and should be met by co-operation in the necessary effort and in supplying the necessary means from the common earnings.

It would be well if all such insurance arrangements could be voluntary and adjusted on a perfectly fair basis without interference of other authority than that of organisations of capital and labour; but there are the obstacles of selfishness and short-sightedness in human nature, the lack of a spirit of mutual helpfulness, which require something in the way of compulsion and regulation by public authority to get ade-



quate results. Even then the results will be imperfect compared with what they might be with voluntary co-operation in a proper spirit. It is the defects and deficiencies of human nature that make any laws necessary. These also prevent us from obtaining the best laws and getting them properly administered. But we cannot get along without laws, and must strive to get the best we can and have them applied as well as we can.

It is as necessary to have the exercise of some public authority to get labour to observe its duties and obligations as to get capital to observe its duties and obligations, in their several relations to society and to the state. These do not constitute two separate classes under the law, to be treated according to different principles of justice and equity. Neither should have privileges or immunities which the other does not have, or be subject to requirements or restraints which do not apply to the other under like circumstances and conditions. With their organisations, with their co-operative plans and their mutual interests, the old relation of "master and servant" must disappear and that of a qualified partnership must take its place. This, too, may be an ideal, but it is the goal toward

which we are tending and for which we may as well direct our efforts. The rule of the plutocrat is passing. He is not a superior being entitled to the earth and the fulness thereof. There must be a diffusion of control over the forces of production and a more equitable distribution of its fruits, and with it must go a fair apportionment of responsibility.

This brings us again to the conclusion that labour, as well as capital, should be held to legal responsibility in keeping contracts. If workmen are to make contracts with employers there must be the means of holding them to their fulfilment. If labour organisations, as unions, are to enter into agreements with capital organisations as corporations or associations, there must be means of compelling them to abide by their agreements or suffer prescribed penalties. They should be incorporated and held responsible for their acts. Their funds should be liable for costs and forfeitures and their officers and directors should be subject to penalties for violations of law. There should be legal methods for the adjudication of claims and the settlement of disputes between employers of labour and the workmen employed, as well as between manufacturers and dealers in merchandise or

shippers and carriers of the products of labour.

That industries should be stopped and transportation interrupted by strikes on account of disputes over wages or conditions of labour, without any means of adjudicating the controversy which shall be binding on the parties and shall clear the way for going on with business, is intolerable. Organised labour is no more entitled than organised capital to violate the rights of others and disregard the interests of the community without means of redress. If it is made up and directed by men of intelligence, a sense of justice, and an appreciation of the demands of equality before the law and under government, there will be no desire for such discrimination in its favour. Where there is Democratic government there must be equality before the law or the government cannot endure. There should be no discrimination against the many who have not wealth, and have not power except in the combination of numbers, or in favour of a privileged few. Discrimination in favour of the many and against the few who have the power that comes from superior ability and wealth legitimately acquired and justly used,

would not long be tolerated. It would mean revolution and the wrong would not long prevail. Positions would again become reversed and society, in defence of its organised forces and the preservation of the common weal, would have to endure oligarchy, or the rule of the few, in some form as a less evil than anarchy of the many.

## XIX

### EXTREMES OF POVERTY AND RICHES

THE modern development of industry, and of the trade by which the products of industry are disseminated, the extensive application of "labour-saving" machinery and devices for increasing the productiveness of labour, and the organisation of capital on a great scale, have resulted in a vast increase in the production, distribution, and accumulation of those things which constitute wealth. This increase has been greatly out of proportion to the increase of population in countries in which it has taken place. A large proportion of the increase has gone into consumption during the process of production, raising what is called the "standard of living," but another large proportion has taken more or less permanent forms and has added to accumulated wealth in both public and private hands. To what extent has this increased wealth been diffused

among the people to enhance the general well-being?

There is no doubt that the condition of what is called the working class, or the wage-earners in industry and trade, has been improved. As a whole their standard of living is higher; their subsistence has been made more comfortable; they are better housed, better fed, and better clothed than in former times. Life is made easier for them, and their intelligence has been stimulated and trained by far better and more widely diffused education. But, notwithstanding the great increase of wealth and the generally improved condition, there is the glaring and depressing fact that greater extremes of poverty and misery and of riches and luxury exist than ever before. There is greater inequality of social conditions. Something prevents a just diffusion of the blessings of prosperity and perpetuates, even intensifies, the distress of adversity.

The poverty that has attended progress is not to be attributed to any one cause. Many causes have contributed to its survival at the submerged bottom of a scale that ranges upward through bare comfort, moderate means, and generous wealth to colossal

riches. The cause is not only the private ownership of land, which is a monopoly, in the sense that the actual supply cannot be increased by human effort though neglected areas may still be brought into use and that in use can be made to contribute more to the production of wealth. It is not wholly due to the selfish greed and the overmastering power of the strong, wresting more than their share from the weaker and grinding down the great mass of those of humble capacity and unfavourable environment, though that is a powerful factor.

In the great inequality of mankind, and under the pressure of social development, there have always been and still are many at the bottom of the scale who from one defect or another are inefficient, incapable of making a comfortable living, and efforts to move them onward and upward are often unavailing. Here and there, and in spots everywhere, they become a stolid, sodden mass, partly from innate faults and partly from conditions that surround their birth and breeding and from lack of systematic efforts to lift them and move them along. There are those who are born physically, mentally, and morally weak and can never be made otherwise.

They have little strength, less energy, and no ambition, and are destined to poverty and to misery unless others take care of them. Some have appetites and propensities that are uncontrolled, sometimes uncontrollable, which make them averse to working that they may live better, and disposed to waste upon foolish or vicious indulgence all that comes to their hands.

Those who are fated by birth to a life of poverty most commonly find themselves surrounded by conditions which confirm their destiny. But amid similar conditions are born many who, if otherwise situated, would be capable of escaping poverty, and not only willing but eager to do so, but who are kept down by the thralldom of their environment and never develop the qualities of which the germs were born in them. There is poverty that comes from misfortune, from calamity, and "unmerciful disaster," which is not to be attributed to natural defects or wilful faults of the victims, but which is left in the general welter, where disease, vice, and crime, as well as pauperism, are bred and propagated as a scourge to the society that allows the pestilent conditions to continue. Efforts are made to purify and protect the



sources of water supply and the marts for food, to drain and cleanse the streets and highways, and to guard the general health from infection, but the springs and reservoirs and cesspools of humanity, the moral and social pestholes that sap the economic strength of the community, receive scant attention.

Poverty is relative, and its causes have their degrees. The qualities and the defects of human nature range through all grades and coalesce in all manner of combinations in individuals. Equal capacities, equal results, and equal conditions are not to be looked for; but those who are capable of work and willing to work are in great numbers poorer than they ought to be through no fault of their own. There are from time to time and in some places all the time many unemployed and many underpaid. Why should those who are able to work and willing to work and who depend upon constant labour for their living be without employment whereby to live from day to day? Is it because in this world there is nothing their hands can find to do, or nothing that needs to be done or would yield the means of living if done?

The economic system is made too rigid

by old theories and modern methods. The doctrine of *laissez-faire* and the policy of sustained competition are carried too far. The motive of individual selfishness is too dominating to let live as well as to live. This dominating motive in a complex and largely artificial system is the chief cause of vicissitudes in industries and in the trade that disseminates and distributes the proceeds of industry. In its eagerness it overproduces when there is immediate profit for those who control capital. It makes supply out-run demand at such times, and prices go down. It incites speculation and the taking of chances, the extension of credit and borrowing of a future that looks alluring. This brings on crises and reactions. Settlements are forced and depression comes,—stoppage of industries, lowering of wages, and men out of work. No systematic effort is made to adjust conditions for the common benefit of capital and labour, to keep things going steadily, because selfishness has ruled with those in a position to gain by the sacrifice. After depression recovery is slow and painful. The poor struggle along and the more fortunate grasp all they can get.

In ordinary times of steady work and

“good business” there is still much unemployment and underpay because those who have are unwilling to yield anything for the sake of those who have not. Workingmen who are employed, whether organised or not, insist upon having all they can get out of the work in hand, letting no more in to share the opportunity by shortening time to increase the number employed unless the rate of wages is kept up for all without any addition to production. They try to keep down the number trained to their several trades, which tends to unemployment of thousands. They wish to shorten hours of labour but are not willing to diminish pay per hour or to increase efficiency. They make the false assumption that in a particular industry there is a fixed limit of production and only so much to do and to be earned, whereas nothing is more elastic than the limit of production. Much more could be done in the same time or even in a shorter time by increased efficiency, and more persons could be employed at the same cost with the result of a larger product to be distributed. No competent workman need be unemployed if employment in the various occupations is fairly apportioned among the applicants, but those who have

will yield nothing to give a chance to those who have not.

Employers display the same spirit of selfishness. They will pay no more than they have to pay for the labour they require; and at the "prevailing rate of wages" they will make the hours as long as they can and employ no more persons than they think necessary for the work they have to do. They will concede nothing in their profits if they can help it. They feel no responsibility for the unemployed and no motive for giving them a chance. The system of competition in labour and in the business that employs labour, unrestrained by moral considerations, produces this result of many at all times who cannot get work, many depressed and discouraged, many miserably poor, who might under a humane system make a comfortable living. The net result of inventions, improvements, and progress, which have multiplied the fruits of production in proportion to the number among whom they are to be divided is a higher average well-being, but extremes of poverty and riches are wider apart than ever. The poverty itself may not be more extreme absolutely, but it is relatively so, and the riches are far more excessive. The

distribution is more inequitable than in times of slavery or the acknowledged dependence of the poor upon the beneficence of the rich.

The extreme of riches is no less demoralising than the extreme of poverty. The latter makes for crime and vice, degradation and desperation,—decadence at the bottom of society. The former makes for luxury, extravagance, and folly,—degeneration and decay on the upper surface of society. The wholesome mass is infected by both. The getting of great riches is a besotting process. Large wealth may be acquired by superior ability, efficient methods, and conduct both righteous and wise, and it may be used in a manner to benefit human society and exalt the possessor. There is comparatively little of such. Great riches are more commonly obtained by ruthlessly using advantage and power to extract substance from the many and gather it into the hands of the few, to be used to satisfy their desires and gratify their tastes.

These few, having by inheritance, by unscrupulous energy, by eager striving, or by favouring circumstances, acquired large control of capital in land, in structures and

facilities, and of organisation engaged in the work of production and distribution of the things which constitute wealth, have used the power thus acquired to gather as much as possible into their own keeping and to leave as little as possible to others on the way from the sources of nature to the marts at which human wants are supplied. Motives vary in degrees of selfishness and lack of moral scruple, but this draining from the many to enrich the few is the inevitable result of unrestrained competition, of that struggle for life in which only the "fittest," that is, the strongest, survive. Every step in what is called industrial development and progress has been toward this result.

There is a common notion of economic advantage in the lavish expenditure of the rich, inasmuch as it gives employment to labour in producing what they squander, and stimulates trade, in which many are engaged. That notion is utterly fallacious. There is nothing but economic waste and loss in extravagance or luxurious indulgence and display. The destruction of wealth by the violence of mobs or of war, by fire and flood, by whirlwind or earthquake, by any of the accidents and disasters that beset human

life, makes work and stimulates energy in repairing the damage and the loss; but the damage and loss are real and the restoration is not gain, any more than the recovery of health that never needed to be lost is gain. The reparation is never complete.

He that has riches legitimately obtained is entitled to indulge his taste for the finer things of life. There is a benefit to all in cultivating the elegancies and refinements of civilised society, in fine houses and grounds, in equipages and adornments, in the arts and accomplishments which appeal to the esthetic sense, exalt and purify sentiment, and excite a healthy emulation. There is benefit in rational diversions and recreations. All these things have their strengthening, elevating, or refining influence, and they can only be had by a certain concentration of wealth. There is benefit to the community in civic embellishments, the provision of museums and galleries, recreation grounds, and a general aspect of prosperous life; and to these individual wealth contributes. The rich may be benefactors and many of them are so. A few find more satisfaction in benefaction to their fellow-men and to society and the state than in self-indulgence even of

the enlightened kind which benefits rather than injures themselves and their families. Such usually win their wealth by honourable means and deserve to be rich. Nobody begrudges them what they have, and if they are envied it is for what they are able to do for others and the gratification they find in a beneficent use of wealth. They are a blessing to their fellow-men and quite fit for the Kingdom of Heaven.

But there are others,—“plutocrats,” “predatory rich,” sometimes “malefactors of great wealth”; and modern conditions tend strongly to the breeding of such. What they squander in luxurious living and vulgar pleasures is wasted and lost from the general stock that has been produced by labour for the common support. At every extravagant banquet there is enough wasted to supply a score of poor families for many days. The daily waste at expensive hotels and restaurants, to say nothing of the private tables of the rich, would relieve the hunger of thousands. The deplorable thing is not that this is not saved and distributed to the poor. That is not the kind or manner of relief to be desired. Nevertheless, the vast waste of material in this way so depletes the common



stock of what is produced and distributed as to add greatly to the cost of living of those who are able to buy only what they must have. The cost of "high living" and of the squandering that accompanies it make high the cost of modest and humble living. The rich can afford the waste but the poor suffer for it. It is one of the sad results of the grossly inequitable distribution of the fruits of labour.

The squandering of the rich, the waste of riotous living, may beget employment for many workmen in producing and preparing what they consume or throw away, and serve to diffuse a part of their fat incomes among those who do the work and those who wait upon them, but work that has been bestowed upon that which is wasted has been itself wasted, and might have been put to better use. The result comes from a system of inequitable distribution in which some get more than their fair share and deprive others of part of what justly belongs to them, which enables the former to waste while the latter must scrimp. It comes from the twofold selfishness of the strong in grasping all they can get in the process of production and distribution and in wasting upon themselves to

their own harm a huge excess rather than let it go to benefit those in need. Work might have as large and varied employment and better reward if the fruits of labour were apportioned more equitably and many evils of society would be mitigated if not removed. It is not a question of charity or philanthropy, in the much-abused sense of the term, but of sound economy for the benefit of society as a whole. Under a system of just division the rich would be really "better off" and far more respectable, the general comfort would be greatly enhanced, vice and crime, as well as disease and pauperism, would be lessened in large measure, to the relief of society from the penalties of its own derelictions.

*appeals to the common sense (see p. 271)*

The evil lies not alone in the way in which wealth is wasted. Before that comes the wrong in the way much of it is obtained. There is the tap root of the inequity of distribution. Some men are said to make money. What is "making money"? The term is used as equivalent to gaining wealth, to getting rich, not by creating "money," which is not wealth but a means of transferring and exchanging it, nor yet by creating the things that constitute wealth in the measure in which possession of them is taken; but

by gathering as much as one can grasp, by strength, by skill, by strategy, by finesse, by deception, or by main force, of those things which are produced from the resources of the earth by labour, as they pass through the processes of production, distribution, and interchange, until they reach the ultimate consumer or final possessor. In these processes toll is taken at every step by those who hold positions of advantage, and what they take is of necessity subtracted from that which reaches others, lessening the supply and increasing the cost of that which is disseminated among the many who are working for what they can get. Those who get a large proportion of what comes within their reach are not "making" all they get. They are not giving full value for what they take. They are only getting rich by taking all they can grasp of what passes within their reach.

Ordinary employers and every day traders may contrive to get labour at too low wages or to overwork it, and sell goods at too high prices or of scant measure and quality. But there are "plutocrats" and "predatory" persons who manage to get a large share of this world's goods at the risk of missing greater treasures elsewhere. They are among

the great undertakers—if we may use in a literal sense an English word commonly perverted from its true meaning—the exploiters and promoters, the mining kings, the masters of industry, the magnates of corporations, the getters-up of syndicates and makers of “trusts and combines.” There are worthy men who use only honourable methods, among those who do the undertaking, the promoting, and managing of great enterprises in industry and trade and their handmaids, transportation and banking; but for the most part these do not get enormously rich and are not to be classed as plutocrats or as predatory, much less as malefactors. They may be benefactors.

Those of small capacity who indulge in petty schemes and tricks and swindling devices may be ignored. They “make” nothing and waste much that rightly belongs to others, but their way is strewn with the bones of failure and ruin. Consider those with big brains and restless energy, with force and capacity, who gain control of large capital and form and direct organisations whereby business is done on a vast scale and with great profit. The “good old rule sufficeth them,” they act upon the *laissez-*

*faire* principle or the doctrine of the survival of the fittest. They treat the earth and the fulness thereof as belonging to those who are able to get the most out of it. Sometimes they win fortunes at a stroke. When successful, as they usually are, they get enormous profits from the manipulation of values which others create. Suppose they over-capitalise enterprises and sell shares at fictitious values, or make combinations to put prices far above cost and get excessive profits. Suppose by familiar devices by which the power of capital and organisation is applied, on the theory that "business" is like the war of elemental forces, with which moral scruples, ethical principles and religious sentiments have nothing to do, huge fortunes are accumulated. How are they made? Where do they come from? Who has really made the wealth of which they consist?

This is the question to which we have been coming. There is one elementary principle which the simplest mind can grasp, but which runs like a shining thread through all the intricacies of the industrial, commercial, and financial network. Nothing of value can be taken and kept or accumulated in anybody's

possession which has not been produced by somebody's labour. That labour may be of the hands or the brain. It may use much capital and the appliances and facilities it provides. In any case the values have been produced from nature's resources by human effort. There is no other way. Now, if any man or any group or combination of men, by any means, methods, or devices, get and keep more than their efforts have been instrumental in producing, more than they have honestly earned by their share in the work that is done, they have abstracted it from the common stock and deprived others of their just share. They have "conveyed" it from others to themselves. They have robbed others. In short, in a moral sense, whether in a legal sense or not, they have stolen much of it.

## XX

### HONEST DIVISION OF THE FRUITS OF LABOUR

THE chief cause of the industrial and social unrest which has been growing for much more than a generation is a conviction, deep-seated and widespread, though it may not be well reasoned, that the fruits of labour are not fairly distributed. It is felt that the conditions of life among those who share in the work of production are not equitable. It cannot be reasonably claimed that the benefits should be or can be equally apportioned among men; but there is ground for the claim that there is not a fair apportionment in accordance with any principle of equity or justice. There is not a thoroughly honest division.

During the process of vastly increased production by "modern improvements" it cannot be said that the distribution has become less equitable than before, but there has not been a commensurate progress in

that respect. In the time of the great constructions and military movements of ancient Egypt and Babylon the mass of mankind were mere toilers and their condition was that of slavery. They had a bare subsistence while wealth was in a few powerful hands. In the classic days of Greece and Rome the industrial situation was little better, except as it was mitigated by the plunder of conquered nations. During subsequent ages "classes" became established; aristocracies, with inherited privileges and possessions; ecclesiastics, with power to feed the church at the expense of the people, which may have been for their moral and spiritual well-being; tradesmen and bankers, who effected the distribution of what labour produced and took toll as it passed through their hands; the great mass, toiling as ever in obscurity, dependent for living upon the work which they were compelled to do in order to live.

Selfishness reigned as it always has in human history. The strong ruled, the less strong laboured and fought, and the relatively weak toiled on to sow that others might reap, to produce that others might enjoy. With the coming of machinery and steam power, electricity and corporations, mines



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and factories and all the paraphernalia of modern industry and trade, with improved processes and methods and all the resources of science, the inequality of conditions became more conspicuous, if not relatively greater.

There is great inequality among producers, in capacity, in efficiency, in fidelity to their share in the work to be done and great inequality in the results to be credited to different grades and character of workmen; and it is equitable that there should be inequality in the rewards, in the apportionment of the fruits of labour among those who have shared in the work of producing, according to their several parts in creating what is to be apportioned. Those who contribute much to the result are entitled to receive much. Those who contribute little must be content to receive little. Those who, being able, contribute nothing have only themselves to blame that they have nothing. Those who waste and squander their allotment have no right to complain of their lot. The actually incapable must be borne as a burden. The unfortunate must be cared for.

Men endowed with large ability and abundant energy to organise and direct the

forces of industry in producing and distributing, contribute largely to results and at the same time improve the opportunities of all engaged in this work, increasing both their number and the contribution that each is able to make. They are entitled to their reward. Those who furnish the capital which supplies the instrumentalities, the product of past labour, contribute largely in producing the results. They are entitled to their share, proportioned to their contribution. The capital they supply may have been created by their own effort and saved by their prudence, or it may have been derived from others, but it is theirs and they are entitled to the usufruct. Its ultimate source makes no difference with the contribution it makes to the results in which all are to share.

A mass of wealth is produced by the co-operative activity of many, to be divided among them for their subsistence, their satisfaction, or for accumulation, upon some principle of economics and ethics. It is not to be divided equally, but equitably. Not to each according to his needs, but to each according to his deserts as a partner in the work. Granting all this, how far is the result in accordance with the principle? The division

is made on a principle of economics based solely upon the element of human selfishness, which takes no account of ethics or duty to fellowmen. It is in accordance with that "good old rule, the simple plan that he shall take who has the power and he shall keep who can."

According to the cold-blooded doctrine of unrestrained competition, the mass of workers, under the direction of those presumably able men who have the control of capital and the management of corporate organisation, must take what they can get for their labour. If they are not satisfied they can go elsewhere. Others needing to work in order to live will take their places. If they do not find work elsewhere in the employment they are accustomed to, they can find some other or starve. Different industries are competing with each other for labour. Different employers in the same industry are competing with each other for capable workmen. Wages must be determined by what they are obliged to pay in order to get the needed labour. Workmen must compete with each other for places in one industry or another and take what is offered or go without. The race is to the swift, the battle

to the strong. The devil take the hindmost.

It is a barbarous, inhuman doctrine, but it has prevailed more or less unadulterated since the hanging gardens of Babylon and the pyramids of Egypt were built, since the valley of the Nile has been irrigated by nature and the valley of the Euphrates was irrigated by devices of man. It has been mitigated by a higher civilisation, it has been softened in spots by religion, but it is the prevailing doctrine of soulless economics to-day. It is the doctrine of the dependence of workmen upon the benevolence or malevolence of employers, with these sentiments in competition for profit at the expense of wages. It is the doctrine of the iron rule. It does not result in equitable distribution of the fruits of labour or a just diffusion of wealth. It does not result in the welfare of people or the strength of nations.

What is the defence against it? Not only workmen of various grades, including workmen with mind as well as workmen with muscle, need a defence, but society and the commonwealth also need defence against its evil results. The only defence that workingmen have, always giving "work" its wide

and true significance, lies in the strength of union. If employers, whether they be men dominated by selfishness or soulless corporations directed by men under the control of self-interest, act upon the merciless principle of competition, and with no sense of moral obligation to their fellow-beings or of social and civic duty, there will be no resource for defence except the organisation of the many units of labour into a cohesive force under competent leadership. Labour has the same right as capital, or, to put it more accurately, working-men have the same right as employers, to organise their forces under a concentrated direction. It is the only way in which they can bargain on anything like equal terms for taking their part in the work of production and securing their share in the proceeds. It is not only their right, but it is their duty to themselves and their families and to the human society of which they are an essential part.

In the organisation of labour, as in the organisation of capital, the few must take direction, with the consent of the many. It cannot be directed by the town-meeting method. In government the people must act through representatives. In corporate man-

agement shareholders must intrust their power to chosen directors. Not less, but rather more, in labour unionism, trustees or directors, officers and committees must exercise the power if it is to be effective. The mass of the members lack the capacity, in knowledge, understanding, and judgment to determine questions that most concern their well-being. Many of them have not the mental ability and training or the time for giving due attention to them. They need leaders whom they can trust, and the best they can do is to choose those who are capable and worthy of their confidence. Everything depends upon the capacity and the character of those who are intrusted with the direction of labour organisation. That they should be men of ability, of integrity, and of fidelity to a high sense of duty, is quite as important as that those qualities should be possessed by men who direct the affairs of great corporations, even more so, because those for whom they act are more numerous and less able to look after their own interests.

The proceeds of industrial production are distributed in the first instance in profits to capital and wages to labour, or more properly, in a return of income to employers and

investors of capital and of pay to workmen of one grade and another for their labour. Under the iron rule of competition labour takes what is offered to it and capital divides the rest, regardless of variations in the aggregate output. Labour organised under the direction of competent men should be able to bargain with capital, also under the direction of competent men, on something like equal terms, as corporations and other employers bargain with each other. The terms of their contracts should be as equitable as they can be made. They should be ready to share the fruits of prosperity and the sacrifices of adversity on equitable terms, with due regard for absolute needs on the part of those who have no resource but their daily work.

It is possible to develop from the ranks of labour men quite competent to act as leaders in negotiation and agreement with representatives of employers, though it is not always easy to secure their choice to positions of responsibility. The greatest need in labour unionism is to secure the ablest and most trustworthy men as leaders and then to trust and support them. They should be competent to judge of economic conditions and

willing to comply with their requirements. They should recognise the just claims of capital and of management and the necessity to industrial production of having those claims allowed. There is no greater mistake than assuming that efficiency in production is not as important and as beneficial to workmen as to employers of labour. It is for the interest of both to make efficiency as high as possible. The question we are considering is the fair and equitable distribution of the proceeds. That cannot be effected by restricting output in quantity or letting it deteriorate in quality. That only lessens the sum to be distributed and does nothing to make the distribution more equitable. The aim of both parties to the industrial bargain should be to secure the fullest and best harvest from their joint efforts, and then to secure the fairest division attainable among those who have contributed to the result.

The one great obstacle to this is obstinate selfishness in humanity, the propensity of men to strive for all they can get instead of all they are entitled to. That selfishness prevails on both sides and will prevail until higher motives gain the ascendancy and are



enforced by the general standard of conduct under which men live. It is that which causes conflict and results in waste of energy and of the fruits of effort. It wrongs labour and degrades the character of capital, and it hinders the progress of society. Where the inculcation of ethics, the teaching of morals, the sanction of religion, are most needed is in the industrial and commercial relations of men. There they are quite as important as in their social and political relations, but it has been almost wholly neglected under the influence of the gospel of ruthless competition.

Capital, as the personification of employers, is a worse offender than labour as the personification of workers. It may not be less scrupulous in purpose, but the fact that it is in a position of power and responsibility makes its conduct more unrighteous and the consequences more injurious. It has labour at a disadvantage and is in more need of the restraint of a sense of justice and the stimulus of a sense of moral duty. It has less excuse for yielding to the selfish impulse, because it has less occasion to press for all it can get in order to make life more comfortable. As a rule it has at its command greater intelligence,

more opportunities for mental and moral training, wider experience, and a better understanding of principles of conduct. Such superiority as it has in capacity and in position, which is used to arrogate to itself a disproportionate share of the fruits of production and of the wealth of the community, would, under the rule of higher motives, enable it to accomplish easily what must cost labour a long and hard struggle.

If employers individually, or associated together, would study their problems with a view to doing justice to their employees as much as to themselves, to getting the most and the best out of them in order to share it fairly with them, to apportioning benefit equitably between capital and labour instead of getting it all for capital except as dogged or violent resistance prevents, they could speedily bring about a condition of industrial peace and diffused prosperity. There would be fewer swollen fortunes, less concentration of riches devoted to luxury, extravagance, and display, less waste and destruction, less unscrupulous exercise of the power of wealth; but the sum of the wealth of nations would be far greater and the welfare of peoples would be vastly enhanced. The great corrective is

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to be found not so much in appeals to capitalists and employers or to labourers and their leaders. It depends more upon the standard of judgment of the community in which both live.

Opinion rules and makes the Government, whatever its form. Men yield in their conduct to the dominant sentiment of the society which surrounds them and upon which they depend for success. Many employers would be glad to respond to a higher standard if it could be made effective for all. If they yield to the lower, it is because competition drives them and the sentiment of the community is not exacting enough to support them by visiting deserved penalties upon offenders. If the unscrupulous are allowed to succeed, the scrupulous are tempted or coaxed to adopt their methods. Ethical sentiment in the economic world needs to be stimulated and sustained to exact justice and compel equity in the distribution of that wealth which is produced by the united efforts of men applied to the bounty of nature. The teaching of the school and the church, of the press and the rostrum, even of the stage, needs to be directed to accomplishing this result until it becomes

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disreputable, as well as degrading, for men to possess more than their fair and well-earned share of this world's goods or to make an evil use of what they have.

## XXI

### ETHICS AND RELIGION IN BUSINESS

WE have already laid sufficient stress upon the importance of persistently inculcating the lessons of truth and honesty in the education of the young in the family and in the school. We have referred to the need of a more direct and constant influence to the same end in the pulpit and the press. But we are disposed to urge more strongly upon the reader's attention the essential relations of ethical and religious culture to the practical business of life. Churches and religious organisations, which assume the high function of shaping the character and directing the conduct of those who are subject to their ministrations, are in a large measure responsible for the prevalence of a relatively low standard in industry and trade. Their doctrine of ethics and morality may be sufficiently exalted, and it may be insisted upon in theory. A formal respect

is paid to it which it may not be fair to characterise as hypocritical; but those who profess this respect are apt to fall short of conforming to its requirements when they would thereby lose or fail to gain in their worldly efforts. In the discipline of the church too much stress is laid upon belief and profession, and observance of rites and ceremonies, and too little upon conduct in the business of every-day life.

The primal instincts are still strong in civilised man. Most of the "sins" of the time and of all time spring from the instinct to preserve and prolong life, and the equally strong impulse whose beneficent purpose is to perpetuate human life on the planet, and whose abuse is the cause of much iniquity and misery. The desire to live and the appetites which accompany it are the mainspring of the effort to produce or to acquire in abundant measure those things by which life is sustained with comfort and enjoyment and which minister to its pleasures. These appetites vary greatly in different men, and, indulged selfishly and without rational restraint, lead to extravagance and excesses which bring their own penalty. The passion implanted in man to insure the perpetu-

ation of the species, with the burdens and responsibilities of parenthood, when not controlled by a high moral sense and a due regard for the interests of society lead to fearful wrongs to individuals, to families, and to the general well-being.

It is largely to gratify these primal instincts and impulses that men strive and struggle for a living or for wealth. They furnish the chief incentive for labour and for exerting the mental powers to increase the production of things which minister to the wants, real and fancied, natural and artificial, of the human being. They are necessarily selfish in their nature. In a state of barbarism they cause the strong to compel the weak to work for them. In the ancient civilisations, when labour was comparatively unproductive, but great pyramids and temples and palaces were built, and when potentates, priests, and armies were sustained in barbaric magnificence, the mass of mankind were ground down by the powerful few to a bare subsistence as the reward for incessant toil. Hence a comparatively small wealthy and ruling class and a horde of slaves or a vast and helpless proletariat.

Progress in civilisation for some thousands

of years has been a slow and irregular advance from this condition of humanity. It has yet far to go before its course is finished. Those primal instincts still prevail to make men selfish, unfair in their dealings, often mean and cruel in the treatment of those over whom they have power. Such men aim at increasing production to support life, to gratify appetites and tastes, to minister to wants and pleasures, but they prevent equality of opportunities and equity in the distribution of the proceeds of labour. Most of the wrongs and vices of what is called civilised society spring from an innate selfishness in human nature which, properly guided and restrained, elevated in its motives, and refined in its satisfactions, is a beneficent force, necessary to progress.

How is it to be so guided and restrained, elevated and refined? Not by force or by statute law. Not by education or mental development and intellectual training alone. Not solely by appeal to moral sense, which is often rudimentary, generally imperfect, and seldom entirely sound. Ethical culture based upon intelligence and reason is not enough. Besides the lower instincts and impulses of the flesh there is in man a spiritual



impulse, an instinctive or intuitive desire for a higher and purer life, a groping hope for an existence better and happier than that of which he is conscious in the toil and struggle of the world. In short, there is a religious instinct or intuition, stronger or weaker according to temperament and degrees of development. It is through this intuitive sense that man strives upward in incessant conflict between the lower nature of the flesh and the higher nature of the spirit.

Religious progress has been as much a matter of evolution as the development of the physical world, the intellectual advancement of the race, the organisation of society, and the government of tribes and nations. Religion never sprang fully armed from any godhead. As a revelation to man it has been gradually worked out by man and through man. It has differed among different peoples and in different ages among the same people. It has undergone many transformations and it is still far from harmony in its conceptions, its manifestations, and the forms and methods of its appeal to the soul. It has no more reached perfection in any of its forms than have the social and political institutions of mankind.

In the rude ages, when the forces of nature were little understood and their manifestations seemed mysterious, superstition prevailed in its cruder forms and men conceived of many invisible deities working visible wonders. They personified the powers of nature and believed in various gods, perhaps with an all-powerful ruler over them and over the destinies of the world. All deities have been the conceptions of men, the best that their wisest could form as their ideal of the invisible ruling power in the visible universe. Man has always created gods in his own image and thought of some god as having created man in his image. The inference from this natural tendency is a likeness and relationship between the finite soul of man and the infinite soul of the universe from which it emanated, and underneath this intuitive perception there may be a profound truth. Knowledge is not the sole evidence of truth.

Warlike and despotic nations have had warlike and despotic deities, while lovers of peace and justice gave higher attributes to their gods or their one supreme being. Of all ancient people the Hebrews formed the loftiest conception of divine attributes be-

cause they had the highest conception of the ideal qualities of humanity. They blended the elohim, or gods, of their polytheistic inheritance, into the one mighty deity, or the Elohim of their later imagining. Their own tribal deity, Yahweh, or Jehovah, developed as they advanced in their moral and religious ideas, from a god of battles and vengeance to a god of righteousness, justice, and peace. Another long step was taken when the wonderful teacher of Nazareth, in accordance with his own nature, conceived of the one God as the loving father of mankind, ready to forgive their faults of weakness and waywardness, even of perversity, if they would truly repent, and ready to help them to lives of purity and virtue if they showed a sincere desire and made a genuine effort for it. Jesus regarded himself as the son of God in the same sense in which all might become so by accepting the divine fatherhood.

Christianity was planted and watered in the days of myth and miracle, before real science was born and when philosophy had its root in mythical conceptions. The dogmas of the early Church were framed of mythical elements, largely derived from heathen

sources, but they were wrought in sad sincerity by men who exercised the highest thought of which they were capable and most "potently and powerfully" believed in what they taught. They were intent upon the salvation of men, not so much from degrading vices and iniquitous conduct in this world as from the dreadful fate to which these would consign them after death. They sought the joy of right-doing here and a life of eternal blessedness hereafter. The long struggle with the forces of evil is a tragic tale. The process of religious evolution has gone on through the ages, and however tenaciously creeds and dogmas are clung to as of divine origin, they are slowly outgrown, and, if not cast off or modified, lose their vital effect upon the lives of men. They may even repel those who would be attracted by appeals to higher conceptions.

The Church of to-day is far from being the Church of the fathers or of the mediæval monks. It is far from being the Church of the Reformation, of Calvinism, or of Puritanism. As such it could only hamper the progress of thought. It can not prevent that progress, and it cannot escape its results. The highest faculty of man is reason, and to

stifle it is not to help his upward progress.  
His moral sense needs the stimulus and support of religious sentiment and emotional aspiration, but that should be made to harmonise with the highest thought and reason of which he is capable under the guidance of the wisest of his kind.

The makers of those ancient proverbs which teach that righteousness is identical with wisdom and that all wickedness is folly were deep thinkers in their generation and were profoundly right. Never was there greater need than now of inculcating their simple doctrine. It is the real essence of the soundest religion to-day. At this stage of human progress the highest use of a religious system is to induce men to do what is eternally right for themselves and for the race, to teach them that in so doing there is the highest reward in this life and the surest safety in any life that is to come. Experience and reason teach this as well as all sound philosophy and all religion "pure and undefiled." Salvation from the results of wrong-doing in this life is salvation for all eternity. It is to be compassed by acts and the character which is begotten by them and which they beget,

*Reason is what the religion*

and not by professions or beliefs or forms of worship.

It is not to be denied that these are helpful and for many natures essential. Again we are reminded how men differ, how unequal they are in capacities for understanding and for reasoning, in moral tendencies and in emotional nature, in their need of help in the struggle of life. There is not only the will to believe that may be more or less enlightened, but the necessity of believing which must be guided. Men cannot be made to think alike or to feel alike, and there will be diversities of belief in spite of all effort at harmony; but nothing tends toward harmony like knowledge and reason, as well in moral and religious sentiment and conduct as in conclusions of science and philosophy.

Appeals to emotion and aspiration, to the esthetic as well as the ethical sense, in the methods and accompaniments of worship, are not to be deprecated except so far as they may be made to blind reason, or hinder its action. There may be need of faith, but the more rational its basis the more effective will it be in moulding character and directing conduct.

Efforts are made to reconcile sects by

agreement upon essentials of belief. There is no essential of belief, but there are essentials of conduct and upon these agreement ought not to be difficult. It is not the purpose here to condemn any honest or sincere belief or worship, but there ought to be one object in all. That is to save men from wrong-doing and help them to right-doing for their own sake and the sake of others, right here "on this shoal and bank of time." But why all this discourse upon a familiar gospel? Because where the higher ethics is most needed and least regarded is in those practical affairs of life which we call "business," in the conduct of industry, of commerce, and finance. Men may profess a regard for truth and honesty in the abstract, may be exemplary in their social and domestic relations, and thereby maintain a "regular standing" in the Church of their choice; and yet they may be in effect liars and thieves, even murderers in their employment of others to work for them and in their dealings in what are called the "practical affairs of life." Such men are not religious and ought not to be tolerated in churches merely because they are rich and liberal contributors to the "cause of religion" or philanthropy. They cannot

buy their way into the kingdom of Heaven, and they should not be permitted to buy a good opinion to which their character and conduct do not entitle them. That is bribery and corruption. It is "graft" in the name of sanctity.

The contention here is that it is the highest purpose of religion and the highest duty of churches, as of schools, to inculcate moral principles, sound ethics, and to insist upon their application in labour, in trade, in all industrial, commercial, and financial relations. Then shall we have sounder economics, a more just distribution of the fruits of human effort, a larger prosperity, and a higher welfare of the people. Economics, as it has long been taught, is a doctrine of selfishness. Religion, at least the Christian religion, rests upon a fundamental doctrine of unselfishness, of doing unto others as we would have others do unto us, of helping and not hindering the weaker, of striving to raise all humanity to a higher plane and to make life better. Human progress, like development in the physical world, is in a proper sense a process of evolution, but there is a factor in the life of man which does not exist in the world of matter or in any other form of life. There is



a spiritual element entering into its evolution which must be derived from an infinite spiritual source, the source of all life and the inspiration of the soul of man.

Churches, forms of faith, and methods of worship, have for their highest object the elevation, purification, and strengthening of human character and conduct in the struggle toward a fuller life and a more complete well-being for all. If they fail in that, they are barren of fruit in this world or any world for which men may be destined. Economics, to contribute to the real welfare of people and to a sound and enduring wealth of nations, must be guided by the true principles of ethics. Religion, to be a vital force for salvation from corruption, degradation and disaster for peoples and nations, must have for its end and aim the widest knowledge, the deepest thought, the soundest reason, as a guide and support to moral conduct in all the relations of life. The ministry of churches and temples must not be confined to social and domestic duties but must extend to the constant inculcation of truth, honesty, justice, and sincerity in industry, trade, and all the activities of men's business in this world. That will be the best insurance of safety in any other world.

## XXII

### COST AND VALUE OF LIVING

“**I**N the sweat of thy face shalt thou eat bread” is not a “primal curse” of humanity, but it is a figurative expression of the necessity of the race, as it has evolved and advanced on the earth. Man must eat to live and to eat he must work. The earth is his and the fulness thereof. Out of it he must make his living and upon it he must live while physical life endures. Whatever his problems for a life beyond, it is here that he is set to work them out, and the key to them is concealed in the simple problem of living right in the surroundings in which he finds himself. Making the best of the present is the policy of insurance for the safety of the future.

In the complexity of modern life and the relations of men, much is said about the cost of living and the standard of living. Something is said about the value of life, because

lives are a necessary factor in producing the means of living, not only for those to whom the lives belong, but for the community in which they are placed. Little is said about the value of life to the individual who is living it. What do we mean by the cost of living and what makes it higher or lower at one time than another? We are given to calculating cost in figures which denote the prices we pay for the things whereby we live, and reckoning in figures the income we receive for helping to produce them, which enables each to obtain a share in the distribution. What really matters is not the figures or the number of dollars that they denote, but the quantity, quality, and variety of the things produced, their fitness to meet the real needs of life and the part each is able to obtain in the distribution. Money is useful only in effecting transfers and exchanges, and figures are useful only for reckoning and apportionment. Their being high or low has only a relative significance. What is absolutely significant is plenteousness of the things that minister to real wants and equity in apportioning them when produced.

In a primitive state of society wants are

few and are satisfied by small production from the resources of the earth with little labour, varying with soil, climate, and other conditions according to location on the globe. The natural tendency of human nature is to subsist with the least effort for satisfying wants which are really felt. With progress the resources of the earth are not increased. They are only developed. But wants increase and multiply and incite to greater effort. The greatest incentive to the progress of the race is increasing wants, the desire for more of what can be obtained only with labour. It is this which stimulates endeavour, makes men work, arouses emulation and rivalry, creates competition, begets ingenuity and enterprise, stirs ambition, and urges men onward, and in the main upward, in the scale of being. Ever wanting more and better is the spur to human endeavour, advancement, and elevation. Its motive is selfish but its result is beneficent. The greatest need is to purify the motive and transmute the selfishness.

In the early stages men strive to get all they can for themselves with the least effort of their own, and are willing to seize what others produce so far as they can safely do so.

Those who care for little are compelled to work for others even when they would not work for themselves. A state of slavery or forced labour seems to be necessary to get production done on a sufficient scale for progress. It is the strong and active who compel it to be done and they arrogate to themselves the fruits, to be applied to the satisfaction of their desires, whether for luxury, for accumulated wealth, or for power over their fellow beings. There was a time when even slavery was a means of progress, and the world is not wholly free from it yet. The history of civilisation is a record of advancement from a condition in which the few were masters and owners and the many slaves and dependents, toward a state of equality that is yet far off, is in fact unattainable in this world. All that is to be hoped for is a state of freedom of opportunity, an equal chance, with results that are equitable, not equal.

After ages of progress with unequal steps we have reached the stage which exists to-day, still widely varying in different parts of the world. In the countries most highly developed in production and trade there are vast and varied agencies and instrumentalities of

industry, commerce, and finance, great accumulations of wealth and diversity of economic social and political conditions. It is a highly complex situation which we have to study and seek to improve for the better progress of humanity in the future. The means of living for all is greater than ever before. The standard of living on the average is higher. The "cost of living" is greater because the standard is higher, and the unrest and dissatisfaction certainly is not less. Is life less worth living, or is living worth more to man for the purpose for which he exists on the earth?

The "higher cost of living" in these days is attributed in various degrees to different causes. What is commonly meant by it is the higher prices paid in money for the means of living. What it really signifies, if the actual cost is higher, is that it requires more effort in labour of one kind and another to obtain the means of living. There are many fluctuations in prices and in incomes and there are variations less frequent and less perceptible in actual cost. The two are seldom clearly distinguished. Prices vary constantly for the different things which contribute to living, according to variations in the supply and

demand for them, and this especially affects those things which are grown from the soil, and for the most part afford food and clothing. They vary with the seasons and other changing conditions. Prices rise when the products of labour are scarce and fall when they are plentiful. They rise if the demand for them in proportion to supply increases and fall if it diminishes.

Variation in supply and demand affects things prepared by mechanical process as well as those produced by natural growth or cultivation of the soil, but in a less degree because their production can be to a greater extent increased by added effort or diminished by relaxed effort. These are the commonplaces of economics. They explain variations in prices rather than changes in the cost of living. They have a certain relation to incomes in various occupations, but do not affect them so promptly or so much as they affect prices. They have little to do with any lasting advance or decline in the general cost of subsistence measured by the effort required to secure the means.

Much is attributed by some to variations in the "purchasing power of money," but that is a delusive phrase. Money is only a

means of effecting the exchange of other things, of measuring them out in the distribution, and reckoning the values to be exchanged. It does not increase or diminish the quantity produced, exchanged, consumed, or accumulated, except by facilitating and expediting trade. To serve its purpose effectually its unit of measure and reckoning must be based upon a definite value and that should be as unchanging as possible. As we have seen, of all products of nature the metal gold serves this purpose best. It has been in use for ages and still serves the purpose better than anything that can be substituted for it.

It may be represented in the actual processes of trade by substitutes redeemable at any time in it, but they must be so redeemable and must be redeemed on demand or they lose their utility. Variations in the volume of these will not change its value. It may be the basis of credit whereby a vast volume of the exchange and distribution of products is effected without the direct use of money save to "settle balances." Neither does the varying of this volume change its value, but the quantity needed as the basis of other "currency," including instruments of credit, varies with the burden it must carry if the



operations of business are to go on with safety, for the solid basis of the whole structure is the only real money, gold.

Do changes in the actual value of this universal money metal account for changes in the cost of living? There are authorities who say that it is the chief cause, but the better opinion is that it is the least tangible among causes. It has the least effect, and such as it is there is no way of remedying it unless some material can be found equally available and of greater stability. There is nothing of the kind in sight, and the real variation in gold and the effect therefrom is so uncertain and in any case so slight that the search is not worth while.

There is no doubt that the world's supply of gold has greatly increased from time to time by the discovery of deposits unknown or unproductive before, and by improved processes of obtaining it in its purity. On the whole, prices have risen with its greatly increased production. In recent years the annual addition to the supply has been much larger than ever before. The supply already existing is not replaced, as in many other things. It wastes and disappears or is actually "consumed" but slowly, and the yearly

production adds to the accumulation. No doubt this increasing volume, whether from newly discovered or newly developed deposits or cheapening processes of production, tends to depreciate the value of the metal, in its relation to other things for which it is exchanged and which it serves as a means of exchanging. We say "tends," for how far it has that effect is uncertain on account of many counteracting influences. Its use makes it exceptional in its relation to the law of supply and demand.

Its use is universal among civilised mankind, and the desire for it, which constitutes demand, is without limit, even among those not civilised. As fast as it is produced it is diffused through spreading channels throughout the world. As supply increases, more and more is used in useful arts and for decoration and ornament. More and more is devoted to luxurious or ostentatious display. More and more goes into barbaric hoards. The proportion of the entire supply used as the universal medium of exchange perhaps does not increase, and possibly diminishes, though the absolute quantity devoted to that use undoubtedly does increase. This is the only part of the supply of which there is

statistical record. But the demand for that use also increases and it is not at all certain that in these years of advancing prices and relatively advancing costs it has failed to keep pace with the increased supply. Gold is much more largely used as the basis of national currencies than formerly. Credit operations have been vastly extended, requiring a constant broadening and deepening of their basis to make them secure.

It may be that relative depreciation of gold has something to do with the rise in the general level of prices and the advance in the "cost of living," so far as the apparent advance is real. If so, it cannot be helped; but there are so many other factors more tangible and more potent that it is not worth while to lay stress upon this, or to resort to futile expedients for battling with the unknown. Some of the causes of increased cost that are clearly perceptible are not permanent in their effect, though there may be a succession of them. There has been a prolonged period of exploitation and promotion, using up vast amounts of capital in undertakings from which the return in fruits of increased production are long deferred and from some of which it may never come.

If canals are constructed between oceans, if tunnels are bored through mountains or under rivers, if costly systems of transportation are established for traffic which is to grow through a long course of years, if new regions are developed, taking time to bring results, and huge constructions and improvements are going on through private and public enterprise, while at the same time governments are squandering substance upon armaments and squadrons, upon pensions and other extravagances, and mortgaging the future of their subjects with heavy debts, untold amounts of capital are being absorbed and diverted from that production which ministers to the continual wants of the people. Great masses of the supplies produced go into these "works" out of which nothing comes, and that detracts vastly from what remains for the support of those who are all the while producing the supplies which pour into those voracious chasms. Some day some of them may turn into means of production or agencies for increasing production, and send back something for the support or enrichment of mankind. Meanwhile they are draining away labour and the products of labour to such an extent as to affect materially what

remains for the general distribution. This raises the level of prices for many things and increases the cost of living for whole populations.

There is another cause, in the belief of this writer most potent of all, but apparently little regarded in general discussions of the subject. That is the great accumulation of wealth in recent times in the hands of a comparatively small proportion of the people, and the enormous squandering and waste of the common substance that goes on in what is called "high living," but is in many cases far from exalted in its "standard." These favoured and pampered persons do not feel the cost of living. It is felt by those of moderate means in the necessity of denying themselves many things which would give them rational satisfaction and minister to the higher wants of their nature. It is felt severely by "toiling masses" of people who suffer actual discomfort and privation for lack of what they really need. There is no maximum or minimum limit to human wants, no fixed standard of living.

We cannot too often remind ourselves that something is never made from nothing; nothing is consumed that has not been pro-

duced; nothing is spent by any that has not been earned by some. If an undue portion goes into the hands of a few, an insufficient portion is distributed to the many. Thus the most potent cause of the high cost of living in these latter days is the enormous squandering and waste of the common substance produced by labour in the high living and the swollen accumulations of the wealthy few. It diverts a vast proportion of labour and of the instrumentalities used to increase the efficiency of labour to the production of articles of luxury, many of which are not merely superfluous, ministering to no rational need of human life, but are absolutely pernicious. We do not include among these anything that appeals to the higher sentiments or emotions, as things of beauty, or anything that ministers to wholesome pleasure or enjoyment.

Those who have the means honourably acquired through superior ability or good fortune are entitled to gratify their tastes for the elegant, the beautiful, the graceful, and the comfortable in life. They may be entitled to fare sumptuously every day, if it is done with due regard for their own health and character, and the degree of comfort to

which others are entitled. But much is squandered in ostentatious display which is reckless and vulgar, which demoralises and degrades instead of elevating and refining, and which springs from over-weening greed and gross selfishness. It may excite envy, but it does not inspire admiration, or respect. There may be a low kind of gratification in indulging in this sort of vanity, but it leads to isolation from the sympathy of fellowmen. There would be more real satisfaction in using wealth in a way that would benefit the community in which one lives and win the approbation of those with whom one lives.

We have already dwelt sufficiently upon the cost to others of the extravagance and waste of many of those who have gathered to themselves more wealth than they are entitled to, or is good either for themselves or anybody else. But we may repeat that if the labour bestowed upon their superfluities and in repairing their ravages were employed in a more abundant production of those things which minister to the necessities, the needs, the wants, the comforts, and the rational enjoyment of human life, these would be far more plentiful and more widely and

equitably distributed. Their cost would be less and those engaged in producing them would get a more liberal share of the fruits of their effort. Prices of products and wages of labour in producing them would be lower in figures, but real values would not be less. The main thing is that in the distribution the shares of those who contributed to the production of those "goods" which are really necessary or useful would be materially greater and more liberally and equitably apportioned. The real "cost of living" would be materially lowered. The general standard of living would be substantially raised, and the extremes above and below the average level would not be nearly so far apart.

The production of wealth would not be less but its forms would be different. The saving and accumulation would be greater as well as much more evenly distributed. The surplus above all reasonable needs and above actual consumption would be larger and more generally applied for the benefit of the community in which it was acquired, for the healthy growth of the nation in which it was produced, and for the progress of mankind. The wish to squander wealth in wasteful and



extravagant ways for the gratification of selfish desires of the baser sort is one of the strongest incentives for acquiring wealth by unfair and unjust means. There is nothing ignoble in the desire to gain wealth. There are many noble purposes that may be served by it with the highest satisfaction to the possessor. The capacity to acquire wealth is no mean endowment, though it is far from being the highest bestowed upon men. It may be honourably and beneficently exercised. It is a power which grows with acquisition and which gives control over great forces for good or for evil. Like all power in human hands it carries with it corresponding responsibility. That power always has been and still is grossly abused, and that is the chief cause of the "social unrest" of which so much has been heard in recent years. This comes from a sense of wrong which is not fully understood by those who feel it. Most of those who exercise the power which the possession of wealth imparts, use it in arrogating to themselves in the processes of production far more than their share of the fruits. They use it also in squandering and wasting a large portion of that which rightly belongs to others.

If this could be corrected and the rule of reason and of justice and equity could be made to prevail in the economic and social world the "cost of living" would be much less, the "standard of living" for the great mass of the world's workers would be much higher, and the value of living would be greater for all. The wealth of nations would be greater and the welfare of people would be vastly enhanced. How is that to be brought about? Not by statute law or by force, whether in irresponsible hands or exerted by government authority. The chief value of law is to make secure that which the existing state of society makes attainable and to encourage and promote its attainment without attempting to force it. The chief function of government is to defend and protect from assault or impairment that which has been secured and to support further efforts at progress.

The real remedy for wrongs, the actual means of establishing rights must be found in the resources of human character, its capacity for development and its guidance by sound principles and high motives, and that is a matter of education and discipline of the moral faculties of mankind, which should

begin with the earliest years of childhood and be carried to the last days of life. It is the work of families, of schools, of churches, of all the intellectual, moral, and religious forces of human society, and not of legislatures or rulers, which are merely the agents for accomplishing what society demands. They are not masters but servants, and can only do as they are bid and go as far as they have support.

Herein is to be found the means to a higher standard of living for both rich and poor. There is a way for making life better worth living, of greater value to the individual all along the scale and to the organic whole, economic, social, and political. Let those who work for hire be better taught and guided, but let them organise, consult, make their demands, and plead their cause. It is a means of education for them, in which they should have sympathy, encouragement, and aid, as well as counsels of restraint and reason. Let those who control capital and employ labour consider their duties and responsibilities to those employed and to the society in which they live and not use their advantage of position solely for their own profit and aggrandisement. Let them consider the wel-

fare of those who do the work and of the community of which they are a part, and seek to do justice and equity in their relations with all their fellowmen. They may not get so rich individually, but what they acquire will be theirs by a higher right, and they will get more satisfaction from it. None may get enormously rich, but a far larger number will get substantially rich, and practically everybody who is not worthless will be "well off." The number of the worthless will grow less; the criminal can be made to disappear, and the unfortunate can be fully cared for, according to their needs and their deserts. Life will be of more value to all, individually and collectively. It will be worth more in real satisfaction to the rich as well as to the poor, and there will be no destitute. The road of human progress is long and toilsome. It cannot be traversed in a day, a generation, or a millennium; but the pace can be accelerated by the united efforts of the gathering forces of progress. A reign of righteousness in the economic world would vastly increase the wealth of nations which would speedily blend with the welfare of people.

## XXIII

### THE BEST POLICY

THE conclusion of the whole matter is that honesty, square dealing, good faith, is best as a business policy. It is not merely a moral virtue, good for the soul or necessary to salvation, and sustained by the sanctions of religion or social custom. It is not simply an ethical principle, essential to sound character and good repute in personal relations, and necessary to the cohesion of well-ordered society. It is a pervasive economic principle, the basis of confidence, which is the foundation of prosperity and material success. In the intimate relations of men in their personal dealings, lying, deceit, and sharp practice may win a delusive and short-lived success. With unusual shrewdness and skill dishonesty may in a few cases amass wealth and purchase forbearance for a time, but it can only work harm to the community, and the results are never worth what they cost

to the possessor. For him it will forfeit the "purest treasure mortal times afford," "spotless reputation," which cannot be bought with money. In its individual aspect it comes so closely home to the common life that it is in the main rightly judged and suffers the penalty of discredit, disrepute, and failure to bring anticipated satisfaction. It can never bring true happiness or unalloyed comfort, which may be found even in honest poverty. But in large affairs in which men act in organised bodies and have dealings which do not involve direct personal relations, the standard of business conduct is still one of semi-barbarism, savouring of the primitive instinct for plunder. There is planning and scheming in which the sense of honour has no part. There is a ruthless exercise of power to gain advantage, and out of enlarged production to extort an undue share of the proceeds at the expense of those who are unable to hold their own in the struggle.

We have already dwelt upon the moral aspect of this, the wrong and injustice, the personal guilt and responsibility which seek to hide behind intrenched organisation. What we are now considering is the cold economic aspect, the sheer material loss or

gain. Practically all the trouble between labour and capital, between organised and unorganised labour or organised and unorganised capital, between organisations of either or between combinations and government representing the public, is due to lack of honesty, of the sense of right and willingness to be ruled by it, on one side or the other or both. Such trouble is the cause of immense waste and loss, of increased cost of production and diminished results.

The organisation of men with capital and the organisation of men with skill and industry and the co-operation of these organised forces can be made to increase greatly the output of human effort applied to the resources of nature. If men of ability and integrity directing such organisation on both sides would get together in conference in a spirit of fairness, with a desire to do what is right and to promote the common good, instead of each party trying to get all it can at the expense of the other, the net result would be a larger prosperity, greater ease and comfort, and rapid advancement toward the ideal state. There would be undisturbed system with steady and peaceable work. With shorter hours there would be larger

output, with a fair distribution there would be greater general wealth more equitably diffused. There would be no strikes or lock-outs to interrupt production and income while expense and consumption went on. There would be no destruction by acts of violence or recklessness, no loss or waste from resentment and neglect, or from refusal to pursue the most efficient and economical methods.

There would have to be an intelligent recognition on the part of those who furnished capital and those who supplied labour, of their dependence upon each other and of their mutual rights and interests, and a willingness on the part of each to accord to the other what it is entitled to as a reward for its part in the world's work. Labour would have to admit the vast value of capital in enabling it to accomplish so much, and the necessity, in order to give it full effect, of the ability and training of those who supply it and direct its application. It would have to grant the right to a commensurate reward, for the benefit does not accrue alone to those who furnish the capital and direct its effective use, but the fruits are shared by all who have a part in the work it helps to do.



On the other hand, capital would have to admit that it has no power to accomplish results without labour, and that it is better for labour to become an organised force under effective direction, in a position to bargain for itself and assume obligations, than to be a mob or rabble of individuals pushing for employment and dependent upon daily work for a living. It would have to be acknowledged that those who perform the labour are entitled to a share in the proceeds commensurate with their contribution in producing results, not simply what they need in order to meet wants gauged by somebody else, or what is necessary to induce them to work as an alternative to going without the means of subsistence. The sound maxim for rewarding labour is not that socialistic formula "to each according to his needs," but to each according to his part in producing that which is to be divided.

It may not be easy to determine the equitable share of all who supply capital and manage its application and all who take part in the work of production and the distribution of products. It requires intelligence as well as a sense of justice, and with human nature so prone to selfishness and one-sided

vision, it needs in case of difference or dispute an impartial tribunal upon which both sides to the partnership of capital and labour are represented, to fix the terms of apportionment. In the ideal economic state toward which we are supposed to be striving, the employer would not say from his position of advantage and power that he would pay so much and no more, regardless of right; and the workmen would not say they must have so much and no less, and try by united force to extort it regardless of justice. There would be collective negotiating and bargaining with binding contracts based upon equity, with every effort to do and to secure what is right; and there would be means of executing the terms of all agreements. There would also be willingness to modify terms with changes of conditions. Wages as well as profits should go up when conditions favour it, and wages as well as profits should come down when conditions require it; but with the principle of honest endeavour in operation there would be fewer and narrower fluctuations.

This is presented, not as immediately attainable, but as embodying the fundamental principle of fair dealing which must

prevail if human welfare is to advance. Human nature cannot be transformed at once and the ideal cannot be reached at a bound. But in the complex nature of man the intuition of honesty is implanted, and it is an essential factor in our business problems. Persistently applied it would be a solvent of all difficulty. It must pervade all industry and trade. It is especially required in the conduct of large operations through powerful organisation. More than all it is needed in that general business of the people called government, which has a relation to all their industry and trade and to their safety and well-being. Its absence there works most harm and its presence is most essential to the general well-being. Yet there it is apt to be lacking quite as much as in any other business of national life.

How then are we to work toward this ideal of honest business, as best for the individual, rich or poor, strong or weak, best for the communities in which men live together, and best for the nation in its relation to its own citizens and its relation to other nations,—best as a matter of policy? For the living generation it is a question of education, of nurture and training. So far as it depends

upon birth and heredity each generation must improve the next with its own gain. There is nothing so important to teach in the family as truth and honesty, but in many families it is thoughtlessly or ignorantly neglected, neglected for lack of appreciation of its value. Nothing is so essential to teach in schools, for thousands of children enter the schools from families where the lesson is not taught. The schools can exercise a limitless influence upon conditions of the future to promote material well-being without which other well-being will languish and decay.

The most vital lesson to be taught from the pulpit is plain honesty, honesty with one's self, honesty in dealing with others, honesty to the state and nation. It is of the essence of all righteousness and necessary to salvation whether material or spiritual. All dogmas and rites and ceremonies of the church are vain repetition and fruitless for human salvation except so far as they inculcate, stimulate, and sustain the effort of humanity to be truthful and honest, which is synonymous with being right. It is vain to sacrifice earthly well-being in the hope of bliss hereafter, if rectitude in character and conduct

is not thereby gained. That is the best insurance for all life in any world. The most potent agency for inculcating honesty in business is the printing press, for it is busy every day and reaches the millions morning and night; but it is much addicted to reflecting humanity as it is and too little concerned with making it what it ought to be. Its influence is constant and powerful for expression and for impression. If for a generation, education, in the home, in the school, in the church, and in the press, were directed primarily to making the human race honest, it would lift it up and push it forward farther than it has moved in a thousand years, not only morally, but mentally and materially. It would in the end make the poor and rich alike eligible to the kingdom of heaven.

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