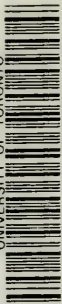
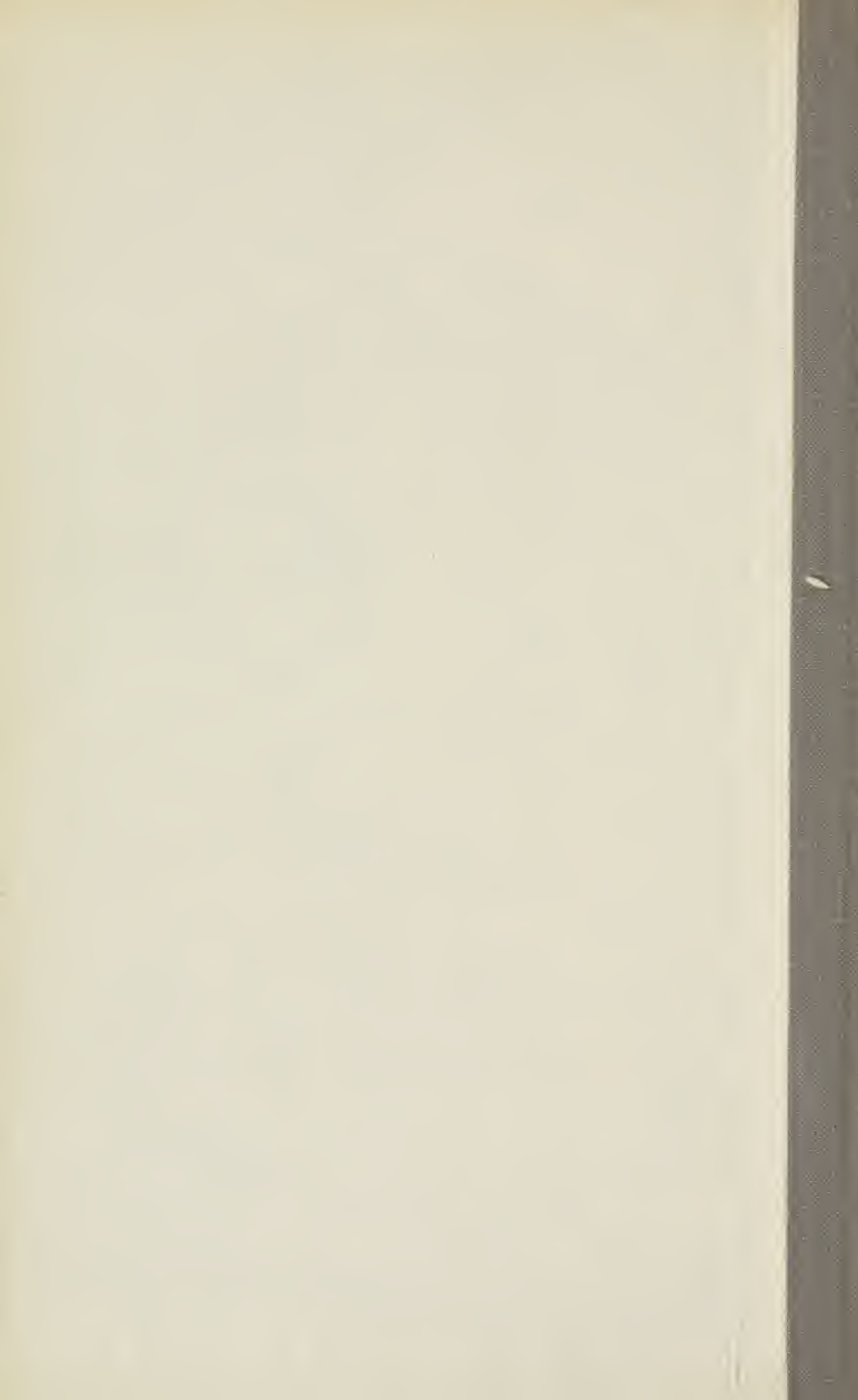


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TABLE OF CONTENTS

Nos. 1-2

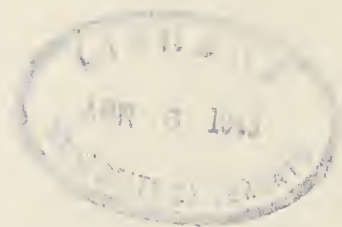
Economic Planning—Its Aims and Implications
CLAUDE DAVID BALDWIN

No. 3

The Ottoman Empire from 1720 to 1734, as Revealed
in Despatches of the Venetian *Baili*
MARY LUCILLE SHAY

No. 4

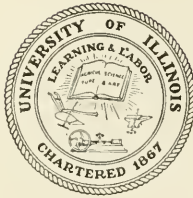
School Consolidation and State Aid in Illinois
LEON H. WEAVER



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ECONOMIC PLANNING

ITS AIMS AND IMPLICATIONS

BY

CLAUDE DAVID BALDWIN

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PREFACE

THE PURPOSE of this study is to examine critically some of the implications which accompany the rapid extension of the idea of economic planning. It is perhaps commonplace enough to students that bias in points of view must be scrutinized carefully, but to the general reader a specific word of caution is necessary. It is a most difficult task to steer a clear course between the Scylla of the sanguine proponent and the Charybdis of the vitriolic opponent—especially so in the case of socialism, communism, and economic planning. Though I have attempted to do so, whether I have succeeded in presenting the discussion in an impartial light, the reader alone can decide. My hope is that my comments may lead to a more careful and critical consideration of proposals for planning than seems heretofore to have been the case. For it is one thing to advocate a social change which is understood and wanted; it is quite another to consent to a movement whose implications are unexplored.

This study was first submitted as a doctoral dissertation to the Graduate Faculty of the University of Illinois, Department of Economics, in June, 1940. An abstract of the thesis was printed in May of that same year.

It is with pleasure that I acknowledge my debt of gratitude to Professor Edmund Whittaker under whose guidance and sympathetic criticisms this study first took shape and reached final form, and to Professor Simon Litman for his encouragement and kind suggestions on the revision of the original thesis for publication. My thanks go to the other members of the Faculty of the Department of Economics for their helpful suggestions and stimulation.

C. D. B.

CONTENTS

I. DEFINITIONS AND CRITICISMS	9
A. Planning in General	9
B. The Concept of Economic Planning	15
C. The Economic Constitution of a Planned Economy	25
D. Summary	32
II. THE OBJECTIVES OF ECONOMIC PLANNING	33
A. The Place of Ethics in Economics	33
B. Critique of Economic Science	38
C. Incompatibilities of Proposed Aims of Planning	49
D. The Political Implications of Economic Planning	58
E. Summary	64
III. THE PLACE OF A PRICING MECHANISM	67
A. The Concept of Consumers' Preference	67
B. The Estimation of Demand	77
C. Communal Consumption	82
D. Summary	84
IV. THE ORGANIZATION OF PRODUCTION	86
A. The Problem of Economic Calculation	86
B. History of the Debate on Economic Calculation	94
C. The Concept of Cost	115
D. Economic Calculation in a Planned Economy	124
E. The Long-Run Period of Production	141
F. Summary	150
V. DISTRIBUTION OF INCOME AND ALLOCATION OF LABOR	152
A. General Scheme of Distribution	152
B. Allocation of Labor Among Occupations	154
C. Principles of Distribution of Income to Labor	161
D. Summary	167
VI. CONCLUSIONS	169
BIBLIOGRAPHY	179

CHAPTER I

DEFINITIONS AND CRITICISMS

A. PLANNING IN GENERAL

1. *Introductory.*—When a word is simultaneously employed as a term of reproach and of commendation, there are some grounds to suspect that its connotation in the two cases may be somewhat different. The term “planning,” and particularly “economic planning,” is used indiscriminately by its protagonists and antagonists alike. If one may judge by the amount of literature on the subject, planning is the panacea of the age. But, unfortunately, its meaning is not always clear; by attaching adjectives such as “capitalist,” “socialist,” “economic,” and “social,” some have attempted to make its meaning more definite. Others have been content to employ such qualifying words as “restrictive,” “destructionist,” “socially comprehensive,” and the like; in so doing they have added their approval or condemnation of the plan not because it is a procedure which is faulty, but because it implies to them only a certain objective, an objective of which they vigorously approve or disapprove. Perhaps part of this confusion, in addition to the usual terminological problems common to all social sciences, has arisen because of the desire on the part of planners to employ a terminology which would, on the one hand, appeal to the popular mind, and, on the other, avoid the use of orthodox terminology with a more established, but none the less stigmatic (for the planners’ purposes) connotation. Part of the blame, however, must be placed on the antagonists, who, perceiving the potentialities of the new term, sought to discredit it by imparting just that amount of stigma necessary for its exclusion from “respectable discussions.”

2. *The meaning of planning.*—It is almost not an exaggeration to say that the term “planned economy” has come to cover such a multitude of things that every manifestation of state interference with the free working of the economic system has been loosely labelled “economic planning.” And even more multitudinous have been the proposals for planning—plans social, political, financial, millennial, or cynical, veritably deluge the public.¹ Depressions, so peculiarly productive of economic speculation, have produced their quota of plans, designed to solve the problem of the business cycle, or to solve some other problem of mankind.

Planning may be said to be of the essence of life, in that so far as any activity is purposive, it necessarily involves some kind of plan for its

¹For a limited idea of the mass of literature on planning proposals, criticisms, and counter-proposals, consult the bibliography of this study. Cf. F. Mackenzie (ed.), *Planned Society, Yesterday, Today, Tomorrow.*

attainment. A plan is a procedure, a means to a given end. To plan is to act with purpose, presumably in accordance with some posited objective, to choose; and choice is the essence of economic activity. Without delving into the metaphysics of the ultimate design of life, we can express, at least, the view that man, with all his propensities for good and evil, has in the history of his development evolved sundry plans to attain various objectives—objectives which may be relatively mediate or remote, good or bad. In this respect Aristotle might be paraphrased, “Man is by nature a planning animal.”

Clearly, if we are to include under “economic planning” all the diverse elements embraced in planning proposals, the meaning of the term is synonymous with the more generic term “planning.” It is the purpose here to discover, if possible, some distinguishing characteristics which attach to the term “economic planning,” in such a manner as to justify its separate admittance into the vocabulary.²

3. *Types of planning according to subject matter planned.*—It would seem unnecessary for anyone to insist that there is a distinction both in form and in substance between planning the physical layout of one’s household furniture, and planning health, personal social relationships, political institutions, economic resources; but, unfortunately, some have not been clear as to just what they intend to plan.

Whittaker points out that the common use of the term “planning” makes no distinction between social planning and economic planning as such, when he comments that planning may be accepted, perhaps, “to mean the subordination of individual wills to a social plan of action.”³

It is insufficient to say that everyone plans in order to realize certain objectives; planning without an objective is a contradiction in itself. The essential point, however, is that we plan different segments of our life—our social relationships, our health, the time when we eat, sleep, play, work, what we consume, wear, save, etc. Not to distinguish between the types of planning on the basis of what part of life is being contemplated leads to confusion and loose thinking, although all phases are, obviously, inextricably interconnected.

²It is significant to note that planning, of an economic nature at least, is not new to this age. There is evidence of planning in Arabia in Biblical times, when Abraham evolved a plan to meet the problem of diminishing returns: he said to Lot, “Separate thyself, I pray thee, from me: if thou wilt take the left hand, then I will go to the right; or if thou depart to the right hand, then I will go to the left.” (Genesis xiii:7-11). Hammurabi, the first king of Babylonia, 2000 B.C., had “plans” for the construction of canals, mines, and the improvement of his kingdom; the Egyptian Pharaohs with their pyramids, canals, and irrigation projects, Alexander the Great, Augustus of Rome, the Emperors of China, the Incas of South America, Peter the Great—all undertook plans which varied in their scope and nature, but which may be taken as evidence of planning. The mercantilist era might also be characterized as, perhaps, the nearest approximation to what shall be defined as state economic planning prior to the modern period. For a discussion of early planning proposals, see J. Frederick, *Readings in Economic Planning*, pp. 28 ff. A description and detailed analysis of mercantilist policies is to be found in E. Heckscher, *Mercantilism* (2 vols.).

³E. Whittaker, “Some Fundamental Questions on Economic Planning,” 3 *South African Journal of Economics* 185 (1935). (Hereafter references to periodicals will, for convenience, be abbreviated in accordance with the list of abbreviations given in the bibliography.)

The various types of planning may be classified as physical or technical, social, or economic, according to the object to be planned:

Physical or technical planning is the arranging of physical objects under our purview in such a way as to attain any set objective, as, for example, the arrangement of the furniture in our homes in order to gratify our aesthetic discrimination. Obviously, physical planning impinges on economic planning, but it may be undertaken without consideration of or with little relationship to economic factors—a statement which is, perhaps, apparent to elementary students in economics.

Social planning is the limiting or shaping of all or part of the relationships among individuals, or groups of individuals, in accordance with some design however determined. The essential characteristic of social planning is "pattern making,"⁴ or, in Whittaker's words, the "subordination of individual (or groups of individuals) wills to a social plan of action." Social planning is, strictly speaking, the limiting or directing of individuals in order to convince them of the desirability or undesirability of a social goal, or to compel them to act in accordance with it. It thus becomes a subject of ethics and psychology, the establishment of a basic constitution with which we agree or are forced to agree, and under which individual actions are governed or are permitted to have sway only to that degree which does not run counter to the established social constitution. The degree of freedom permitted the individual in pursuing his own ends, the political framework through which the will of the people or the will of the ruling class (using these terms broadly) is expressed, the psychological incentives utilized or permitted to be utilized—these are the subjects of social planning. On the validity of these ultimate ends economics as such has nothing to say. They may be accepted or rejected; they may be agreed with or forced upon us. It is on the question of the goals of planning that so much controversy arises. Can people be planned? Can they be convinced that the goals set up for society are worth striving for without recourse to the coercive power of institutions—broadly defined to include the family, church, school, and that association from which emanates the omnipotent power of coercion, the State? If all persons cannot be convinced, how much coercion, and what kind of sanctions, must be utilized in order to realize the objectives? These are the questions of social planning.⁵

Broadly speaking, economic planning involves the element of choice between alternative means of attaining an objective which has been pre-

⁴G. Means, in *Government Control of the Economic Order* (B. Lippincott, ed.), p. 17. Cf. also for a broad definition of planning, including social and economic.

⁵The extent of social planning has varied from time to time, but one can scarcely conceive of any social relationship not fenced in on one side or another by such things as convention, custom, law. The bludgeons our ancestors chose in order to persuade recalcitrant individuals to conform are singularly familiar even today: "taboos," legal institutions, conventions, educational institutions, "honor," "duty," brute force or war, etc.

determined. Planning economically is to plan in such a way that the scarce means at our disposal yields us the greatest satisfaction—however one wishes to define “satisfaction.” Economic planning is “prudential,” not “moral.” To be economic, one must, after considering alternative avenues of approach to his objective, choose the most prudent method. If he chooses one method which yields him less satisfaction for the given amount of expenditure of scarce resources at his disposal than he could have derived from another method, he is not acting economically.

It has been said, however, that to plan is to act rationally, i.e., to choose the best means available to attain the purpose or goal in mind. How are we to distinguish planning in general, then, from economic planning in particular? It must be admitted at once that the distinction lies in how one defines the scope of the “economic” segment of life, or, perhaps better, how one emphasizes the so-called “economic” factors over other, perhaps even more important, factors—social, political, ethical. Planning in the economic realm, moreover, can never be carried on except within a social framework, and will involve, therefore, planning in the social realm.

To Mises, Wootton, and the modern German and Austrian School, economic activity is rational activity.⁶ That is to say, all activity that is planned, as contrasted with that which just occurs, if there be such, presupposes the existence of purpose, and the planning itself as a procedure is rational (prudential) only in so far as it takes the paths appropriate to the attainment of the objective. On this broad line of reasoning, the factors of production are defined so as to include the scarce factor of time itself—leisure versus work representing a balance between different elements of time—and social costs, calculations of sacrifices necessary to maximize subjective utilities. Economic planning under this interpretation would be what Wootton calls economic efficiency:

Essentially, economic efficiency consists in creating the maximum surplus of satisfaction over effort, using both nouns in the widest possible sense. In the more concrete terms appropriate to an industrial mechanism, this means carrying every line of production up to, but not beyond, the point when an additional unit of product would not give enough satisfaction to justify the absolutely necessary minimum effort required to make it; that is to say, limiting every type of output only when the need for it is so well satisfied that it may fairly be said that more good would be done either by making something else instead or by longer hours of leisure.⁷

Planning in this sense would mean the planning of both the scarce factors of production to which we usually attach monetary significance in the market, and the individuals whose relationships are affected by changes in their relationships to these factors; in other words, economic planning

⁶L. Mises, *Socialism*, pp. 111 ff., gives a clear discussion of this statement.

⁷B. Wootton, *Plan or No Plan*, p. 108. See also her *Lament for Economics* for a critical analysis of the neo-classical definition of the scope of economics.

is planning in general, including physical and social planning. Furthermore, Mises and Wootton imply that all rational activity is economic activity, hence it would be "rational" to select one objective over another, an ethical judgment of what is "good."⁸

The definition here adopted confines the term economic to those factors within society that are quantitatively capable of measurement. It may be admitted that desirable as it might be to have some agency equalize marginal *social* costs in alternative directions, the tools that are at hand for a quantitative measurement of social costs are imperfect to say the least; no answer seems possible except the admission that the true social cost of any article is very difficult to determine. Those qualitative factors are, perhaps, in the end largely a matter of convention today. A change in the distribution of income among individuals, as proposed by the socialist as well as by the liberal, would, perhaps, bring social marginal costs and individual marginal (money) costs more nearly into equality.⁹

In more elaborated form, economic planning is the arrangement of the factors of production which are scarce in relation to the demands for their alternative uses in such a way that the satisfaction (subject to the principle of diminishing utility and expressible in monetary or *quantitative* terms of more or less) is maintained at the highest possible point. This definition implies that the satisfactions, or needs, are capable of and are actually expressed in some hierarchy of values. The scale of values that exists under a free price mechanism is only one possible scale of values, for there could be (and usually are) other scales. The determination of the scale of values is a matter of the objective of economic activity, not of its performance; and, as such, it is incapable of being reduced to the same rules of measurement. What the scale of values is, obviously, in a given cultural unit is all-determinate; it will shape the entire quantitative allocation of economic resources, it will impart a tone to the whole economy. Presumably the scale of values under the *free* market mechanism is determined by consumers' choice: the exercise of the privilege of choosing between different commodities by the consumer determines how much of those commodities, relatively, will be produced. According to this theory, the satisfaction of consumers is presumed to be the end of economic activity. It is apparent that the end of the economic activity might be the attainment of self-sufficiency, the protection of a vested interest which might be incompatible with the general consumers' interest, etc.

The arrangement of the factors of production, moreover, must con-

⁸Cf. L. Hobhouse, *The Rational Good*, for a clear statement of this mode of "realizing" the good. See the discussion in the following chapter.

⁹Cf. A. Pigou, *Economics of Welfare*, for distinction between social and individual marginal costs, welfare versus monetary economics. Our delimitation of the scope of economic planning is not to be interpreted as meaning that these qualitative, welfare factors can be ignored by the economist; rather that he must recognize them for what they are—not quantitative.

form to the principle of equal marginal productivity. The value of the marginal product of any factor will, in turn, be determined by the value imputed to it from the price of the finished commodity—under a free pricing mechanism, this value is determined by consumer and producer bargaining; the price of the finished product, however, may be affected by state interventions, and hence the ultimate values ascribed to the factors, depending upon the ends of such governmental activity, may be altered. If a distribution of the factors is such as to yield less return at the margin than could be obtained by a different allocation, the scale of values being predetermined, then there is a loss involved, and the allocation is uneconomic (irrational).¹⁰

It should be remarked, finally, that there may be, and actually is, a combination of these types of planning in practice. The combination of two of them, social and economic, seems to be the desideratum of a considerable number of planners.¹¹

The planned economy of Russia, Italy, and Germany could scarcely be called strictly economic planning, nor strictly social planning, but a combination of both. The violent disagreements among writers seem traceable to the fact that in many instances they fail to distinguish between a proposal for social planning (involving determination of the ends of economic activity), and a proposal for economic planning; such, for example, has been the argument over the suppression of religion in the U.S.S.R.¹² It is suggested, moreover, that in practice a clear line of demarcation between social and economic planning is neither possible nor desirable. Social plans, obviously, have their economic implications, as do economic plans their social implications; broadly speaking, social planning includes the economic. There seems no reason, however, for us to depart in our thinking or treatment from a distinction which may be justified as a logical tool of analysis. Obviously, an engineer who tests the strength of steel can be "practical" only if he relates his thinking to the social environment into which his materials project, but this is not

¹⁰It is apparent from this definition that the writer has adopted the neo-classical analysis, with slight modification, as, perhaps, best expressed by L. Robbins, *The Nature and Significance of Economic Science*. Cf. *infra*, ch. 2.

¹¹Cf. the series of papers presented at the World Social Economic Congress, *World Social Economic Planning* (3 vols.). Illustrative statements which embody both social and economic planning are: H. Macmillan (*Reconstruction*, p. 1), "The great need of the moment is not only for a policy of action to deal with a pressing situation, but for a new theory of social and economic organization. . . ." G. Means comments "pattern making" is our basic problem, *op. cit.*, p. 17. L. Lorwin, preliminary paper, "The Problems of Economic Planning," in *World Social Economic Planning*, p. 777, states, "The character and purpose of a planned economy . . . depend on the larger social planning in the wider sense of the term which tries to supply an answer to these questions [i.e., social and cultural problems]. The two are interrelated in the sense that economic planning can become a conscious method of operation only when used in relation to a clear plan of social purpose and development. . . ." Cf. E. Lindeman, "Planning: An Orderly Method for Social Change," 162 *Annals* 12 (1932), pp. 16-17; G. Peterson, *Diminishing Returns and Planned Economy*, p. 200.

¹²The works on Russia, Italy, and Germany which attempt to treat these two phases of planning separately are rare, and more rare, indeed, are trustworthy accounts of what is taking place in either the economic or social realms. Cf. C. Hoover, *The Economic Life of Soviet Russia*, B. Wootton, *Plan or No Plan* (ch. 2), and L. Hubbard, *Soviet Money and Finance*, for consciously impartial accounts.

the same thing as demanding that he foresee all the social repercussions which steel of a certain strength may have. That engineering as a distinct discipline is sociological is obvious, that it should profess to discuss the problems of social life is, to say the least, ambitious.

4. *Types of planning according to agency and scope.*—It has been intimated that planning is not a monopoly of the state nor of an individual. It would follow, therefore, that for the three types of planning distinguished above—technical, social, and economic—individuals or groups of individuals may undertake to plan any or all of these segments. Planning by either individuals or groups would always involve the planning of social relationships in one way or another; likewise, planning of the economic or physical factors by any individual could only be considered a “special emphasis” or type of planning within the social framework. When directed primarily toward the economic factors, the planning may be called economic; when directed toward the social framework itself, it may be called social planning. A classification could be made on the basis of who is planning, which would at the same time imply the scope of the planning—i.e., the area over which the power of disposal is exercised. In such a classification we could distinguish between individual planning and group planning, with the following subdivisions of group planning: (1) the family, church, school, or other social groups, (2) an individual business firm, (3) an industry or group of firms, (4) the state, (5) international planning.

B. THE CONCEPT OF ECONOMIC PLANNING

5. *Introductory.*—In the preceding discussion attention has been directed toward the general concept of planning. Though some regard will be given the relationships which must necessarily arise between social planning as distinct from strictly economic planning,¹³ it is the purpose of this section to delimit the subject matter and to confine the discussion to economic planning in particular.

There seem to be very few writers, protagonists or antagonists alike, who would subscribe to the opinion that “economic planning” implies all the diverse elements which have been assigned to it; nor is it intended that the definition, tentatively drawn up, be accepted as meaning exactly what is usually implied when one speaks of economic planning. It is important to understand, however, that the term can be used much more generally—in fact it is so used—than limiting its application to planning by the state.

¹³See *infra*, chs. 2, 3, and 5; in the first, a discussion of the objectives of economic planning implies consideration of social questions; in the second, the degree of freedom for the consumer in exercise of his preference on the market under conditions of planning are to be considered; in the third, the freedom of choice of occupation in the solution of the problem of the allocation of labor merits separate consideration.

6. *Economic planning according to agency or scope of planning.*—Planning, restricted to the strictly economic segment of life, usually implies planning by someone or something. The question is, by what agency, and at the same time, how much planning—i.e., what is the scope of the planning. The statements made by most writers seem to suggest that planning in the economic realm shall be undertaken by only one of the agencies.

Economic planning may be undertaken by agencies other than the state. Peterson seems to have this broad interpretation of economic planning in mind when he states: "A planned economy means the deliberate control or attempted control of economic forces by some agency or group for the purpose of attaining or progressing towards some goal which, at a given time, seems to be desirable for the future. The future may be tomorrow or hundreds of years hence."¹⁴ If Wootton's definition be interpreted broadly, it is conceivable that an economy, planned in accordance with some goal, as contrasted with the unplanned, might include planning by various social units—individuals, firms, industries, as well as by the state. She comments: "For the basic difference between the planned and unplanned economy is not that human volition is absent from the latter, but that *the scope of particular decisions is there more narrowly limited.*"¹⁵ A classification of economic planning, therefore, might be made on the basis of the scope of the particular decisions over the economic factors:

(a) *Individual economic planning.*—In order to conform to the general requirement of economical planning, an individual, or perhaps a family, within the limits prescribed by the quantities of scarce resources at his disposal, could arrange the whole of these resources in such a way that the balancing of satisfactions with efforts would more nearly approximate what economists have called the balancing of subjective satisfactions with real costs.¹⁶ It is significant to note, however, that under modern conditions of specialization by individuals, where each devotes his energies to those tasks which he (or somebody else) considers he can perform best—considering innate ability, training, and opportunity—and where the individual exchanges the product of his labors for that of others, it is impossible to measure adequately "real costs" or other subjective factors. Individuals can bring these subjective factors into play only by conditioning their actions at the time they come into the market. These factors are measurable only when they can be expressed in ex-

¹⁴G. Peterson, *op. cit.*, p. 200.

¹⁵B. Wootton, *Plan or No Plan*, p. 47.

¹⁶The arrangement of resources could hypothetically—in the case of a Robinson Crusoe—include more accurately the intangible elements, such as the satisfaction derived from contemplating the sunset, a beautiful panorama, other aesthetic joys, as well as such "cost" factors as the subjective "pain" of labor beyond a certain minimum. Cf. A. Pigou, *Economics of Welfare* and A. Marshall, *Principles of Economics* (8th ed.).

change; they are comparable only when they are reduced to a common denominator—money.¹⁷

(b) *Economic planning by the business firm.*—Within the ambit of control by an individual business firm, economic planning obviously is a condition requisite to the continued existence of the firm—at least under conditions of competition. Modern market conditions tend to influence, and, in turn, be influenced, by the interactions of producers and consumers; in adjusting the speed of operation of a plant, and the size of the plant, the individual manager endeavors to “plan” the distribution of the land, labor, and capital under his immediate control in order to realize his objective—the maximization of profits or the minimization of losses. The extent to which he is successful will depend on many factors: the foresight exercised in predicting changes in technological progress, the forecasting of demand, the correctness of his estimates of future prices for the factors of production, etc.¹⁸

Lorwin calls the individual firm's economic planning “scientific management,” and he adds, “It is a necessary but subordinate aspect of economic planning”¹⁹ In his distinction between planning, scientific management, and rationalization, Dickinson comments:

The meanings of all three terms contain a common element: the idea of rational co-ordination of means and ends. It would be convenient, and would agree with common usage, if we used the word planning to denote rational co-ordination in an industry or group of industries, and scientific management to denote the same in an enterprise or group of enterprises.²⁰

(c) *Planning by industry or groups of industries.*—Planning by industry as a whole may be termed “rationalization,” as Dickinson has designated it.²¹ The term “rationalization” has been used variously to mean the determination of goals for industry, such as stabilization of prices, regularization of employment, elimination of waste of competition among business units; the utilization of devices of business organization, such as the trust, holding company, and cartel, in order to attain certain

¹⁷It is not our purpose here to digress into a field which has already been covered adequately by professional economists. The point seems worth noting at this juncture because cognizance of it seems lacking in some of the literature, e.g., G. Cole, *Principles of Economic Planning*, pp. 38 ff. The papers delivered at the World Social Economic Congress, *op. cit.*, seem to assume that economic planning can be carried on by the state (and presumably by any other agency) without a basis for comparing costs, which must be established by some process of valuation.

¹⁸The fact that individual business men are unsuccessful in predicting these forces, or are influenced by psychological oscillations of pessimism and optimism as to future trends of events, and by the currency and credit policies of governments, has given rise to much criticism of the “anarchy” of production under modern conditions. This has led many to propose that there is need for some guiding direction from the state, which, presumably, will be armed with more adequate information and would, therefore, be in a position to avoid the more serious ups and downs of the business cycle. A discussion of economic planning based on this approach is B. Wootton's *Plan or No Plan*.

¹⁹L. Lorwin, preliminary paper, “The Problems of Economic Planning,” *op. cit.*, pp. 776-77.

²⁰H. Dickinson, *Economics of Socialism*, p. 15. Cf. H. Person, “Scientific Management as a Philosophy and Technique of Progressive Industrial Stabilization,” in *World Social Economic Planning*, pp. 197 ff. Person, president of the F. W. Taylor Society on scientific management, suggests the use of the term “scientific management” to designate what has here been called “economic planning” on a national scale.

²¹*Op. cit.*, p. 15.

objectives for industry.²² Perhaps for our purposes we may restrict its meaning to the procedure adopted to attain certain objectives, without regard to what those objectives are.

(d) *Economic planning by the state.*—Perhaps it may be said that “rationalization is the nearest approach to a planned economy that capitalism has evolved.”²³ The criticisms of the rationalization movement are legion; its shortcomings, its evils, and its incompleteness have all been the subject of attacks. The antitrust movement in the United States which dates from the Sherman Act of 1890 is evidence of popular distrust of the trust. The use of the sovereign power of the state to encourage or to discourage industrial rationalization underlies these movements. Under the aegis of the state, in Germany, Poland (prior to 1939), Spain, and some other foreign countries, the cartel has been actively encouraged, while in this country until recent years there has been a tendency to discourage such movements. It is not true that industries in trying to attain economic efficiency are pursuing policies contrary to what is considered desirable social policy, but the fact is that in the pursuance of their rationalistic ends, industries tend to develop into monopolies, and as monopolies they are in a position to exploit others in an inferior economic status: the old statement that there is nothing so good that it cannot be made to serve the purposes of those who are bad reappears in a new garb. On this account, too, there has arisen a demand for the extension of the basic idea of economic planning to include the whole economy. The agency through which this is to be accomplished is to be the state, through whose instrumentalities all the factors of production within a given nation can be controlled.²⁴

The introduction of the state as the instrumentality to consummate the planning approaches the heart of the definition of “economic planning”

²²Person suggests the use of the term “rationalization” to denote positing of goals for industrial scientific management, *op. cit.*, p. 197 (note). R. Burrows, *The Problems and Practice of Economic Planning*, pp. 17 ff., implies that rationalization is simply an effort on the part of business men to overcome the rigors of competition. C. Portus, in *National Economic Planning* (W. Duncan, ed.), pp. 11-12, states, “New rationalization proved to be old justification writ large.” Cf. J. Hobson, *Poverty in Plenty*, p. 11, for a similar approach.

The broad psychological meaning of rationalization—implying that it is a process of rational behavior—is the general denotation given the term here. Mention should be made of the work carried on by the International Management Institute, Geneva, in propagating the principles of scientific management throughout the world. In a little volume, *Rationalization and Prosperity*, a summary of the basic ideas of the Institute is given in three languages. They are, of course, related to the Taylor Society in America, and their ideas follow the reasoning of Person, quoted above. Unfortunately, the force of the idea of extending scientific management, as a theoretical process, to industrial, national, and even international dimensions is emasculated somewhat by the failure of these groups to envisage the problems of economics, as well as those problems of a purely technical nature. Otto Neurath of Vienna maintained that monetary calculation was unnecessary for scientific management, and his influence on the international society has detracted from its effectiveness in promulgating its ideas (see discussion *infra*, ch. 3); it is doubtful whether F. W. Taylor has ever indicated in his own writings that the economic problem of calculation could be glossed over by the technical problems of time-and-motion studies, and other matters of management.

The device of the trust, holding company, cartel, and monopolies in general has been associated in the popular mind with what is called rationalization, and in the sense that these devices are actually used today to accomplish the economical planning of an industry, they could be identified with that movement; it would seem preferable, however, that the theoretical process be distinguished from the actual manifestation of the working of that process.

²³Portus, *op. cit.*, p. 12.

²⁴Cf. proposals for economic planning as a solution to the combination problem, in J. Clark, *Social Control of Business*, chs. 30-32; A. Burns, *The Decline of Competition*, chs. 11-12.

as such. It seems possible to say that "economic planning," as used in most current discussions, embraces an explicit or inferential assumption that the state is the agency that shall do the planning; and that a "planned economy" includes all the resources within the territorial jurisdiction of some sovereign political power.

Röpke has stated the case of state planning perhaps as strongly as any other, with the exception of Mises: "The essence of this method of planning is to replace the mechanism of the competitive market by commands from above, and to transfer the all-important decision over the use of the productive forces of the community into the office of a governmental department."²⁵

Pursuant to the definition of economic planning, state economic planning specifically would imply the planning of the scarce factors of production—land, labor, capital—within the scope of the state's power of disposal in accordance with some end, however determined. As in the case of individual, business firm, or industrial economic planning, the state, to plan economically, must adopt those methods which will equalize the marginal productivity of each of the factors of production.

The theory of value, as set forth by modern economists, is a statement of planning by the individual producer, or by an industry, under conditions of relatively free competition. The possibility of extending the marginal value theory analysis to the realm of state economic planning has been the subject of acrimonious debate by economists in the past several years; the principal part of this study is devoted to an examination of the issues presented by those who maintain that it is impossible, with those who assert with equal conviction that it is possible to apply the marginal analysis to state economic planning.²⁶

The distinguishing feature of state economic planning is that it is possible to establish an entirely different scale of values than that prevailing under individual business planning; it is conceivable that the end of planning, in other words, can be different from the end of individual planning. For example, if conditions of perfect competition be assumed, individual producers have relatively little power to control the course of prices for their products, or the trend of the costs of the factors they use. By enlarging the scope of effective planning—by granting certain

²⁵W. Röpke, "Socialism, Planning and the Business Cycle," 44 *J.P.E.* 318 (1936), p. 336. This statement of the case may be compared with that of Mises, *Socialism*, in which he states, "The so-called planned economy (*Planwirtschaft*) is a more recent variety of Socialism," p. 256. There is no mistaking his meaning that it is the state, and the state alone, that will do the planning—if it be done at all. Similar ideas are presented by Lorwin, preliminary paper, *op. cit.*, p. 774; Whittaker, *op. cit.*, p. 185; W. Loucks, "Public Works Planning and Economic Control: Federal, State and Municipal," 162 *Annals* 114 (1932).

G. Meyer and K. Mandelbaum, "Zur Theorie der Planwirtschaft," 3 *Zeitschrift für Sozialforschung* 228 (1934), pp. 230 ff., state that "Economic planning may best be defined by combining a specific aim with a specific method: modern 'planning' is designed to make possible the growth of the economic system as a whole without waste and major disturbances, especially without crises." This definition seems to restrict the meaning, if we assume that only waste and crises are to be avoided; it is possible that what they have called economic planning is unnecessary to effect this, or at least to require state planning. Rationalization accomplished the same object in one respect at least, though not in the other. Underlying this definition, however, is the implication that it is the state about which they are speaking.

²⁶See ch. 4, *infra*.

powers of disposal of larger portions of factors, as through a trust, holding company, cartel, or any monopolistic combination—the course of prices and costs is increasingly determined by the producer in control.²⁷ At the same time, the power over a greater supply of the resources carries with it *ipso facto* a power to dispose of those factors in ways other than those dictated by a strict consideration of the price mechanism, or welfare. From this situation arises monopolist profits, restriction of outputs, stability of prices, and other repercussions from the wielding of monopoly power. If a combination of producers can thus modify or shape the scale of values, how much more can the state, whose coercive power extends over all the national resources, determine the trend of events? It is essential, therefore, that the relationship between the determination of the value for the factors of production—by the state, in the case of collectivist planning—and the allocation of those factors among alternative uses be understood.

7. *State interventionism.*—It is claimed, however, that any manifestation of state intervention in the free working of the market mechanism is state economic planning, at least in a partial sense. That it is state planning cannot be denied, but that it is economic planning by the state is another question. To define economic planning as any action taken by the state in the economic field “borders upon the absurd.”²⁸ If the word planning has any meaning at all it cannot be applied to much that governments have done during the last few years. If it is true that not all the measures of state economic action can be described as planning, it may still be true that these measures are “economic in character,” in so far as they affect the distribution of economic resources in a way other than would have taken place had there been no such intervention. Wherein lies the distinction? Upon what basis can we say with Dickinson and Röpke, “Economic planning is the making of major economic decisions—what and how much is to be produced, how when and where it is to be produced, and to whom it is to be allocated—by the conscious decision of a determinate authority, on the basis of a comprehensive survey of the economic system as a whole”?²⁹

It is first necessary to clarify a few subsidiary ideas. The problem of who shall wield the power of coercion (usually the state's) has been the subject of considerable controversy. The argument that the delegation of power by the state to private individuals or groups of individuals creates monopoly and syndicalism, and that hence monopoly is a result of state policy, is best stated by Robbins: “It is notorious that the vast

²⁷The condition described is a rough statement of the theory of monopolistic or imperfect competition. Cf. E. Chamberlin, *The Theory of Monopolistic Competition*, and J. Robinson, *The Economics of Imperfect Competition*.

²⁸P. Martin, “The Present Status of Economic Planning,” 33 *I.L.R.*, 619 (1936).

²⁹Dickinson, *op. cit.*, p. 14. Röpke, *op. cit.*, p. 336.

extension of monopoly, in recent years, has been the result of state policy. . . . It should be clear then that the problem of planning is not to be solved by giving each industry the power of self-government (i.e., restriction of entry and production). This is not planning; it is syndicalism. . . . A planned economy must be planned from the center. This is the only intelligible meaning which can attach to the concept."³⁰

If the concept of state policy means the granting of permission to exercise control over property, i.e., the right of private property, it is apparent that all individual ownership, including monopoly (exclusive ownership), is the result of social (state) policy. It is equally clear that endowing private individuals with the power of control over production may or may not create monopoly; there is the possibility, however, that this power will be used in other than socially desirable channels. It seems that such men as Robbins and Fetter³¹ in calling attention to the close interconnection between social policy and the growth of monopoly have performed a service which cannot be lightly ignored. But perhaps this was already appreciated by most persons, who would agree that in proposing economic planning, the state is to exercise its own authority, not delegate it to others.

American proposals for economic planning seem to follow the logic, however, that in order to correct, or at least to alleviate, our economic ailments, monopolistic powers should be granted to private business; the state is to act as an informational bureau only.³²

³⁰L. Robbins, *The Economic Basis of Class Conflict*, pp. 50-51; also *The Great Depression*, p. 147.

³¹Cf. F. Fetter, *The Masquerade of Monopoly*.

³²There have been proposed innumerable variations of industrial planning, most of which envisage the state as a supervisory body, and the planning process being undertaken by business or industry on a voluntary basis. The repeal of the present antitrust laws is usually implied. Among the deluge of planning proposals of this nature are listed a few of the more prominent; no effort is made to discuss these elsewhere:

C. Beard (ed.), *America Faces the Future*, contains a considerable list of proposals and a brief discussion of them.

J. Frederick, *The Swope Plan*, and *Readings in Economic Planning*, gives a favorable résumé of the Swope plan, as proposed by Gerard Swope, of General Electric Company.

P. Homan, "Economic Planning: The Proposals and the Literature," 47 *Q.J.E.* 102 (1932), gives a brief review of some of the major plans, and could be consulted for a good analysis, without reading each plan separately.

R. Tugwell and H. Hill, *Our Economic Society and Its Problems*, pp. 530 ff., give a brief critical review of several plans.

Congressional Digest (April, 1932), p. 97, gives a list of plans.

Bureau of Personnel Administration (mimeo.), 1931-32, includes a series of papers dealing with planning proposals.

S. Slichter, "Economic Planning in Recent Literature," 14 *Harvard Business Review* 502 (1936), has a brief résumé of plans.

Literature concerning the New Deal in general, which is immense, may be consulted; mention is here made of *America's Recovery Program*, a symposium, and A. Baster, *The Twilight of American Capitalism*.

G. Greer, "A General Staff for Business," *Outlook* (1930), pp. 695 ff.

E. Heermance, *Can Business Govern Itself*.

R. Woods, *America Reborn: A Plan for Decentralization of Industry*.

J. Andrews and C. Marsden (eds.), *Tomorrow in the Making*.

S. Everett, *Democracy Faces the Future*.

L. Allen, *Limited Capitalism: The Road to Unlimited Prosperity*.

J. Hall, *Tomorrow's Route*.

G. Peterson, *Diminishing Returns and Planned Economy*.

A series of articles contributed to the *Annals of the American Academy*, vol. 162 (1932).

Survey Graphic (vol. 20, 1932) series of planning proposals.

The type of planning proposals by the National Resources Committee, formerly known as the National Planning Board, in their various reports since 1934. A review of the economics

It appears, therefore, that to permit industry to exercise more and more control over the resources of the country is not planning, as it is desired by its proponents, unless it be considered "negative" planning. In so far as industry plans economically, it is rationalization; in so far as it exploits a monopolistic advantage, it is not economic.³³

Closely allied to the monopoly argument is the proposal that the state should set up a planning authority which would be a fact-finding body to assist industry in anticipating changes in taste or in technique. It has been pointed out that a laissez-faire economy is faced with the inescapable dilemma that if competition is perfect—i.e., if all producers act quite independently, each ignoring the activities of the others—any increase in demand for a product will inevitably lead to the overcapitalization of the industry, while if they are sufficiently well-informed to be able to anticipate one another's reactions, they will, at the very least, enjoy the monopoly profits of tacit agreement.³⁴ But all that "planning" can do to remedy this situation is to collect statistics under the state's power to demand information, and to publish these in a unified and coherent system; thus such industrial organization would be made more "enlightened," but it would likewise result in uneconomical use of resources.³⁵

If, on the other hand, the state decides to exercise its own power in order to affect the distribution of resources, the charge of syndicalism is at least met, but it can scarcely be claimed that all state interventions consist of economic planning. Robbins calls these organized attempts by governments to institute measures which affect the price mechanism "restrictionism,"³⁶ while Mises uses the term "destructionism."³⁷ Mises comments:

Sicher aber ist, dass die Versuche den Interventionismus vom Standpunkte der theoretischen Nationalökonomie—nicht vom Standpunkte irgendeines bestimmten Systems, sondern überhaupt vom Standpunkt eines beliebigen Systems—als

of the Committee is given in a short article by A. Gruchy, "The Economics of the National Resources Committee," 20 *A.E.R.* 60 (1930).

Similar proposals for planning of this nature in foreign countries include: Sir A. Salter, *The Framework of an Ordered Society*; H. Macmillan, *Reconstruction, and The Middle Way*; A. Rathen, *Planning under Capitalism, and Is Britain Decadent?*; D. Hutton (ed.), *Nations and the Economic Crisis*; H. Laidler (ed.), *Socialist Planning and a Socialist Program, and Socializing our Democracy; Problems of a Socialist Government*, by a group of the Labour Party in England, refers to the problem, although they propose complete governmental ownership.

Establishment of National Economic Council, Hearings on S. 6215, 71st Cong., 3d Sess., 1931, contains proposals for planning in America.

To list the plans by their originators would involve repeating much of the material which may be consulted in the above references.

³³The conclusions of monopolistic price theorists that uneconomic allocation of resources tends to result from monopolistic (less than pure) competition may be verified in Chamberlin and Robinson, *op. cit.* (see appendices in each).

³⁴The famous cobweb theorem. Cf. A. Marshall, *Principles* (8th ed.), Book V.

³⁵The distinction between forecasting as such, and planning is well expressed by H. Smith, "Planning and Plotting: a Note on Terminology," 3 *R.E.S.* 103 (1935-36), pp. 196 ff.

³⁶*The Great Depression*, p. 143. See also his *Economic Basis of Class Conflict*, pp. 30 ff., and *Economic Planning and International Order*, pp. 14 ff., where he points out that the tariff, subsidies, control schemes, import quotas, etc., result in a different distribution of productive resources than would otherwise have taken place. Seemingly, Robbins has confused a rule of measurement (i.e., the economic effects of such measures) with a rule of conduct—viz., that such measures are therefore good or bad.

³⁷*Socialism*, Part V, wherein Mises uses this term instead of his earlier and less stigmatic "Interventionismus."

sinnvoll erscheinen zu lassen, heute ebenso vergeblich sind, wie sie es stets waren, von der Nationalökonomie führt kein Weg zum Interventionismus. Alle Erfolge des Interventionismus in der praktischen Politik waren "Siege über die Nationalökonomie."³⁸

Again, the attaching of connotative adjectives to a process does not facilitate scientific reasoning; perhaps the term interventionism would avoid passing judgment upon the process which is implied in such terms as "restrictionism," "destructionism," and "plotting."³⁹ It is submitted that the distinguishing characteristic of interventionism is not that it is "*sinnvoll*" or otherwise undesirable; the economic analysis which Robbins gives to the effects of interventionism—viz., it tends to maintain the value of existing capital, it plots against other interests in society for the benefit of a particular group—is quite correct, but there is no *a priori* ground for condemning such measures because they do so. That is a matter of the end, not the means, of economic activity.

A distinction can now be made among the kinds of governmental policies which affect the economic factors of production, but which fall short of being economic planning.⁴⁰

Interventionism would include all governmental measures designed to promote one interest or another which the state may consider meritorious.⁴¹ In this sense, interventionism is, obviously, class conflict; it could not be otherwise. Intervention involves some degree of deliberate interference with the working of the market system, but it does not involve planning the system as a whole; the point about intervention is that, while it modifies the conditions under which the market system works out the allocation of resources, it still leaves the ultimate result indeterminate, a matter of individual decision.

With our attempts to use the old apparatus of interventionism to adjust day-to-day matters, we have probably already gone much further in the direction of central planning than has ever been attempted before. If we follow the path on which we have started with such programs as the N.R.A. and other New Deal measures, and if we try to act consistently, without favoritism to one group or another, to combat the self-

³⁸"Interventionismus," 56 *Archiv f. Sozialpolitik* 610 (1926), pp. 632, 653 (italics ours).

³⁹Smith, *op. cit.*, p. 199, uses the term "plotting" to "include all attempts to diminish the efficiency of the economy . . . in the interests of groups or individuals," which would include "all proposals aiming at artificially increasing the yield of obsolete capital goods, or at allowing or encouraging firms or specialized factors to extract monopoly revenue." Cf. Burrows, *op. cit.*, p. 257: "Planning . . . is often only a refined name for the process of securing sectional advantages."

⁴⁰The word "negative" or "restrictive," implies some sort of judgment on the act, as does the word "preventative." A. Goldschmidt, *On Economic Planning* (edited by M. van Kleeck and M. Fledderus), p. 18, makes such a distinction when he classifies types of economic planning as (1) static or dynamic; (2) conservative or progressive; and (3) restrictive or expansive.

⁴¹The distinction made by Röpke, *op. cit.*, p. 337, between those interventions which were (1) conformable with, and (2) those non-conformable with the market mechanism, and the same distinction made by K. Kapp, "Economic Regulation and Economic Planning," 29 *A.E.R.* 760 (1939), pp. 768-69, between (1) compatible and (2) non-compatible interventions, do not seem to bear scrutiny. Practically all those which are listed as conformable (compatible) interventions, such as the general tariff, can be effectively employed in the non-conformable class (import quotas) by a simple process of raising the duties to prohibitive levels. The basis of these two classifications is the effect of state policy on the market mechanism.

frustrating tendencies of an isolated act of intervention⁴² we shall certainly embark upon an experiment which has no parallel in history, with perhaps the exception of Soviet Russia.

By way of summary, if economic planning is not the "creation of monopolies,"⁴³ nor is it interventions on the part of the state which affect some change in the allocation of economic factors, it must be what Dickinson and Röpke meant, and what Tugwell has tersely stated:

Planning is by definition the opposite of conflict; its meaning is aligned to co-ordination, to rationality, to publicly defined and expertly approached aims; but not to private money-making ventures; and not to the guidance of a hidden hand. It is equally true that planning in any social sense cannot leave out of its calculations any industry or group of industries and still remain planning.⁴⁴

One may suggest, then, some such system of classification of state interventionisms as that given by Martin,⁴⁵ without destroying the validity of the definition of collectivist (state) economic planning.

8. *Laissez-faire and economic planning.*—If the objective circumstances envisaged in the classical theory of value actually obtained, laissez-faire as a basic philosophy of state action would conform admirably to the requisites of planning economically. By laissez-faire is meant a minimum of state interventionisms in the interest of certain groups, the restriction of the state to that role of benevolent umpiring to which Adam Smith assigned it in the *Wealth of Nations*. It is not the purpose here to define what is meant when that much-abused term is used, but it is significant to note in passing that laissez-faire never assumed the non-existence of any form of government; the very existence of the right to private property is predicated on the assumption that some power other than that of the strongest individual should exist. Laissez-faire in a capitalist system, therefore, is opposed to anarchism, which assumes no government, and to syndicalism, where the coercive power usually appertaining to the state is vested in industrial associations.

Economic planning, moreover, is the polar extremity of laissez-faire, if a comparison can be made between a plan and a philosophical ideal; instead of laissez-faire, laissez-marcher epitomizes the minimum requirement of state economic planning.⁴⁶

Laissez-faire as a notion in economic writings today can only be described as a figment of the imagination unrealized in actual life, if,

⁴²For the self-frustrating tendencies inherent in price controls, see J. Backman, *Government Price-Fixing*, and of similar problems, cf. F. Hayek, (ed.), *Collectivist Economic Planning*, p. 23, and Robbins, *Great Depression*, p. 144.

⁴³E. Batson, "A Note on the Nature and Significance of Economic Planning," 4 *So. Afr. J.E.* 60 (1936), p. 63, follows F. Fetter, "Planning for Totalitarian Monopoly," 45 *J.P.E.* 95 (1937).

⁴⁴"The Principle of Planning and the Institution of Laissez-Faire," 22 *A.E.R. Supp.* 75 (1932), p. 80.

⁴⁵See Martin's classification, *op. cit.*

⁴⁶It seemed necessary to call specific attention to this feature of economic planning. Some ambiguity was thrown on the subject by J. Keynes, *Laissez Faire and Communism*, an ambiguity this section is designed to clarify. Henceforth the term "economic planning" will be used as synonymous with state economic planning, or what has been called collectivist economic planning, unless some other meaning is expressed in the text.

indeed, it ever was realized or given a chance to work.⁴⁷ With state interventions on every hand, industrial rationalization, and the rest, the issue is no longer between planning and no-planning; the real question is who is to plan.⁴⁸ In Robbins' words, "Planning, in the modern jargon, involves governmental control of production in some form or other. It was the aim of the liberal plan to create a framework within which private plans might be harmonized. It is the aim of modern 'planning' to supersede private plans by public—or at any rate to relegate them to a very subordinate position."⁴⁹

C. THE ECONOMIC CONSTITUTION OF A PLANNED ECONOMY

9. *The basic assumption of capitalism.*—What is commonly designated as an "economic constitution" relates to the fundamental basis upon which a given economy rests, and to which the majority of individuals consent, either willingly or unwillingly. By the "capitalist system" we mean an economy the main part of whose productive resources is engaged in capitalist industries; a capitalist industry is one in which the material instruments of production are owned or hired by private persons and are operated at their orders with a view to selling at a profit the goods or services that they help to produce.⁵⁰ Private ownership of the means of production, the power of disposal over which is protected by a legal order enforced by the state, is, thus, the economic constitution to which most modern countries adhere. State interventionism has modified that constitution; the state has come to be viewed in the past fifty years or so as an instrument of welfare, as opposed to its former role as a military-disciplinary instrumentality of force.⁵¹ The question arises, how far can this economic constitution be modified before the "modification" results in something other than the basic constitution that we commonly think exists? In other words, when does interventionism spring into full-blown planned economy, and is a planned economy compatible with the economic constitution of capitalism?

10. *Planning under capitalism.*—Theoretically it is conceivable to have either unplanned capitalism or planned capitalism.⁵² Unplanned capitalism has variously been pictured as laissez-faire, as the "market-regulated" economy, the "no-plan system," the system under which "anarchy" of production and distribution prevail; it is essentially a system in which

⁴⁷Cf. Robbins, *Economic Planning and International Order*, p. 3. Perhaps the most exhaustive study of various governmental interventions, is F. Lawley, *The Growth of Collective Economy* (2 vols.). Unfortunately, the two volumes are arranged in such a manner that it is difficult to discover whether the state policies are actual or merely proposed.

⁴⁸Robbins states that "the question to plan or not to plan, so frequently posed nowadays, is essentially a red herring," *ibid.*, p. 5.

⁴⁹*Ibid.*, p. 70.

⁵⁰This is an adaptation of Pigou's definition, *Socialism versus Capitalism*, p. 1; it is substantially the same as that of the Webbs, *The Decay of Capitalist Civilisation*, p. 2.

⁵¹R. Hawtrey, *The Economic Problem*, p. 305, contrasts these two roles of the state in an exemplary manner.

⁵²H. Dalton, *Practicable Socialism for Britain*, p. 247, note.

private individuals do the planning, not the state. When we attempt to institute planned capitalism, the problem arises whether it is possible to call the result capitalism at all. In considering this problem we may begin by noting the nature of ownership.

An owner is he who disposes of an economic good;⁵³ the power of disposal over economic goods is the sociological concept of ownership. The sociological and juristic concepts of ownership are, thus, different. From the sociological and economic point of view, ownership is the *having* of the goods which the economic aims of men require. This *having* may be called the natural or original ownership, as it is purely a physical relationship of man to the goods, independent of social relations between men or of a legal order. The significance of the legal concept of property lies just in this—that it differentiates between the physical *has* and the legal *should have*. In the eyes of the law “he from whom has been stolen” remains owner, while the thief can never acquire good title. Economically, however, the natural *having* alone is relevant, and the economic significance of the legal *should have* lies only in the support it lends to the acquisition, the maintenance, and the regaining of the natural *having*.

Consumption goods which are to be used up can be *had* but once, by the person who consumes them. This means that for the consumption goods natural ownership by one individual completely excludes ownership by all others. For this reason, it would be quite absurd to think of removing, or even of attempting to remove, ownership in most perishable consumption goods.⁵⁴

Durable consumers' goods, however, may be *had*, in temporal succession, by a number of people, but simultaneous use will disturb the enjoyment of others, even though this enjoyment is not quite excluded by the nature of the commodity, e.g., the joint ownership of a home and the enjoyment of its rooms, furnishings, etc. Production goods, on the contrary, can be divided in the natural sense. The *having* of non-durable production goods cannot be shared; the *having* of durable production goods can be shared according to the divisibility of the services they provide.

It is clear, therefore, that the immediate power of disposal which is given force by law, will determine to a very large degree who shall *have* or enjoy the use of both consumption and production goods. Economic planning presupposes the power of disposal over production goods—the factors of production. Without some central control of the means of production, planning in the sense in which it has been used in this study ceases to be planning. This would probably be agreed to by the majority

⁵³The following discussion on the nature of ownership owes much to L. Mises, *Socialism*, pp. 37-42. Most of the discussion makes unsparing use of Mises' argument.

⁵⁴The argument of the communist who proposes collective ownership of both production goods and consumption goods falls to the ground on this basis. Joint property becomes a basis for appropriation of goods out of a common stock; this is as much as admitted by most communist writers.

of economists of all camps, although many people who believe in planning still think of it as something which could be rationally attempted without this central power. As Hayek has stated the case,

In fact, however, if by planning is meant the actual direction of productive activity by authoritative prescription, either of the quantities to be produced, the methods of production to be used, or the prices to be fixed, it can be easily shown, not that such a thing is impossible, but that any isolated measure of this sort will cause reactions which will defeat its own end, and that any attempt to act consistently will necessitate further and further measures of control until all economic activity is brought under one central authority.⁵⁵

Some have maintained, however, that planning is possible under capitalism, but they usually imply something different from what has here been termed planning.⁵⁶ To plan economically, an economy must plan the allocation of *all* the economic resources for which the planning authority is responsible, and in order to do so, the power of allocation is a presupposition.

Another argument, which may conveniently be called the "institutional" argument, claims that complete planning is a matter of historical evolution, and as such, is not subject to an analysis by "laws of economics." Maurois expresses this point of view concisely:

There is no absolute economic truth, or rather there is an economic truth for each moment in time. . . . Capitalism may avoid a revolution, and I hope that it will do so. It can save itself only by transforming itself.⁵⁷

Perhaps it would be permissible to have a "capitalist planner" answer the argument:

In spite of all the words spoken about planning by members of the present administration, their policies have not been coordinated in one master plan for a whole economy, a plan concerned with producing as much and distributing as fairly as possible a total of goods and services. . . . This characteristic of the administration's method has been cherished by it as a virtue; it is experimental and pragmatic rather than thoughtful and concerted.⁵⁸

The cardinal defect lies in the impossibility of effective planning unless the planners have full control of the direction of production. Control, if it is to mean the power to say: this and that plan is to be carried out—not merely this and that is prohibited, but outside these limits anything can happen—practically implies ownership.⁵⁹ If, however, the power of disposal over the economic resources of a country be given the state, perhaps as the result of an evolutionary process, but legally ownership

⁵⁵*Collectivist Economic Planning*, p. 21.

⁵⁶In most of the proposed plans given in note 32, above, it is assumed that the "planning" will be carried on under capitalism.

⁵⁷A. Maurois as quoted in *America Faces the Future* (C. Beard, ed.), p. 96.

⁵⁸G. Soule, "Objectives and Results of National Economic Policies: An Evaluation," in *On Economic Planning* (van Kleeck and Fledderus, eds.), p. 201. Soule, in the quotation, is referring to the Roosevelt administration; he admits in a later article (see *Planned Society*, Mackenzie, ed.) that planning is away from capitalism, but he seems to cling to the idea that it may be accomplished short of governmental ownership in earlier writings. Cf. J. Stanfield, *Plan We Must*, pp. 80-00 *et seq.*, for an approach similar to Maurois; contrast with J. Bogman, *Economic Planning and National Defense*, pp. 32-33; a similar antithesis may be seen in Salter, *The Framework of an Ordered Society*, vs. Wootton, *Plan or No Plan*.

⁵⁹Cf. F. Cohen, in *Socialist Planning and a Socialist Program* (H. Laidler, ed.), p. 70, where he remarks facetiously, "Fascism is capitalism gone nudist."

be declared to rest with individuals, the ownership amounts to form without substance—it is fascism; not to give the power of disposal to the planning authority is to plan “in the air.”

Finally, it has been proposed that the purposes in view could quite well be attained by state control only of what might be called “key” industries, strategic points in the economy, leaving less important goods and services to private enterprise.⁶⁰ For the most part, these arguments are tantamount to interventionism, but there are elements of significance involved. Such proposals as the control of the money and credit system through central banking policy, the control of investment, and long-range planning of public works, are associated in the public mind with forms of economic planning. It must be admitted that a complete control over investment policies of corporations as contemplated by some would involve setting up criteria of “good” or “bad” investment—how much funds should flow into one industry rather than another, etc.; the scrutiny of proposed construction, abandonments, etc., by the state would imply for all practical purposes, when carried to their consistent conclusion, economic planning.⁶¹ In order to carry out this work, however, the state would not only have to possess some sort of “master plan,” but its decisions would have to be final; the end result would be virtual ownership. That modern states have gone as far as the logic of this argument implies is scarcely true, but the Russian, German, and Italian ventures are noteworthy.

With less than complete control over investments, it may be suggested, first, that in all likelihood the “private sector” would run counter to that controlled by the public authority; second, that the determination of key industries is difficult at best; third, that the tendency for the expansion of state control to other sectors in order to assure success to the plan leads to further assimilation; and finally, there are weapons ready at hand which may be used by the state to render the private sector virtually dependent upon the public sector—e.g., price fixing, quota controls, acreage restrictions, etc.⁶² Whether a conglomeration of these devices will result in the equalizing of marginal returns in the different industries is a matter of conjecture. The Russian experiment along these lines leaves some doubt as to the fruitfulness of such a policy.

II. Economic planning, socialism, and communism.—If economic planning involves the *de facto* ownership of the means of production, is

⁶⁰Stanfield, *op. cit.*, p. 41; Salter, *op. cit.*, *passim*; G. Colm, “Economic Limitations of Government Control,” in *Government Control of the Economic Order* (B. Lippincott, ed.), pp. 22 ff.

⁶¹A. Burns, *The Decline of Competition*, seems to fear pursuing the argument for public control of investment to this conclusion. The monetary theorists, Keynes, Fisher, *et al.*, have long been known to most readers and need not be specifically mentioned here.

⁶²The present Securities Exchange Act, coupled with the undistributed profits tax, is a potent weapon in the hands of any government which seeks to control investments; to these must be added the control over agricultural production. It may be doubted, however, that there could not be more positive plans for controlling the direction of capital.

it not possible to agree with Mises that "the so-called planned economy (*Planwirtschaft*) is a more recent variety of socialism"?⁶³ Or can there be a distinction between a "planned economy" and a "socialist economy"?

Any attempt to define socialism immediately runs into all sorts of difficulties; socialists themselves are divided into so many conflicting groups that a single definition is almost certain to risk a vigorous attack by one side or another.⁶⁴

A socialist system is here defined as one in which the main part of the material instruments of production are owned by a public authority or voluntary association and operated, not with a view to profit by sale to other people, but for the direct service of those whom the authority or association represents.⁶⁵ This does not imply, of course, that a socialist economy and planned economy are one and the same thing. Twenty years ago there was little talk of central planning; socialism entails, it was then held, (1) the extrusion of private profit making, in the sense of one man or group hiring other men and selling their output for profit to a third party; and (2) the public or collective ownership of the means of production (other than human beings). Neither of these requirements singly make necessary any form of central planning; nor do the two together, at least theoretically.⁶⁶ Actually, of course, the present-day notion of central planning is commonly incorporated in definitions of socialism.⁶⁷

But there are many possible sorts of planned economy. Thus we can imagine planning in a society which admits tremendous inequalities of wealth and the concentration of power in the hands of a small ruling class; given these data of distribution, marginal returns could be equalized without much difficulty, at least economically, although politically such a task might assume different proportions.⁶⁸ Perhaps few would wish to call this socialism. What is required of socialism is, not simply central planning as such, but planning of a certain character. The kind of planning implied in socialism is planning "for the common good."⁶⁹

⁶³*Socialism*, p. 256. He states elsewhere (p. 22), "The socialist movement takes great pains to circulate frequently new labels for its ideally constructed state." And (p. 258) ". . . no doubt in the future many more proposals for the salvaging of Socialism will be brought forward."

⁶⁴*Ibid.*, p. 26, "My own definition of Socialism, as a policy which aims at constructing a society in which the means of production are socialized, is in agreement with all that scientists have written on the subject."

⁶⁵This definition is adapted from A. Pigou, *Socialism versus Capitalism*, pp. 2 ff.

⁶⁶Dalton, *op. cit.*, p. 247, comments that theoretically we could have unplanned socialism, and planned socialism, but that unplanned socialism would scarcely be practicable since the responsibility for operating the means of production would imply eventual planning. Cf. Dickinson, *op. cit.*, pp. 10-11.

⁶⁷Robbins, *Great Depression*, p. 145, comments, "Socialism is a term which is not universally popular. But 'planning'—ah! magic word—who would not plan? We may not all be socialists now, but we are certainly (nearly) all planners. . . . Nothing but intellectual confusion can result from a failure to realize that Planning and Socialism are fundamentally the same."

⁶⁸Cf. these statements with similar remarks by Stanfield, *op. cit.*, p. 97, and Pigou, *Socialism versus Capitalism*, pp. 8-9.

⁶⁹For a discussion of the various definitions which have been given the term socialism, consult F. Hearnshaw, *A Survey of Socialism*, pp. 21 ff.; W. Sombart, *Socialism and the Social Movement*; Mises, *op. cit.*; Dickinson, *op. cit.* (pp. 9 ff.); Cole, in *Problems of a Socialist Government* (p. 167 and *passim*); V. Oblensky-Ossinsky, in *World Social Economic Planning* (p. 298). G. B. Shaw defines socialism *tout court* as equality of income, *The Intelligent Woman's Guide to Socialism and Capitalism*, pp. 19, 49, 68, 297, 343.

This concept may, of course, be interpreted in a variety of ways. It is in the concept of the "general welfare," the "common good," that haziness of meaning and ambiguity are present; through this door come the proposals that socialism is "a way of life,"⁷⁰ "the abolition of a class distinction," "planning for social ends, as opposed to private ends,"⁷¹ the "glorification of the proletariat," ad infinitum.

To say with Pigou, Dobb, Hawtrey, Leighton, and others that economic planning is fundamentally different, at least theoretically, from socialism is to make a distinction based at best on shifting sands.⁷² Just what constitutes the utilization of the means of production in the common good, or for the general welfare, is a matter of considerable disagreement: could we stretch our imagination to say that planning for an aristocratic group is in the general welfare? Perhaps our cultivated inclinations would answer the question decidedly in the negative, but the subject is for the moral philosophers to wrestle with; just when is economic planning promoting the general welfare, and when is it not? It cannot be decided, certainly, in as easy a fashion as some have believed. Perhaps Mises' statements are correct after all when he says:

One cannot evade this defining of Socialism by asserting that the concept Socialism includes other things besides the socialization of the means of production: by saying, for example, that we are actuated by certain special motives when we are socialists, or that there is a second aim—perhaps a purely religious concept bound up with it. . . . But the problem of how a socialist society could function is quite separate from the question of whether its adherents propose to worship God or not and whether or not they are guided by motives which Mr. X. from his private point of view would call noble or ignoble.⁷³

Socialism has been associated with the names of Karl Marx and Friedrich Engels so often in the popular mind that so-called "Scientific Socialism" still exercises a tremendous, though perhaps spurious, prestige for some persons; the absurdities of the Marxian system, no matter how frequently pointed out, seem to persist under diverse forms. The difficulty seems to lie in the fact that people simply "put their hand on their heart" and hallelujah their obsequious faith to outworn shibboleths. It is not the purpose of this study to harrow this ground which has been plowed by much abler thinkers.⁷⁴

It is submitted that the ambiguities which exist in these opinions arise out of the fact that the means (central planning) necessary to achieve the ends of socialism in the narrower sense may be used for other ends; the problems with which we have been concerned up to this juncture arise

⁷⁰R. Eucken, *Socialism: An Analysis*, pp. 181 ff.

⁷¹Dalton, *op. cit.*, pp. 246-47.

⁷²Pigou, *Socialism versus Capitalism*, p. 6; M. Dobb, *Political Economy and Capitalism*, pp. 273-74; Hawtrey, *The Economic Problem*, p. 336; J. Leighton, *The Individual and the Social Order*, p. 442.

⁷³*Socialism*, p. 20.

⁷⁴The literature on socialism is so immense that to list a few books as a bibliographical note amounts almost to diletantism. See the bibliography to this study.

out of definition of the means—not the ends. Socialism may be defined, perhaps, as primarily a philosophy of life, the positing of certain ends—whatever they may be—and secondarily, a matter of means, the adoption of central planning by the state to attain those ends. That economic planning as such has been proposed by numerous writers for the attainment of socially-desirable goals seems to lend support to the opinion that economic planning and socialism, if not the same, are blood-relatives.

If communism and socialism be compared, perhaps there will emerge some evidence as to what the specific aims of socialism are, and how the socialists propose to attain those ends. Although the term "communism" has received almost as many definitions as has socialism and has undergone transformations, it may be sufficient, perhaps to list what writers regard as the basic distinctions between these two doctrines.

Hearnshaw gives six fundamental differences between socialism and communism:

1. In the sphere of production, socialism would abolish private property in the non-human means of production only; communism would abolish private property altogether.

2. In the sphere of distribution, socialism would endeavor to reward each person according to his services to society; communism would distribute to each according to his needs, irrespective of his performances.

3. In the sphere of exchange, socialism recognizes and requires the use of money; communism professes not to do so.

4. In the political sphere, socialism regards the state as a permanent institution, and some socialists (Fabianists) exalt and magnify the state as the central sun of their system; communism maligns and vilifies the state, and regards it only as an instrument of oppression that should give way to anarchism.

5. In the social realm, socialism, although it recognizes the principle of the equalization of human conditions, does nevertheless permit within limits, divergencies of rank, of authority, of income or considerations; communism is more rigidly equalitarian, and allows no such divergencies.

6. Socialism professes to be evolutionary, while communism is revolutionary; socialism constitutional and parliamentary, communism violent and sanguinary; socialism anxious to convert its opponents, communism bent on exterminating them; socialism aiming at democracy, communism contemplating dictatorship; socialism pacific, communism militant; socialism reformist, communism destructive, and so on.⁷⁵

Gough and Shadwell go so far as to consider "the distinction is not between the economic ends, which are virtually identical, but between the means"; for communism "signifies the seizure of power by force or violent revolution, as distinguished from constitutional methods; and since such seizure can hardly be prepared for openly, it carries with it the idea of secret conspiracy."⁷⁶ The difference, according to this view, is almost wholly one of method and of pace. It would seem, therefore, that

⁷⁵An excellent discussion of these distinctions from which the above is a summary is given by F. Hearnshaw, *A Survey of Socialism*, pp. 83-93.

⁷⁶See G. Gough, *The Economic Consequences of Socialism*, p. 26, and A. Shadwell, *The Socialist Movement*, pp. 95-96.

both socialism and communism imply central planning,⁷⁷ and as such, both are subject to the problems of economic planning; in the subsequent discussion, we shall have occasion to refer to the different aspects of the extreme types involved in the above distinctions, and we shall seek to discover what, if any, effect a change in these assumptions will have on the problem of economic planning.⁷⁸

D. SUMMARY

12. *The essential ingredients of economic planning.*—The discussion thus far brings out that economic planning consists of at least four essentials: (a) It means taking thought of the future, positing an objective, a purpose. (b) It is the arrangement of economic resources in a rational way so as to attain the projected goal. (c) It necessitates control over those resources that are subject to the plan. (d) It substitutes collective (state) control for private individual decisions over these resources.

13. *The implications of economic planning.*—As a result of these four ingredients, certain basic implications are involved, implications which are too often glossed over in popular writings. If the analysis is correct, there are at least two basic implications to which special attention may be called: (a) collectivist or state economic planning involves the abolition of private ownership in the means of production; (b) it involves the direction of the economy by the state towards ends that may or may not be considered desirable by all of us.

An attempt has been made, perhaps none too successfully, to keep out of the concept of economic planning the discussion of the ends of that planning. It is abundantly clear, however, that this can be done no longer; unless we propose to plan for planning's sake, a dubious pastime, we must plan for something. What? In the following chapter a discussion of possible aims of economic planning is given, with some suggestions as to the implications of economic planning on the modern assumptions of political democracy, individual freedom, the incompatibilities of certain ends, and the theoretical problems involved in these aims.

⁷⁷Communism to men like Godwin and even to Marx and Lenin did not imply central planning, but the complete lack of it—anarchism. Marx and Lenin envisaged the state as an instrumentality only to effect the transition to anarchistic communism, the ultimate aim of their proposals. The syndicalists desire sovereignty to be vested in labor union control of industry. Communism as a centrally planned economy is used here for convenience in exposition; it may be seriously doubted whether anarchism ever will be attained by "ignoble man"; this is, obviously, a philosophical argument.

⁷⁸Hayek, *op. cit.*, pp. 18 ff., follows a similar line of assumptions, as do Mises, Robbins, and Pigou.

CHAPTER II

THE OBJECTIVES OF ECONOMIC PLANNING

A. THE PLACE OF ETHICS IN ECONOMICS

1. *Introductory.*—The borderland between “means” and “ends”—economics and ethics—seems to be a no man’s land into which neither a respectable economist nor a respectable moralist is wont to travel. The failure of either of them to cultivate this hinterland has given rise to a serious hiatus in our knowledge; charges and counter-charges are abundant: the moralist claims that the economist fails to consider how “normative” the latter’s science really is, and how intimately it is connected with postulates of ethics; the economist counters that he does not profess to be competent to discuss “ends,” the ethics of his science, that he is concerned only with “means,” and at the same time, sets for himself the task of developing a positive, not a normative, science. To increase the misunderstandings which often arise, the layman—the practical business man, politician, or member of the public—in trying to piece together the several results of scientific investigators in all fields of inquiry into something which furnishes guidance for practical action may be presented with a sort of “jig-saw puzzle whose parts do not fit,”¹ whereupon the cry arises that none of the social scientists are “practical,” none of them are competent to give advice on social policy.

The fact of the matter seems to be that generally economists have been guilty on several counts: (1) many are content to base their theory upon assumptions as to the ends of economic activity, without investigating the validity or implications of those assumptions, partly because of indifference, inertia, ignorance, or of a feeling of dissatisfaction with ethical principles; (2) some refuse to admit the pervasiveness of value judgments in their systems, and oftentimes, gross inconsistencies appear, or frequently rules of measurement are confused with rules of conduct; (3) while others venture to suggest with varying degrees of temerity what they, from a personal point of view, consider “socially-desirable” objectives, and are often content to rest their case on some such statement as “the general good” as traditionally defined.²

2. *The concept of economic activity.*—The purpose or goal of economic activity is poignantly presented when we use the term “planning.” To plan is, *ex hypothesi*, to have purpose; not to have an objective is

¹Cf. E. Whittaker, “Some Fundamental Questions on Economic Planning,” 3 *So. Afr. J. E.* 185 (1935), p. 186.

²Cf. W. Beveridge, *Planning Under Socialism*, p. 4: “I shall set, as the aim of social effort, welfare as it would be understood by the people of Britain.”

not to plan. There seems to be a good deal more readiness to discuss the question whether or not there should be planning, however, than the more important one of what the aim of the planning should be. But immediately we speak of the purpose of planning, we bring in ethics, the science which seeks to determine the valuations of ultimate ends.³ Unless we plan for planning's sake, which is itself an ethical judgment, logical consideration cannot be given to the subject of planning without regard to its objective. As Whittaker has stated, "people require to decide what they want and then consider means. The primary question should not be, therefore, 'should we plan?' but 'what do we want?' followed by 'is planning the best way of getting this?'"⁴

The ethical valuation "good" or "evil" is usually applied in respect of ends toward which action strives. Since action is seldom its own end (except perhaps if one takes a walk for the sake of walking), but rather the means to an end, an action is designated good or evil in respect of the consequences of it. For the value of the means the valuation of the end is generally, though not always, decisive. Ethical valuations are valuations based on the moral "ought."⁵ That planning "ought" to be undertaken, if we wish to avoid depressions, is not an ethical judgment, but a "prudential" ought; likewise, planning is "better than" non-planning, is not ethical but a "logical" ought, if the aim be the same for both.⁶ The ethical valuation is an "imperative" ought, one which is concerned with whether the end itself is good or bad.⁷ That we should plan for liberty, more production, or some other end, is the subject of ethics; that we should adopt planning at all, or some other method, given the end, is the subject of political judgment; that planning for the given end must conform to certain principles of economy is the subject of economics, as usually defined.⁸ This distinction seems elementary, but it seems that many have confused the issue.⁹

³J. Leighton, *The Individual and the Social Order*, pp. 30-31, states that the fundamental problem of ethics and social philosophy is "that of determining the place of the individual in the community." J. Hobson, *Economics and Ethics*, contains a suggestive introduction to the study of the interrelation between ethics and economics; it is perhaps wise to suggest the antithetical view as outlined by Mises, *Socialism*. Cf. Hawtrey, *The Economic Problem*; L. Robbins, *The Nature and Significance of Economic Science*; B. Wootton, *Lament for Economics*.

⁴*Op. cit.*, p. 185.

⁵The moral "ought" must be distinguished from what social philosophers call the (1) logical "ought" as in "The balance ought to be \$34 instead of \$30;" and the (2) prudential "ought" as in "If you want to avoid colds you ought to keep your feet dry." These two uses of the word "ought" express, like the moral ought, propriety with respect to a certain end or standard. But unlike the moral ought the ought in (1) does not refer directly to human conduct, and while the ought in (2) does have this reference, the imperative that it expresses is conditional on a wish. It may be pointed out further that few individuals, untrained in ethical theory, appreciate that ethics seeks to determine the ultimate validity of ends, not just the wisdom of more proximate ends. Cf. L. Hobhouse, *The Rational Good*.

⁶Cf. P. Wheelwright, *A Critical Introduction to Ethics*, p. 12.

⁷The "categorical imperative," the moral ought, from which all other rational decisions stem, is expressed by that philosopher whose name marks what we now call modern ethical thought, Immanuel Kant. See his *Grundlegung*, *The Groundwork of the Metaphysics of Ethics* (Abbott's ed., para. 24-31).

⁸This distinction should, perhaps, be further refined. See below.

⁹A. Pigou, *Economics in Practice*, pp. 107-08, asserts, "Now in economics proper the word *ought* has no place. Its business is to study what *tends* to happen, to trace the connection between causes and effects, to analyze the interplay of conflicting forces. It is a positive science, not a normative science." This statement seems a bit inclusive in the light of the above discussion.

If, as Knight suggests, "men cannot discuss purposes . . . , it is obvious that they cannot discuss plans of joint action or even common rules for individual action involving any interrelationship among individuals, and any such notion as a 'rational' social ideal or social policy is ruled out from the start."¹⁰ But in order to discuss purposes, the economist leaves his professionally cultivated field of research. It is urged, moreover, that the economist cannot and should not define the scope of his research to exclude ethical considerations.

Mises defines economic activity as all rational activity,¹¹ and he goes further to state that all rational activity "knows only *one* end, the greatest pleasure of the acting individual."¹² To this definition of the scope of the application of the economic principle may be juxtaposed the neo-classical view that economics is a subject of means, and as such has no qualification to pass upon the ends of economic activity. Representing this school, headed by the now-familiar treatise of Robbins, Hayek's statement may be contrasted with that of Mises:

That it is possible, not only in theory but also in practice, to separate the problem of the method from that of the end is very fortunate for the purpose of scientific discussion. On the validity of the ultimate ends science has nothing to say. . . . All that we can rationally argue about is whether and to what extent given measures will lead to the desired results. If, however, the method in question were only proposed as a means for one particular end, it might prove difficult, in practice, to keep the argument about the technical question and the judgments of value quite apart. But since the problem of means arises in connection with altogether different ethical ideals, one may hope that it will be possible to keep value judgments altogether out of the discussion.¹³

At least three issues seem implied by Hayek's statement. First, an unfortunate ambiguity appears in the use of the word "rational." It can scarcely be said that rationality is a prerogative of the "scientist" alone; in the ordinary sense of the word, it is quite "rational" to choose one immediate end instead of another, and it is this concept of the word that Mises seems to employ.¹⁴ Second, there is the implication, lamentably present in many writings in both economics and ethics, that proof can be established by condemning as "unethical" or "irrational" some judgment by affirming the morality or rationality of its opposite. Third, the issue whether ends may be separated from means, in actual life, is one on which

¹⁰F. Knight, "Two Economists on Socialism," 46 *J.P.E.* 241 (1938), p. 245, a comment made concerning R. Hall's book which Professor Knight was reviewing.

¹¹*Socialism*, p. 111 and *passim*.

¹²*Ibid.*, pp. 112-13.

¹³F. Hayek, *Collectivist Economic Planning*, p. 16. To this narrow definition must be opposed the trenchant criticism of Dobb, who, in assailing the Robbins' definition of economics as a formal science, remarks: "The more formal, of course, that Economics is made, the more universal become its propositions. . . . But, in becoming more formal such propositions have at the same time quite changed their significance." ("Economic Theory and the Problems of a Socialist Economy," 43 *E.J.* 588 (1933), p. 590). It may be admitted at once that this is the logical position to which the formalistic definition is reduced.

¹⁴The Kantian ethical system is, perhaps, the outstanding example of "rationalist" ethics; his transcendentalism has frequently been criticized for the very reason of its predominant reliance on reason. It should be noted that an ethical system, as usually defined in philosophy, is predicated on some metaphysical theory. See the comments below. Cf. Hobhouse, *The Rational Good*, for an ethical theory not predominantly metaphysical.

there is much "hoping" by economists; Hayek is but a representative of this opinion.¹⁵ The point is, however, whether such considerations of ends come properly within the cultivable ground of the economist.

If we devote our attention to the last issue—as the one with which we are here preoccupied—it seems clear that if all rational activity be economic, economics includes judgments about both ends and means.¹⁶ Whether the economist, whose training has been so specialized that his competence to speak on sociological and political problems may be in question, can be trusted to broaden his perspective and to enlarge the scope of his research, is a matter which is doubtful. If economists apply their principles directly to practical questions, they are accused of trying to solve concrete problems by means of inadequate abstractions; if, on the other hand, they abstain from any such application, they are said to be indifferent. They are blamed for going where angels fear to tread, and also for not going where every fool may rush in. A student of any one of the special sciences can hardly be expected to look much abroad into the world as a whole; his attention is necessarily directed chiefly to the details of his own study. To take a comprehensive view of things is the business rather of the philosopher; and it is to the lack of a carefully worked out philosophical point of view "that many of the most pernicious errors of the economists must be traced."¹⁷ But if the economist does not qualify as a competent judge of all "rational" behavior, the issue whether economics can be separated from ends entirely is presented.

It is suggested that the mere fact that the economist must from time to time scan what is being done in fields other than his own is no justification for his considering himself as being an authority on matters not within the scope of his own field *per se*. In other words, need the economist consider himself in such a dilemma as some, like Dobb and Wootton, would have him be placed? Perhaps one could suggest at least two basic replies to this so-called dilemma. First, even were the economist to restrict his inquiries to those of a "purely economic" nature, this is not to say that his studies would be worthless. No one would argue, it is believed, that the influence of the Historical and Institutional school is without merit.¹⁸ It is possible, furthermore, for considerable work to be performed in the machining of analytical tools and their subsequent

¹⁵Cf. Robbins, *op. cit.*, for a similar statement.

¹⁶R. Hawtrey, *op. cit.*, p. 6, states this position, one akin to that of the writer, thus: "The whole subject might perhaps be treated as a department of philosophy. The choice of the ends of joint action might be put in the forefront, and the examination of the best methods of utilizing human motives to pursue the ends might follow as a consequential and subordinate part of the investigation." In this respect, one should note that philosophy as a body of knowledge has as its primary function just this.

¹⁷I. Mackenzie, *An Introduction to Social Philosophy*, p. 67.

¹⁸Mises comments, "The proscription of economic theory, which began with the German historical school, and today finds expression notably in American Institutionalism, has demolished the authority of qualified thought on these matters. . . . On no account must a disposition to avoid sharp words be permitted to lead to a compromise. It is time these amateurs were unmasked." (*Socialism*, pp. 22-23). This view should be tempered, it would seem, by some such more conservative view as that expressed by Pigou, *Economics in Practice*, p. 22.

utilization to problems, even now considered as coming within the "strictly economic," the "means." It is noteworthy that few planners have seemingly investigated the possibilities of other "means" for attaining the same objectives.

Second, practical experience teaches that any man who comes to a specialized study brings with him certain preconceptions or postulates with which he has been inculcated by earlier training and experience. To claim that any student—of whatever nature—is incompetent to take his own advice is to deny the volitional character of man's reasoning, though, perhaps, not the authenticity of the facts upon which the reasoning is based. A "nodding acquaintance," however modest, of the world about us is the absolute minimum with which anyone can undertake *any* study; the interrelationships of economic and non-economic factors are abundantly clear upon a moment's reflection. It would seem, therefore, essential that the economist acknowledge his indebtedness for those precepts, value judgments, advances made in sciences other than his own. Perhaps all that can be said is that there will always be controversy among students as to what may be taken as established fact, and what must be assumed as unproven, but practicable, theory; the road the true scholar must travel between fact and theory is a difficult one. But to modify or alter economical propositions in order to make them compatible with the technical and sociological facts of life is no disgrace; it is a disgrace not to do so.¹⁹ But it may be urged that persons borrowing from other sciences should acknowledge that fact, should point out the implications involved, and should indicate whether the concept is commonly accepted among those who are competent to pronounce upon their validity.²⁰

Any generalized appeal for cooperation among scientists²¹ should be tempered by a further observation. When a specialist is pronouncing upon some phase of life which is not the subject of his own specialized study, he should not arrogate to himself the prerogative of authority. So soon as an economist begins to prescribe remedies and palliatives for social evils, he is quitting the narrow boundaries of his science. He must necessarily base himself in part upon judgments about what is good and what is bad, what is better and what is worse,²² but the argument here is

¹⁹Cf. Marshall, *Principles*, pref. to 1st edition (p. vi as given in 8th ed.). One evidence of a modification of economic theory may be seen in recent monopolistic competition theory: E. Chamberlin, *The Theory of Monopolistic Competition*. M. Bonn, "Planning for Peace," 30 *A.E.R. Supp.* 272 (1940), p. 280, comments, "Nothing to my mind is more contemptible than that sort of realism which meekly bows its knees to facts, and invests them with divine immutability. I have no use for it. But nothing on the other hand seems cheaper to me than the sort of idealism which soars so high that it cannot be burdened with facts when rushing merrily through empty space."

²⁰Rules of logic, fortunately, are a monopoly of no one student, at least as a prerogative of his particular science or discipline—though perhaps a monopoly of brain power may seem to be enjoyed by some individuals. Judgment before the bar of logical consistency perhaps may be made by all scientists.

²¹Cf. J. Hobson, *Economics and Ethics*, and articles contributed to *Journal of Social Philosophy* for a cogent argument for cooperation.

²²Cf. Hawtrey, *op. cit.* (pref. p. viii), for an exemplary discussion of modesty in style, frankness in assumptions.

not that he should be content to state the effect only upon economical factors but that when he does transgress the domain of ethics, he should acknowledge the fact. This implies, moreover, that the leaders in all fields must keep abreast of the times,²³ like the philosopher. The ability to keep in touch with reality is the test of the practicability of his work. Pigou's dictum might well be observed by all scientists:

In human affairs it is rarely possible to demonstrate absolutely—even though our criteria of "good" be agreed—that one course of action is "better" than another

In this field an economist has no special qualification. Indeed, as a more or less cloistered person, he is worse qualified than many others, who, maybe, have less knowledge of the relevant facts. A wide experience of men and of affairs and a strong "feel" for what, with the human instruments available, will or will not work, are needed here. These the present writer, like most academic persons, does not possess; and, unlike some academic persons, he is aware that he does not possess them.²⁴

It is up to the economist "to take whatever opportunities he can find for direct acquaintance with the life of men and women in factory and field; to understand machinery; to see for himself at first hand how businesses are organized and run."²⁵ That way seems to have been the way of Adam Smith and Marshall.

B. CRITIQUE OF ECONOMIC SCIENCE

3. *Introductory*.—"Economics," says Robbins, "is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses."²⁶ This definition stresses that economics *in abstracto* neither investigates the value judgments (ends) upon which it is necessarily predicated nor describes the qualitative and quantitative materials (means)—except to a minimal degree—with which it is endowed. It is the *relationship* between alternative ends and the scarce means that imparts to economics its "economical significance." To define economics as a relationship between two unknowns, in a philosophical sense, is to imply the *a priori* nature of economic theory, to express the idea in abstract, mathematical form. When content is imparted to this formal definition, however, when meat is grafted on to the skeleton, though the abstractness remains, the flesh and blood are real; it is projected into a world where human beings must decide between real ends and real means. Perhaps the meaning of ends and of means would benefit from examination.

4. *Ends*.—Broadly, the concept of the ends of economic activity may be divided into two categories for purposes of exposition: (1) proximate

²³Cf. Pigou, *Economics in Practice*, pp. 107-08.

²⁴*Socialism versus Capitalism*, p. 137.

²⁵Pigou, *Economics in Practice*, pp. 12-13.

²⁶L. Robbins, *The Nature and Significance of Economic Science*, p. 16.

ends, which may be referred to broadly as "value judgments," and (2) ultimate ends, to which the term "ethics" may be attached.²⁷

(a) *Proximate ends*.—By proximate ends is meant those value judgments as to the prudence of taking one course of action rather than another, without a necessary inquiry into the relevance of such action to an ultimate, comprehensive criterion. Such value judgments, for example, would include decisions relative to the distribution of income and wealth (greater equality versus less equality), greater production versus more leisure time, greater individual freedom versus state dominance, free trade versus protection, etc. Since all these ends imply the use of means scarce in relation to their complete satisfaction, there is an economic aspect in such relationships. An aspect of special interest is, however, the antithesis in these value judgments themselves. In this respect, such value judgments may be called "prudential oughts," which implies some more ultimate end. For example, *if* we want to promote the happiness of a great number of people, there is at least *prima facie* evidence that we *ought* to have a greater equality in the distribution of national income; the conditional statement in the dependent clause thus states the more ultimate presupposition. Whether we wish to postulate happiness as a goal is, however, a matter of ethics, a philosophy of value *par excellence*. We may say, then, that greater equality is *a* good, perhaps, but not *the* good. For the latter is reserved the term "ethics," or more popularly, the social good, the general welfare. The same might be said for the other value judgments.

(b) *Ultimate ends*.—Certain value judgments, as will be indicated later in connection with the objectives of economic planning, when carried to their logical conclusion, may become antagonistic, incompatible—in fact they must be conflicting in so far as they are alternative, inasmuch as they demand much the same scarce means for their attainment. These antithetical characteristics may be synthesized or harmonized, perhaps, within some greater or predominant criterion of good. When such consistency exists among alternative proximate ends, one may say, with Hobhouse, that The Good has been attained.²⁸ Or, if one prefers the explanation of The Good in the Kantian terminology, it is the Categorical Imperative from which all other decisions as to human conduct stem.²⁹ There is in ethical theory (in its metaphysical attributes) nothing which is capable of being more specific or concrete than to lay down the law of the rightness of conduct, and the justification (proof) of the universality of that law. Hence the particular language used by philosophers in

²⁷Generally the term "ethical judgment" has been employed in economic literature to cover both what is here called "value judgments" and "ethics."

²⁸L. Hobhouse, *The Rational Good*. See especially chs. 4-5.

²⁹Kant's categorical imperative, based on his idealistic philosophy, states the moral law as: "Act so that thou canst at the same time will that the maxim of thy action should become a universal law." *Grundlegung zur Metaphysik der Sitten* Bk. I, ch. 2, sec. 1.

stating their ethical principles is a matter of indifference to the average individual who seeks guidance for personal and social reasons. Because an ethical theory must be comprehensive, synthetical of all possible antagonistic or proximate ends, it is necessarily definitive (a matter of correct definition); it is necessarily "categorical," universal. Though it might prove interesting as well as enlightening to compare these formal theories, it is assumed that the average reader would prefer a more detailed and competent review in authoritative works on ethics.³⁰

Perhaps of more current usage is the term "general welfare"; it is presumed that collective activities should promote the general welfare, although to many general welfare remains a nebulous, ambiguous, "blessed" term in the name of which many a private aggrandizement at public expense is screened. When advocates are questioned on the justification of their particular proposals on grounds other than that the general welfare will be enhanced thereby, they usually retreat to some one or all of the major ethical theories, if, indeed, they answer the query at all. Perhaps it can be indicated only that today many different ideas exist as to the nature of the ultimate good (*Summum Bonum*), the general welfare. The Social Good will be referred to in this study as The Good, whether it be defined as Eudaemonism, Perfectionism, or Duty.³¹

Specific attention will be paid later in this chapter to the problem of consistency or harmony among a few of the expressed objectives of

³⁰Any standard work on ethics or its history may be utilized for detailed treatment of ethical theories. Only a few are listed as suggestive: J. Dewey and J. Tufts, *Ethics*; W. Fite, *An Introductory Study of Ethics; Moral Philosophy*; L. Hobhouse, *The Rational Good; Elements of Social Justice; Morals in Evolution*; B. Laing, *A Study in Moral Problems*; P. Wheelwright, *A Critical Introduction to Ethics*; W. Wundt, *Ethics* (3 vols.); H. Sidgwick, *Methods of Ethics*.

³¹The compression of ethical theories into three major classifications is purely for simplification; moral philosophers may perhaps object to this oversimplification. It follows the basis used by W. Urban, *Fundamentals of Ethics*:

(A) Eudaemonism, the pursuit of pleasure, would include:

(1) Egoistic hedonism, the pursuit of pleasure by the individual, may be typified by two Greek philosophers, Aristippus and Epicurus. The ideas of these two, though they differ in marked respects, are taken as representative of the school. Cf. Sidgwick, *Methods*.

(2) Universalistic hedonism, or utilitarianism (in its various manifestations or theories), the leaders of which are well-known in economic literature, commends those actions which bring the greatest happiness or happiness to the greatest number of people. Sidgwick gives a critical discussion of the earlier forms of utilitarianism and refines the theory. Among its chief exponents are: J. Bentham (*Principles of Morals and Legislation*), J. S. Mill (*Utilitarianism; On Liberty*), F. Hutcheson (*Introduction to Moral Philosophy*); see Mises, *Socialism*, p. 430, for a contemporary's statement of the theory. See David Hume (*Inquiry Concerning the Principles of Morals*), Wundt, *op. cit.*, vol. 3, ch. 3, L. Hobhouse (*The Rational Good*), A. Huxley (*Brave New World*, especially last 3 chapters) for a criticism of hedonic and utilitarian ethics.

(B) Perfectionism (of various sorts) may include:

(1) Naturalism, the belief that the facts of the world of nature support the policy in question. To this has been coupled the evolutionary naturalism of C. Darwin (*The Origin of Species, The Descent of Man*) and H. Spencer (*Data of Ethics*) which develop the principle of natural selection. Closely allied to the doctrine of "survival" is the theory of F. Nietzsche that a Superman will develop as a result of the combative struggle for power, individuals being motivated, says he, by the "will to power." (*Thus Spake Zarathustra; The Will to Power*).

One may include here the "institutional" doctrine of certain economists, such as R. Tugwell ("The Principle of Planning and the Institution of Laissez Faire," 22 *A.E.R. Suppl.* 75 (1932), esp. p. 91), in which it is maintained that in this world there is no order, no sequence of events, no ultimate purpose, nor should there be. Here also should be included E. Westermarck's (*The Origin and Development of the Moral Idea*, 2 vols.; see especially vol. 1, pp. 9 ff.) belief that ethics as a study is simply the examination of moral consciousness as a fact; compare, J. Commons (*Institutional Economics*) as a study of the "economic" as a fact.

(2) Humanism, the belief founded in the nature of man and logically independent of a belief in God or anything except human persons. Among the humanists, Wheelwright (*op. cit.*) classifies Plato, Aristotle, William James, and most modern philosophers. Humanists usually lean in one direction or the other, toward utilitarianism as the fundamental nature of man, or

economic planners. Inasmuch as value judgments shade into or are subsumed under an ethical synthesis, it is possible, fortunately, to appraise certain avowed objectives without entering into ethical theories as such.³²

Viewed from this standpoint, the scale of values at any given moment of time in any given institutional environment appears as a hierarchy of ends, all of which shade from the highest—The Good—through degrees of abstractness and intensity down to the lowest or concrete, proximate end: from The Good, conceived abstractly, to the immediacy of a steak dinner to a hungry man. For convenience the attainment of all these ends will be referred to as their "satisfaction," without implying that by "satisfaction" is meant "happiness," "duty," or any other particular rationale of the nature of the social good. This is what is meant when one says that scarce means satisfy alternative wants, wants that are concerned primarily with making a living, or simply with living. Whether the want is a necessity (food, clothing, shelter), a comfort, or a luxury, whether it arises rationally or irrationally, is physical or mental, capricious or serious, aesthetic or vulgar, its satisfaction requires some means scarce or free. Whether certain wants, or the wants of certain persons, should be satisfied remains for a study of ultimate value to decide.

Of increasing significance today is the problem of whose scale of values is to prevail. Granted the idea of The Good, how is it to be attained? Is it a matter of individual choice, the human being acting as a free moral agent, or must it be given authoritatively by the legislative will of the state? Shall economic planning be by and for the people (libertarian, market planning), or shall it be by the planning authority (authoritarian)? On the basis of this antinomy, we may note that two major social philosophies are in conflict in our contemporary world: (a) Fascist or Nazi ethics, to which Soviet Communism must be adjoined

toward perfectionism as the ultimate purpose of man; the former more psychologically institutional, the latter more teleological.

(C) Duty, often referred to as rationalism, the belief that what reason (or conscience) perceives to be right, one is categorically impelled to obey; its variants include:

(1) Intuitionism, reliance upon insight into a situation, which may be later amended in the light of reflective judgment. The early intuitionists include: A. Cooper, the Earl of Shaftesbury, William Wollaston, Joseph Butler, David Hume, Adam Smith (*Theory of Moral Sentiments*).

(2) The religious ethic, the belief that morality consists in the surrender of the individual to the will of a supreme being, and, in the case of the Christian ethic, especially by repentance and salvation through Jesus Christ; the revelation of what is good or evil is often left for man to decide, though the ten commandments of the Christian religion are usually taken as fundamental. Mention should be made of other religious ethics, such as those embodied in the Islamic creed, the Buddhist, Confucian, and the old Mosaic law.

(3) Rationalism, the belief in absolute self-consistency in conscience, free from habit, inclination, caprice, and other empirical elements. Though rationalism impinges, as do other categories, upon perfectionism, it is significant enough to give separate mention. Included among the rationalist school are the Stoics, such as Marcus Aurelius, Epictetus, Zeno, and that supreme rationalist, Immanuel Kant. Here also are many of the Kantian followers, G. W. F. Hegel, J. G. Fichte, T. H. Green, B. Bosanquet, and others. Kant's best known translated works are *Critique of Pure Reason*, *Critique of Practical Reason*, *Groundwork of the Metaphysics of Ethics* (*Grundlegung*).

³²It may be objected that such a critical attitude is not constructive, but destructive; it merely criticizes without giving a synthesis. The author must confess the force of the argument, but demur that lack of space as well as of competence in ethics precludes any such synthesis. Perhaps it will not seem unfair to indicate wherein there might be logical incompatibilities among ends, when carried to their conclusion; the mere indication of the implications, it is hoped, may induce more careful consideration than heretofore.

at least as it appears today; (b) individualist ethics—ostensibly pursued by democratically organized nations.

A recent recrudescence of the Fichte-Hegel-Nietzsche ideas may well be the Fascist and Nazi regimes. Hegel (Bosanquet and Green)³³ speaks as though "objective mind," that is, mind embodied in social institutions which are the results of an immense amount of cooperative thinking, were a reality more real and more enduring than the minds of individuals. He argues that the great social institutions of family, property relations, community, class, church, and state embody the real "general will," in contrast to the actual will (presumably unreal or untrue) of the private individual.³⁴ Fichte, as well as Hegel, identifies the "objective mind" or the "common will" with the state, and represents the state as the ultimate expression of the Absolute Mind in reality. Fichte also imparted to modern totalitarianism his doctrine of a powerful militaristic nation whose economy would be closed to the outside world but internally well-knit and directed.³⁵ If Nietzsche's Superman be linked to these two elements, familiar to us in modern German totalitarianism, we have, in the rough, Werner Sombart's *Deutscher Sozialismus*, in which he asserts: "It is obviously established in God's plan of the world that the destiny of mankind is to be realized within the sphere of political associations."³⁶ "German Socialism is not doctrinaire. . . . For us there is only one aim—Germany."³⁷ Der Führer of modern Germany (would Nietzsche be satisfied with this use of his idea of the Superman?) is visualized as the embodiment of the Absolute Will; there is no appeal from him or to him, nor does he, according to Sombart, owe any duty to his people, only to himself and the Divine Mind.

Palmieri, an Italian writer, has given us a succinct statement of Italian ethics, along lines similar to Sombart. "Fascist ethics begins, in fact, with the acknowledgment that it is not the individual who confers a meaning upon society, but it is, instead, the existence of a human society which determines the human character of the individual."³⁸ These ideas main-

³³G. Hegel, *The Philosophy of Right*; cf. J. Sterrett, *The Ethics of Hegel*; H. Reayburn, *The Ethical Theory of Hegel*. B. Bosanquet, *The Philosophical Theory of the State*, follows Hegel closely, as does T. Green, *Prolegomena to Ethics*.

³⁴The summary of this view is necessarily brief and, hence, inaccurate. Green, along similar lines, states that "will, not force, is the basis of the state." This is a distinction which would negate the comments made in chapter 1 of this study relative to the concept of the state as an instrument of coercion; it would seem that one may call the state either "will" or coercion without changing the fundamental argument perceptibly.

³⁵J. G. Fichte sets forth his nationalistic ideas in several places, but perhaps two of his most frequently quoted works with the totalitarian idea are *Reden an die deutsche Nation* and *Der geschlossene Handelsstaat*, both in *Werke* (6 vols.). Hearnshaw (*A Survey of Socialism*, p. 195) comments that Fichte's works may be regarded as "the first manifestations of modern socialism in Germany."

³⁶Sombart's work has been translated as *A New Social Philosophy*; quotation from the English, p. 157.

³⁷*Ibid.*, p. 152.

³⁸M. Palmieri, *The Philosophy of Fascism*, p. 84. It must be noted that neither Nazism or Fascism claims any allegiance to Marxian socialism; in fact, both proclaim the Marxian materialistic conception of history as immoral. Fascism is more akin to Hegelian philosophy of history, a theory just inverted by Marx and made materialistic. The Hegelian philosophy—on the process of historical development through the dialectical process—stressed that the state was the final synthesis, from whose verdict there is (not *should be*) no appeal. Since the state is truth and truth cannot be disproven, only falsity which marks the individual's concept prevents him from being always in accord with the state.

tain the supremacy of the state over the individual, the right of the dictator (or a planning authority) to override the decisions of the people in an authoritative manner.

The individualist solution, which would include most humanists and utilitarians, entitles everyone to participate in determining the ends for which joint action is to be employed. As Mises states it: "Perceiving that the interests of separate individuals within society are compatible and that these individuals and the community are not in conflict, it is able to understand social institutions without calling gods and heroes to its aid. We can dispense with the Demiurge, which forces the individual into the Collectivism against his will, as soon as we realize that social union gives him more than it takes away."³⁹

5. *Means*.—The dissatisfaction, disutility, alternatives foregone (or whatever else one wishes to call it) incurred for the attainment of any end or want, whether the want be of the dime-store novelty variety or of a higher order, such as the preservation of democracy, may be termed its cost. All costs, however, are not reducible to terms of a common denominator which can be measured. It is not clear from the Robbinsian definition of economics that the "means" referred to are not all of a similar nature. Means may perhaps be divided into two categories in accordance with their amenability to quantitative measurement in terms of the yardstick money: (a) money costs and (b) non-money costs.⁴⁰ It is noteworthy that even Robbins himself seldom restricts his own discussions to those means which are quantitative, calculable in terms of money.⁴¹ What Mises calls the "purely economic" is, then, nothing more nor less than the sphere of money calculation. One might say, therefore, that according to this view, economics concerns itself with the problems

³⁹*Socialism*, p. 67. See Mises' discussion of the ethics of socialism, pp. 37 ff. and 430 ff.

⁴⁰Costs which are here referred to as money costs have been termed variously measurable, individual, or quantitative, to distinguish them from non-money costs, non-measurable, imponderables, social, real, or qualitative.

Individual versus social costs has been given wide recognition through the work of A. Pigou, *Economics of Welfare*, B. Wootton, *Plan or No Plan*, J. Robinson, *Economics of Imperfect Competition*, and others. The distinction made between the two stresses the difference between actual monetary outlays made by the individual (or firm) and the costs to the whole society. But implied in this distinction may be costs both of a monetary and non-monetary nature; i.e., the psycho-physical losses suffered by an individual, though they cannot be measured and accounted for in terms of money return, still should be counted as a cost. The distinction made here draws no line between social and individual, as such, but between those costs registered in money and those imponderable losses not so registered, no matter by whom incurred.

The distinction between real and money costs has long plagued economists; see especially A. Marshall, *Principles*, Bks. V and VI. Real costs refers to the sacrifices made for the satisfaction of a want. Though useful in many respects the conception permits only an implicit distinction between actual money outlays for the want, and the non-monetary outlay.

Quantitative versus qualitative costs suffer from an ambiguity in meaning; all costs are qualitative—i.e., they are alternatives foregone—but only part of them are measurable or monetary. G. Cassel, *On Quantitative Thinking in Economics*, uses this distinction to advantage.

⁴¹Robbins states in *Economic Planning and International Order*, pp. 181-82, "The fact is that leisure, that is to say, freedom from work, is an ingredient of real income, equally with the necessities, comforts and luxuries which we enjoy during our leisure. It is purchased by the sacrifice of the other ingredients of real income which we might have produced if we had devoted more of our fixed supply of twenty-four hours per day to activities other than leisure." But, one might ask, how is such an item to be measured so that satisfactions may be maximized? See also the preface to his *Economic Basis of Class Conflict* where he specifically warns his reader that he will depart from the narrow bounds of his formal definition. Cf. similar criticisms to the one made here in C. Sutton, "The Relation Between Economic Theory and Economic Policy," 47 *E.J.* 44-45 (1937) and E. Durbin, "The Social Significance of the Theory of Value," 45 *E.J.* 703 (1935).

associated with the allocation of those scarce resources which may be quantitatively expressed in terms of more or less—i.e., in terms of money—in such a way as to attain in alternative uses objectives considered desirable.⁴² Neither the nature of the end in either case, nor the peculiarity of the means is what justifies the distinction, but merely the special nature of the methods employed. Only the fact that it uses exact calculation distinguishes the “purely economic” from other forms of action.

In the satisfaction of any want, means of both the measurable and unmeasurable variety need be used. Economics traditionally has restricted itself primarily to the former, due not so much perhaps to the desire of economists to avoid the problem, but to the intractability of the data, the fact that there seems to be no reliable tool for estimating these other non-monetary costs.

To say that economics is a matter entirely of quantitative analysis (money costs), however, is to abandon a good many chapters in Marshall's *Principles*, and almost the entire subject matter of public finance. For to isolate the organic interrelations as a single set of human activities, in order to make them the subject matter of a separate science, must present itself as less and less defensible; more and more both the ordinary experiences of life and the sense of conduct in man testify to the ever closer contacts between the business life and other activities and interests, moral, political, and “social” in the looser sense of that term.

In an attempt to meet this apparent difficulty, some have resorted to the doctrine that the market place be employed as an “indirect” measure of these imponderable alternative costs, and only those satisfactions which can be attained through the market be considered within the purview of economic science. Only those desires, the means for the satisfaction of which can be measured by the amount of money a man is willing to give in exchange, are thus considered. Theoretically, every man is supposed to aim, by choosing between alternative courses of action, to get the highest possible subjective satisfaction out of his own resources (defining satisfactions and resources broadly)⁴³; but unfortunately all want-satisfying means are not directly so measurable. Those means, which some have called imponderables (fresh air, sunshine, contemplation of a beautiful panorama, time, etc.) are effective in our calculation only in so far as they may influence the behavior of the individual at the time he comes into the market; in short, only when they influence either the demand for or the supply of a particular economic good or

⁴²The division of economics into the measurable and non-measurable kinds of action is, obviously, indispensable for many scientific purposes. What has usually been called “economic theory” concerns itself primarily with the measurable, money kind. The limitation of economics for methodological purposes in this manner has much to be said for it. Cf. Mises, *Socialism*, p. 125.

⁴³This statement must be tempered; in practice men often aim not at the satisfaction of themselves but of a group, family, etc.; likewise, the choice may be made from force of habit, or as a result of environmental influences.

service. But to exclude these costs from consideration is to be myopic in the extreme; every beginning student in economics realizes (it is hoped) that money wages, for example, may vary from place to place, for work of a similar grade and character, and that they represent, therefore, differences in real enjoyment-satisfying power. Marshall's speculative psychology that some weight should be given these "net advantages" may receive universal assent, yet the fact remains that they persist in eluding our grasp. An approximation is about the nearest we can get to a solution.⁴⁴

Many economists, however, have forgotten, in their haste to arrive at statistically-neat conclusions, that they speak primarily in terms of money costs, even though the non-money items may be as important, or even more important to some individuals. "It is one thing for the man to whom honour is dear. It is another for him who sells his friend for gold."⁴⁵ A very common error is made by those persons who construct price indices attempting to measure the living standard in different communities. The assumption seems to be made that the cold money costs reveal the true picture; this may be sensible enough if "other things remain equal." Often this is not the case. It may be true that the Pittsburgh steel worker has an expensive automobile and city improvements which are counted at a high value, but the Illinois farmer has fresh air and sunshine, he has a garden and a view that in Pittsburgh would be priceless. The same is even truer when people with greater cultural differences are compared, as the living standard of the coal-miners of West Virginia with the city resident of the Lake Shore Drive in Chicago.⁴⁶ In other words, how can we appraise the value, for example, of a battleship, to a country whose independence is threatened by foreign invasion? Granted that the materials going into the battleship can be reckoned in dollars and cents, can we add to that the cost involved or the satisfaction derived on the principle of marginal utility? If we cannot, we must admit that the psychological foundation of economics is a matter of extreme importance, whether we can discover tools to measure it or not.

If we recognize that we are concerned primarily with those means of a measurable variety, it still seems necessary that we do not go so far in

⁴⁴Dickinson, *Economics of Socialism*, Lange, *On the Economic Theory of Socialism*, and others have suggested that in a planned economy the number and amount of these imponderables or non-money costs would be less. There seems ground to doubt seriously whether it would be true. With the increase in the number of services furnished by the state, although the costing of the measurable resources (land, labor, capital) flowing into this sector could be effected (see ch. 4), the increase would involve a necessary augmentation in the unmeasurable costs—unless one were willing to say that all costs are measurable, a statement contrary to the argument above. This is not to say that a planning authority *could not* give greater weight to these "social" costs than are awarded them today; whether it *would* do so is a problem of administrative practice. See below, chs. 4 and 5.

⁴⁵Mises, *op. cit.*, p. 125.

⁴⁶Cf. examples given by E. Whittaker, "Wealth and Welfare," 30 *A.E.R.* 580 (1940), and A. Pigou, *Economics in Practice*, chs. 1-3.

synecdochical thinking to make a part stand for the whole, to let money costs cloud the fact that non-money costs are ever-present and important. There seems to be a place for greater emphasis on the analysis of the current conception of general welfare, and on the limitations of economic welfare in particular.

As related to the Robbinsian definition, this line of thought suggests that among economic treatises may be discerned (1) those devoted primarily to an elaboration of the allocation of given means to given ends, (2) those with a more speculative turn concerned with an appraisal of alternative ends and means. The latter is no more useful than the former. Both find places in intellectual development. The former is none the less predicated on value judgments of one sort or another, expressed or implied, as is the latter. That one should feel impelled to define his field in a set way, for all time to come and for all forms of inquiry, seems futile, but it seems necessary, on the other hand, to circumscribe the boundaries of a study in accordance with competence and purpose. Seldom is there any inquiry so bad that some good cannot be found in it; knowledge itself is too interconnected, too varied, labyrinthian, to deny to one thinker that he contributed anything. Divisions of knowledge are for convenience only, perhaps because, unlike Bacon, few of us can ever know everything about everything, and most of us attempt only to know something about a very little something. The way one limits his inquiry is usually a matter of individual choice; how well he attains the objective of his inquiry within his own definition of scope seems the only ground for criticism.⁴⁷

6. *Price versus welfare economics.*—It seems clear from the above reasoning that to maintain that price, a convenient expression of costs in terms of money, constitutes general welfare is untenable. Fortunately, few economists have gone so far in their assertions as to claim that it is; many have, however, gone so far as to call those satisfactions derived from the price system "economic welfare." To this there seems no particular objection so long as we remember that the welfare we are speaking about is that welfare which is promoted by those "means" whose scarcity can and is measurable in terms of dollars and cents. For that great mass of welfare whose promotion depends upon means not so measurable, we might want to reserve another term. It has been in the failure to distinguish these two aspects of welfare in analyses that seems to have caused much acrimonious debate and misunderstanding. Again, to make economic welfare stand for general welfare, or to make the two synonymous, is to let a part stand for the whole. "Man lives not by bread alone" must still have some appeal to the ordinary judgment of men. Equally

⁴⁷See any standard rhetoric text for a discussion of the art of literary or scientific criticism.

true, however, is the general statement that *usually* what has promoted economic welfare has promoted general welfare, if by economic welfare is meant the social economic welfare, not necessarily the economic welfare of individuals alone.

At the basis of economics rests the broad psychological principle of maximizing satisfactions and minimizing expenditure of effort and resources in securing these satisfactions. As Whittaker expresses it, "This principle is a dual one and its two halves may be separately stated thus: (1) For a given expenditure of effort and other resources, it is required that production be maximized, and (2) a given volume of production is required to be attained by the expenditure of minimum amounts of effort and resources. Accordingly, the productive process may be made more economic *either* by increasing output without increased use of labour or other resources *or* by obtaining the accustomed output for a smaller expenditure of these factors."⁴⁸ It follows from this that anything which causes satisfactions to diminish, or costs to increase, is uneconomic.

It may be noted, in summary, that the particular ends or satisfactions toward which a society strives are determined largely as a result of value judgments; these "ends" may be immediately proximate, more remote, or ultimate, as the case might be. An evaluation of them, though seemingly outside the scope of traditionally defined economics, is implied as assumptions throughout economic discourse. They certainly go into the makeup of what is popularly referred to as the general welfare. On the other hand, the "means" available for the satisfaction of these alternative ends are measurable in terms of money, or are subject only to a rough approximation, "rule-of-thumb" estimates. Economic welfare, strictly defined, has generally confined itself to the measurable "means." It seems possible to conclude, therefore, that insofar as economic welfare is part and parcel, albeit an important part, of the general welfare, economics as a study cannot divorce itself from welfare in general. To speak of a science of economics that is not concerned with welfare is nothing but a "pure red herring." Price economics without welfare economics is scarcely conceivable except as a methodological device only; the antagonism so generally assumed between price and welfare economics disappears when it is realized that the former is but a part of the latter, one part that may be measured in terms of the yardstick money.

7. *The value judgment of a price system.*—There can be little doubt that the price system as it exists today, or as it is proposed to exist under a planned economy, does in reality have an ethical signification. The fact that we have been willing to accept, perhaps to a more limited degree than under a policy of *laissez-faire*, the decision of the market as final in

⁴⁸"Some Fundamental Questions on Economic Planning," 3 *So. Afr. J. E.* 193-94 (1935).

many respects is itself a value judgment, a judgment that the wage, value of an article, interest, monopoly profit, etc., which arise out of the market are acceptable, at least to most people concerned. It is customary to take as a point of departure, though perhaps not the only possible point, the condemnation of this market arbitration; in this must be recognized an ethical bias. Evidently the pricing mechanism has not given consideration at all, or at best inadequately, to certain "costs" or alternatives that are considered worthwhile—a value judgment. It is considered that these costs (non-monetary at present perhaps) *should* be weighed. When it is suggested that the scale of values now determined on the market be changed, by the adoption of planning or interventionisms of all sorts, presumably some "better" thing to take its place is in mind, something which will promote the social good to a greater degree than an unmolested, free, capitalist market.⁴⁹

Though it may be admitted that interventionisms or economic planning itself will not change the essential *role* of economic theory, viz., the attainment of a new scale of values (social satisfactions) with a minimum of sacrifice (measured in money), they do change the basic data and the allocation in fact; moreover, they may change the seat of authority, i.e., whose wants are to be satisfied, as between an individualist society and a dictatorship, between libertarian and authoritarian economic planning. Hereafter this role of economic science will be referred to as economic theory. It is adopted for methodological reasons; it has the advantage of accepted usage and simplification of discussion.

The discussion here is designed simply to call attention to the fact that there are other than quantitative means which should be considered, though perhaps very imperfectly. It seems clear that the desire for national power and national defense will change the allocation in time to something quite different from a non-military basis; one needs only to view the events of the past few years to see the effect of this change in the social scale of values on economic life. Silk stockings give way to parachutes, steel for automobiles to steel for bombs, aluminum utensils for the kitchen to airplanes, etc.

Recognizing this desire to change the arbitration of the market system into one where another scale of values will obtain, we may proceed to an examination of a few of the avowed objectives of economic planners. In considering some of these specific aims, two problems come to the fore:

⁴⁹The evils, inefficiencies, and falsifications in the price mechanism have been pointed out so frequently that it may be pardonable not to consider them in this study. For criticisms organized along the lines of thought above, see B. Wootton, *Plan or No Plan*, A. Pigou, *Economics of Welfare*, L. Robbins, *The Great Depression*, H. Dalton, in *The Burden of Plenty?* (also H. Henderson in same volume, D. Hutton, ed.), R. Burrows, *The Problems and Practice of Economic Planning*, R. Wilson in *National Economic Planning* (W. Duncan, ed.), A. Rather, *Planning under Capitalism*, J. Hobson, *Economics and Ethics*, A. Salter, *The Framework of an Ordered Society*.

(1) Do the ends proposed really promote the general welfare? (2) If so, can they be attained without planning? Whether the ends proposed actually promote the general welfare is a matter of disagreement, and it depends primarily upon which school of ethical thought one adheres to whether he will agree or disagree. Some specific attention will be paid this question in the next section. In answer to the second question, it can only be said here that it would be outside the scope of this study to attempt an examination of any other alternative method of attaining the objectives; it shall be assumed that planning is one and only one way proposed, that the reader will be left to judge whether he would like to adopt planning, or whether he would prefer some other method. Certainly, if there appear better methods than economic planning, they are strongly commended to the reader's study.

C. INCOMPATIBILITIES OF PROPOSED AIMS OF PLANNING

8. *The rule of consistency.*—Unless logic itself be abandoned,⁵⁰ and one depends entirely on blind intuition or "hunches" (doubt may be entered as to how purely illogical these are), one is confronted with the problem of reconciling conflicting proximate ends.

Royce said that the supreme moral principle is Loyalty,⁵¹ but the trouble is that loyalties are divided and they may become mutually antagonistic. The gravest problems of social life today center in the frequent conflicts between group loyalties or group interests, conflicts which enter into and produce schisms in the personality of the individual. Or, as illuminating the profound causes of our present ills, we are not particularly disturbed by the thought that the end which we formally and consciously put before us as the objective of our plan might conceivably be inconsistent with some other ideal which we hold equally dear. If we were to plan for maximum per capita income, might not that mean decline, or even ruin for certain industries, which, on other grounds, we regard as vital for our national life? If we were to plan for "stability" (another word blessed with many meanings), might we not sacrifice the sweets of material progress to which we are equally devoted? If we insisted on liberty, might we not find that liberty for society as a whole necessitated the disappearance of the privileges of the group to which we happened to belong, or might we not discover that individual freedom

⁵⁰Mises levels the trenchant criticism at Marxian socialism on this point when he says that "it denied that Logic is universally valid for all mankind and for all ages. Thought, it stated, was determined by the class of thinkers; was in fact an 'ideological superstructure' of their class interests. The type of reasoning which had refuted the socialist idea was 'revealed' as 'bourgeois' reasoning, an apology for Capitalism." *Socialism*, p. 16. The writer once heard H. Laski make the statement in a public address that ran something like this, "The way men live is the way men think." To what extent we would be willing to agree with this point of view would, it seems, depend upon how "materialistic" or "environmental" we are in our thinking; it would be incorrect to say that this idea can be traced to Hegel, for his ideas were just the opposite. It is appropriately commented, then, that Marx not only inverted Hegel but restricted his ideas to the purely economic.

⁵¹J. Royce, *The Philosophy of Loyalty*, wherein he discusses this moral principle.

would entail foregoing all the promised fruits of more production?⁵² The whole problem would be conveniently simplified if an arbitrary set of values could be assumed as articles of peace; but the literature of planning makes it sufficiently clear that nothing of the sort is contemplated.

It is proposed for convenience to discuss certain aims of planning under three main divisions: (1) the aim of equalitarianism, which includes strict per capita equality, and the problems associated with its attainment; (2) the concept that wealth is welfare and hence a mark of "progress"; (3) the political problems of democracy and individual liberty that may represent two ideals incompatible with equality and wealth.⁵³

9. *Equalitarianism*.—Under this broad caption may be discussed: (a) the communist proposal for absolute equality; (b) the more moderate socialist view of "equality of opportunity"; (c) the idea that exploitation is to be avoided by planning; (d) the implications of equalitarianism (equality of opportunity) to the race-prejudice question; and (e) the counter-claim that equalitarianism will result in cultural decay.

(a) *Absolute equality*.—Planning, as has been already intimated, does not need equality for its foundation; it is commonly proposed, however, that without equality of some sort there would be little to justify the planning.⁵⁴ One doctrine of communism, "From each according to his ability, to each according to his need," has been proposed as an objective which economic planning could seek to attain. Menger calls this principle, "The Right to the Whole Produce of Labour";⁵⁵ H. Jevons proposes absolute equality,⁵⁶ and to G. B. Shaw socialism means strict equalitarianism.⁵⁷

Strict equality for every individual is clearly incompatible with the fact that individuals possess different abilities; whether it would be possible to induce individuals to perform their services with as much efficiency without differential remuneration as with it, is a problem of industrial psychology, a problem of the incentives to labor. There can, at least, be entered a very grave doubt that absolute equalitarianism is compatible with economic efficiency of labor. It is comparatively easy for a skilled or intelligent person to "loaf on the job," to flunk an examination which is designed to measure ability; it is a different matter to induce the same

⁵²Cf. Leighton, *The Individual and the Social Order*, pp. 357-60, and W. McDougall, *Ethics and Some Modern World Problems*, p. 36 and *passim*.

⁵³Cf. Leighton, *Social Philosophies in Conflict*, pp. 265-66. E. Batson, "A Note on the Nature and Significance of Economic Planning," 4 *So. Afr. J. E.* 74 (1936), comments, "We all, or nearly all, pay lip-service to the same ideals; we would like, not only to eat our cake and have it, but also to distribute the crumbs *ad lib.* to the poor. But when the economist, not competent to criticize ideals absolutely but performing his proper function in determining the degree of their mutual incompatibility, draws attention to the relative scarcity of our resources, we are in danger of discovering that our residual ideals are as various as the recipes by which our several cakes are made."

⁵⁴Cf. J. Stanfield, *Plan We Must*, pp. 101 ff., for a statement that Russia has exemplified the fact that equality need not be a foundation for planning.

⁵⁵A. Menger, *The Right to the Whole Produce of Labour*; cf. T. Carver, *Essays in Social Justice* for a distinction similar to the one made here.

⁵⁶H. Jevons, *Economic Equality in the Co-operative Commonwealth*.

⁵⁷*The Intelligent Woman's Guide to Socialism and Capitalism*.

person to put forth his best effort to pass the examination. If, as has been suggested, other than economic rewards are offered as incentives for labor—e.g., vacation trips, medals, titles, and other “honor” systems—perhaps the severity of this objection could be met in part. If, on the other hand, individuals refused to react favorably to these incentives, labor would have to be coerced into those occupations in which it was required in accordance with the general plan, in which case strict equality is incompatible with individual freedom. Perhaps it may be justifiably concluded with Mises that to strict equalitarianism (“To each according to his need”) “nothing remains but the slogan—effective propaganda, of course.”⁵⁸ Certainly it may be pointed out that unless labor can be made to react favorably to other than economic reward, productivity will fall, and the aim of equalitarianism is then incompatible with increased production. Keynes, remarking on the incompatibility of equality and productivity and freedom, states that socialists often advocate things for two widely different reasons: “Thus some things may be advocated *in spite of* their being economically unsound, and other things may be advocated *because of* their being economically unsound.”⁵⁹ Perhaps there is an element of both in this proposal; it may be suggested, however, that some nations may find it better to have plenty than poverty in reaching the ideal of equality than destroying the existing system of wage incentives trying to get there.

(b) *Equality of opportunity*.—By equality of opportunity is not meant strict equality per capita, but some measure of equality in the distribution of social income. Most socialists have in mind by this term some greater measure of equality than exists today, with the retention of differential wages as incentives and as a means to adjust the quantitative allocation of labor among different industries. This principle of rewarding labor in accordance with work done does not preclude, moreover, the extension of the use of non-economic incentives; many suggest that both types may be used, as they are to some extent under capitalism. Obviously, the incompatibility of strict equality per capita with individual freedom of occupational choice is being met by this device by bartering a bit of equality for a bit of freedom, as Dickinson puts it.⁶⁰ Unfortunately, in the popular mind certain shibboleths have been associated with this principle of equality; to some extent these same ideas may be discovered here and there among professional socialists. The ideas that labor should have the right to the whole produce, the right to existence, and the right to work, have come down through socialist doctrines and have been inculcated in the minds of the public as dogmas, similar to the so-called

⁵⁸*Socialism*, p. 59.

⁵⁹J. M. Keynes, “The Dilemma of Modern Socialism,” 3 *Political Quarterly* 155. (1932). He adds, of course, that they may advocate some things because they are sound.

⁶⁰*Economics of Socialism*, chs. 1 and 4.

"natural and inalienable rights" incorporated in the American Declaration of Independence. It may not be amiss, perhaps, to comment on each of these in turn.⁶¹

Associated with the doctrine of the right of labor to the whole produce is the Marxian conception of history: History is a process of the clash of opposites (Hegelian dialectic), but since history is the development of conflict (not in ideas as Hegel would have it) in the economic sector only, the dialectic becomes a simple case of the conflict between classes, a conflict between the "bourgeois" or capitalist, and the proletariat or working class. The slogan of the class conflict is that the workers of the world should unite⁶² in order to "expropriate the expropriators." It was remarked that this attractive epigrammatical statement was unfortunate, because it seems that many have failed to see that it really resulted in nothing else but the aphorism—form without substance—for most thinking persons. If by the class conflict is meant simply the expropriation of the capitalist from the ownership of the means of production, thus abolishing "unearned" income from land and capital, there seems little to dispute. But when the argument is carried as far as it has been in post-Marxian literature, namely, that all classes should be abolished, it becomes an absurdity. Since individuals possess differential capacities, and since their interests are seldom identical—as long as they are not merged in some superstructure or socially comprehensive goal, such as a totalitarian state—there will be clashes of individual opinions, and conflict of loyalties among different groups. Where harmony of conflicting interests, at least within a single country, could be effected, it must presuppose the existence of an omnipotent state which would embody the ideal—religious or sectarian—for which every individual would be willing to adhere to in as strict a manner as that of passionate evangelical zealots. There is serious doubt that the psychological makeup of the human being is such that he can for any length of time sublimate his personal interests to those set up as ideal for the society of which he is a member.⁶³

The right to existence and the right to work are usually closely connected. The former asserts that no one should starve while others have more than enough; the latter demands that every citizen, therefore, should have the right to work in his accustomed profession at a wage not inferior to the wage rates of other labor. If by the right to existence is meant simply the right to subsistence, it is perhaps unquestioned by most individuals as a harmless institution which was realized in most communities as laudable centuries ago. But when it is coupled with the right to

⁶¹Menger, *op. cit.*, has perhaps the best demonstration of the inconsistencies among these principles. Cf. Mises, *op. cit.*, pp. 50-62.

⁶²K. Marx and F. Engels, *The Communist Manifesto* and *Capital*, make references to this principle; in fact it may be said that the whole Marxian doctrine rests upon his inversion of the Hegelian conception of history and its limitation to the materialistic or economic.

⁶³Cf. analogous argument by L. Robbins, *Economic Basis of Class Conflict*, pp. 17 ff.

work, it becomes immediately incompatible with the aim of productivity. The organization of production cannot dispense with a means of inducing a change in profession, a reallocation of labor, and this fact will not be changed under socialism; short of using coercion in order to compel laborers to leave an industry which is no longer considered productive and to enter one where their services are more needed, in which case the right to work becomes incompatible with freedom, there seems only one alternative available, differential wages coupled with a minimum of friction and loss of productive labor service in the course of shifting labor from one use to another.

Hence another incompatibility may present itself: viz., the demand for economic security, a form which the old right to work now assumes, may be incompatible with productivity and/or freedom.⁶⁴ To secure maximum production it may be necessary, for example, to make technological improvements (labor-saving machinery) which may either injure the capital investment in some industry that has more antiquated machines or throw men out of work and disrupt their "security." Thus the very effort to get maximum production will defeat the end of economic security. It may be added, however, that this does not mean that a society could not adopt such a policy, static as it is in essence. The choice is a matter which remains for the particular society; all that is pointed out here is that society could not pursue both aims simultaneously without incurring a problem of adjustment—though it undoubtedly could (as most societies now do) pursue both of them and attempt to strike a balance somewhere.

(c) *Exploitation*.—Linked with the argument of the class conflict is the proposal that exploitation of man by man, or of natural resources by man, should be abolished. The dividing lines between the domination of one man over another are not clear-cut; peoples who have triumphed in economic or military strife have overrun, at various times, areas peopled by folks of different race, habit, or outlook from their own.⁶⁵

Whittaker has stated the problem when he asks, "Just who or what are to be regarded as resources to be exploited and who or what the beneficiaries of the exploitative process?"⁶⁶ Planners propose to minimize the exploitative process as between man and man, and to "regularize" the exploitative process as between natural resources and man. Broadly, it may be said that man is the beneficiary and the rest of creation, lifeless or living, the subjects of exploitation. The decision as to how bloody or bloodless the exploitation may be tempered according to circumstances by moral

⁶⁴Cf. Mises, *op. cit.*, p. 62, Dickinson, *op. cit.*, ch. 4, and the discussion in ch. 5, *infra*.

⁶⁵*Capital*, vol. 1. The institution of slavery, ambiguous term in socialist literature, is decried as exploitation; even the employment of labor is called exploitation by Marxists. The theory of surplus value in Marxian doctrine is, in fact, based on this assumption.

⁶⁶"Some Fundamental Questions, etc.," pp. 187-90. Much of the discussion in this section is drawn from suggestive points in Whittaker's article.

feelings on the part of man. "The truth of the matter is that man tries to strike a balance between selfish exploitation on the one hand, and a calm conscience on the other . . ." ⁶⁷

(d) *Implications of equalitarianism to the race problem.*—Perhaps this could have been discussed above, but its peculiar significance today warrants it a separate comment. Common to most writers and speakers on the subject of greater equality of opportunity is the assumption that equality is to be confined to the ruling race. This is not the same as saying the "ruling class," which was discussed above, but a ruling race, such as the white race, the Aryan, etc. The pre-eminence of race-prejudice in such countries as Germany, Italy, and other European countries in recent years (e.g., treatment of occupied areas by Germany) seems to have led many to assume that the United States is exempt from such prejudice. The fact that the Jew is persecuted in Germany and other countries has focused attention on the problem, and the comment is made that Germany is an economy planned in the interests of the pure Aryan (defined as a German, plus a German who is a member of the Nazi party) race. Americans have publicly protested against the anti-Semitic spirit and the treatment accorded those peoples now under the domination of the Third Reich.

It need not be pushed too far to say that even if Americans profess to grant equality, economic and political, to all races, they have a singularly strange way of manifesting it. May the question be interposed to those who favor equality of opportunity: Would they be willing to see the American Negro, the Filipino, the Hawaiian, the Jew, receive the same equality as that envisaged for themselves? Or will the answer be that these races are "inferior," and hence are not deserving of equal treatment? Or, on the other side of the Atlantic, would the few millions of Britishers be willing to plan for equality for the hundreds of millions of Hindus, African Negroes, and other minority groups within the British Empire?

The answer to these questions, of course, will depend upon how really "democratic" a society is. As Whittaker has succinctly remarked: "In the Empire governed from London and the Union of South Africa, Europeans are the governing class, so that equalization which included the Native people would represent self-immolation by the Europeans. This is well understood in South Africa, and goes far to explain the comparatively small volume of support given to out-and-out socialism amongst European people in this country, but there seems little disposition to take account of it in the literature of British socialism."⁶⁸

(e) *Equalitarianism and cultural decay.*—The argument, frequently

⁶⁷*Ibid.*, p. 187.

⁶⁸*Ibid.*, p. 193.

met with in "capitalist" circles, that inequality is a necessary condition to the progress of culture, may be opposed to the argument for equality which is being discussed. Let us assume that inequality of incomes develops and that there is a leisured class, the multitude of people being depressed to a still lower standard of living. Perhaps we may admit the increase of their hardships as an evil, but in view of the adaptability of human nature to hardships, is it so great an evil as to outweigh the birth of culture?⁶⁹ Can the community destitute of culture be regarded as worthy of existence at all? "Is it any better from the ethical standpoint than a rabbit-warren or an ant-hill?"⁷⁰ Take away all intellectual and artistic attainments, and wherein are men their superiors? Educators are telling us that the insistence upon teaching students how to make a living instead of how to live is producing a civilization of money-making morons. The philosophers tell us that the great advances in art, music, literature, and the sciences not directly associated with making money, have been possible only through the patronage of wealthy persons. Will a planned society make provision for these things out of the social dividend, or will they be subordinated to the interest of making more commodities and services?

Again, the answer to these questions will depend upon the cultural unit involved. Perhaps the least we may do is to be aware of them. The possible incompatibility of planning and equalitarianism with cultural progress is not, in the writer's opinion, a remote one. It is probably agreed, however, that the tremendous differentials in wealth and income that exist today are greater than is necessary to sustain the above argument. It may be counterposed to this argument that in the history of man no great civilization has continued to exist for any length of time with differences in wealth and income as great as in some countries today.⁷¹ This problem really involves a philosophy of history, however, about which no opinion can here be offered.⁷²

10. Wealth is welfare.—The labors of such men as Adam Smith, David Hume, and John Stuart Mill seem for naught when one considers the striking similarity in the views met today and those of the mercantilists against which so much has been written.⁷³ The distinction between the mercantilist and modern version lies, it would seem, in the refine-

⁶⁹T. Veblen, *The Theory of the Leisure Class*, presents this argument in an interesting but satirical manner. Some time ago J. P. Morgan, the financier, stated the same principle in some such words as "Destroy the leisure class and you destroy civilization." Notoriety was given this statement in the press, and undoubtedly it is an influential opinion for many persons.

⁷⁰R. Hawtrey, *The Economic Problem*, p. 226 and *passim*; cf. Sombart, *op. cit.*, ch. 1; Palmieri, *op. cit.*; and Mises, *op. cit.*

⁷¹Cf. Hegel and Marx.

⁷²Hegel's and Marx's philosophical interpretations of history have been intimated above. C. Beard, *The Open Door at Home*, ch. 1, presents a philosophy of history which seems to be a modern version of Hegel with a bit of Marx thrown in for extra measure. For a vitriolic criticism of Beard's book see H. Gideonse, "Nationalist Collectivism and Charles A. Beard," 43 *J.P.E.* 778 (1935).

⁷³See E. Hecksher, *Mercantilism* (2 vols.), and G. Cassel, "From Protectionism Through Planned Economy to Dictatorship," 303 *International Conciliation* 307 (1934). Cassel presents the similarity of the views of mercantilists, protectionists, and planners.

ment and polish that has been given the idea that wealth is associated with "progress" (another ambiguous word).

The idea that wealth means progress and that the two may be identified with welfare is typified by Tugwell and Hill:

Increasing Production Marks Economic Progress.—It is sometimes said that our rapid advance in material wealth has been won at the expense of more worthwhile activities. . . . However true this may be, it is important to remember that the higher things of life, *whatever* they may be, are possible only when material comfort is supplied. *Genuine progress*, therefore, is generally made possible *only* by an increase in wealth.⁷⁴

Ex-President Hoover remarked in 1931 that "Under the guidance of Divine Providence they [i.e., plans] will return to us a greater and more wholesome prosperity than we have ever known."⁷⁵ Such a statement has led Shull to observe, "America has a religion of prosperity. This religion has a god and that god is profits."⁷⁶ Sombart pointedly remarks about the Economic Age:

The declining scale is as follows: from spiritual value to performance value, from performance value to result value, from result value to value of visible result, from value of visible result to value capable of being coined; and then the foundation is laid upon which the estimate of value according to income tax may be constructed.⁷⁷

Even though we may not agree with these indictments of our culture in America, we are compelled to take cognizance of them. It may be that this incompatibility between wealth and cultural progress⁷⁸ follows logically from what has been said about equalitarianism, but even Hawtrey would have occasion to pause and reflect upon how necessary inequality is to cultural progress, if credence be accorded these charges.

A second incompatibility becomes apparent—the possibility that too much emphasis is put on the side of output as compared with leisure and, *pro tanto*, self-realization.⁷⁹ One may well ask whether the vast tide

⁷⁴*Our Economic Society and Its Problems*, pp. 138-40 (italics supplied). Cf. W. Loucks, "Public Works Planning and Economic Control: Federal, State and Municipal," 162 *Annals* 114-15 (1932).

⁷⁵Quoted in Beard, *America Faces the Future*, p. 309.

⁷⁶W. Shull, *Revolution in Economic Life*, pp. 39-40. Cf. statements of objectives of planning by the Committee on Unemployment of the National Progressive Conference, quoted in *Socialist Planning and a Socialist Program* (H. Laidler, ed.), p. 12; the National Economic and Social Planning Association, expressed on the cover of their publication, *Plan Age*; International Industrial Relations Institute, *On Economic Planning and World Social Economic Planning*.

⁷⁷*A New Social Philosophy*, p. 22. A reviewer of this book commented that it was surprising that Sombart had reversed his thinking in the past several years and had taken a position which seemed to vindicate the Nazi regime in Germany. (The book was published in 1934). The writer feels that Sombart cannot be accused of being inconsistent; his earlier work, *Händler und Helden* (1915), in which he contrasted the Anglo-American trader (Händler) with the German spirit (Geist) of the hero (Helden), contained numerous similar expressions. He held that the fact that in "trader" countries business and money-making is looked upon as eminently desirable, receiving the approbation even of the churches, led to moral and cultural decay. For that matter, both books were written as justificatory of the German systems—the Imperial regime in 1915 and the Nazi in 1934. Cf. Palmieri, *op. cit.*, p. 58; Leighton, a contemporary American, makes similar observations on the decay of culture, *Individual and the Social Order*, p. 488.

⁷⁸By progress is not meant simply change. Degeneration is also change. Economic progress may perhaps increase wealth, but by social progress is meant something far more inclusive than wealth. Cf. Mises' distinction, *op. cit.*, p. 204, Leighton, *op. cit.*, pp. 361 ff.; and L. Lyon in *Controlled and Competitive Enterprise* (Dewing, Thorp, and Lyon), pp. 17-18.

⁷⁹S. Chase, *Men and Machines*, has a popularly written indictment of the machine age; Chase himself is a planner. See his "A Ten Year Plan for America," 163 *Harpers* 1 (1931).

of machine industrialism and machine-like business organization will totally engulf the individual.⁸⁰ If people tend to work unduly hard and have insufficient leisure in which to enjoy the products of their labor, "then a system of economic planning, which starts from the assumption that the balance at present existing between work and leisure is ideal merely perpetuates a mistake, while, having regard to the fact that the economizing process is a dual one, involving *either* reduction of effort *or* increase of output, to concentrate on maximizing production is silly."⁸¹

A planned social decision between more or less work and less or more leisure moreover implies some decision about the distribution of incomes; it is impossible to make a rational social decision about relative worthwhileness of more work and more leisure except in relation to a particular distribution of income; perhaps another problem is involved.

It may be that the only conclusion to the question of leisure versus output is that different societies may find their ideal balance of work and product in different places; certainly the ideas of the savage and the modern Westerner are radically different.⁸²

Another possible incompatibility is that between maximum production and economic self-sufficiency. Planning has been associated with autarchy by many persons, and there is visible, for example in Soviet Russia and in Germany, a strong desire to make the country as far as possible independent of the rest of the world—even by war if necessary. The desire is comprehensible, no doubt, for in addition to the promptings of nationalist sentiment and the fear of inadequate supplies in the event of war (no longer an eventuality), dependence on foreign trade introduces an incalculable factor into national plans. We need not hesitate long on this problem; economic theory has long ago pointed out that international trade is conducive to maximum world production along the lines of the specialization argument. It is not true, however, to say that the free trade argument is an economic argument; it appears that the old controversy between free trade and protection is referable to ethical judgment. If it is assumed that maximum production be the end of economic activity, it almost follows *ex hypothesi* that free trade is the means to attain it in a perfectly competitive economy; but once the possibility that other ends

⁸⁰Leighton, *op. cit.*, p. 514, expresses it picturesquely: "Shall we have, as industrialism's final form, hundreds of millions of well-fed human beings, satisfied with food and the movies, the daily paper and the best seller, ragtime and the melodrama, motor cars and electric comforts in the home, satisfied with living thus and reproducing their kind to live in the same way; millions of raucous voices with no note of distinction heard above the clamor; deaf to the austere tones of beauty, harmony, truth or spiritual distinction of any sort; indifferent to its spiritual bondage to the rulers of the money market; a race that has forgotten the intellectual rock from which it was hewn and the spiritual pit from which it was digged; a race of average sensual human beings knowing nothing of the quest for a nearer vision of truth, beauty, and integrity and harmony of spirit—the quests which urge on the soul of the poet, philosopher, scientist, artist, devotee?"

⁸¹E. Wittaker, *op. cit.*, p. 199. Cf. Adam Smith's famous example of the pots and pans, *Wealth of Nations*, Modern Library Edition, p. 408.

⁸²E. Urvick, *The Social Good*, p. 171, comments, "Do not insinuate that the true artist can also be rich; for that is impossible. And my whole contention is that the world at present *wants* to be rich, disgustingly rich indeed; this is its ruling desire, its dominant motive."

are more desirable be admitted, it is absurd for economists to claim that simply because there is a diminution in economic efficiency, it is undesirable. They seem to be deducing a rule of conduct from a rule of measurement. In short, if autarchy à la Fichte's *geschlossene Händelstaat* is considered desirable, the cost is less wealth, a cost which, it is assumed, everyone realizes and is willing to pay.

Finally, if statisticians have analyzed correctly the trend of the population curve, there may arise an absurdity between maximum production and a diminishing population. Much of the present planning proposals envisage conservation of natural resources besides increased production; unless it is certain that there will be a large enough population in the future to use these resources to advantage, it would seem foolish to concern ourselves with conserving them in order to provide for as large or a larger population than now exists. Perhaps Peterson is correct, however, when he states: "In the last analysis, it is immaterial whether this country is ultimately inhabited by descendants of the present population or by some other nation or race or is completely uninhabited except for wild life. It is inconceivable, however, that any large group would deliberately commit race suicide. Maintenance of the population, as a national goal has been discussed here mainly from the standpoint of preventing a serious decline in numbers, but for some nations and under some conditions, it is equally important to keep it from increasing."⁸³

D. THE POLITICAL IMPLICATIONS OF ECONOMIC PLANNING

11. *Freedom*.—Personal freedom includes both economic freedom as such—freedom of consumers' choice, freedom of choice of occupation, and, under capitalism, entrepreneurial freedom, by definition ruled out under state control—and political freedom, the latter including all those civil liberties such as freedom of speech, religion, thought, press, radio, etc.

It may be indicated that the political problem is almost automatically solved in so far as it affects individual liberty and democracy by an authoritarian government. This is perhaps a truism. The issue is, on the other hand, whether economic planning as defined above is compatible with democracy; if it is not, some may conclude that the price for it is far greater than the benefits which may redound in the form of enhanced production, greater equality, etc. Planners must sustain their position that they do not propose to abolish democracy and individual liberties else they may be thrown out of court at the outset.⁸⁴

Before considering freedom and democracy, let us be clear on the basic issue. Economic planning entails state ownership of the means of

⁸³G. Peterson, *Diminishing Returns and Planned Economy*, pp. 223-26. Contrast the German and Italian attempts to increase population.

⁸⁴Cf. the strong indictment offered Marxian socialism by Mises, *op. cit.*, especially pp. 17, 19.

production; the very *raison d'être* of economic planning is purposive control, and if it is associated with the state, it must mean state or collective purpose. There seems a useless waste of words about this issue. It then arises: can there be devised for the government sufficient checks upon its political power, which under economic planning is enforced and made doubly effective by lodging economic power in the hands of the same government? In other words, can the planning authority be prevented from exercising arbitrary or authoritarian control over the whole country? A government which is all-powerful economically is all-powerful politically; this fact is a commonplace.⁸⁵ The *possibility* of tyranny is obvious, the *probability* is perhaps less apparent, and the real issue.⁸⁶ The man (or government) who controls one's subsistence commands one's life—that is the problem.

There are two polar beliefs on this point: one school asserts that a socially comprehensive goal, the unity of end which seems to be the logic of planning itself, implies authoritarianism in all spheres; the opposite school maintains that there may be heterogeneity of ends within which the scope of individual action may be relatively free.

(a) *Socially comprehensive ends.*—It is astounding that socialists may be found who adhere to the proposition that socialism necessarily implies a socially comprehensive aim. When it is pointed out that the Soviet brand of communism, and the fascists in Germany and Italy are characteristically similar in recent years, socialists seem to think they have refuted the argument by asserting that under socialism such dictatorships are unnecessary, at the same time as these same socialists uphold unity of aim. This, it seems, is a logical fallacy: if one admits that *unity of aim* is a condition precedent to economic planning, or to socialism, the logic of such an admission leads directly to authoritarianism. Hayek, representing the rationale of this point of view, states, "The main point is very simple. It is that the central economic planning, which is regarded as necessary to organize economic activity on more rational and efficient lines, presupposes a much more complete agreement on the relative importance of the different ends than actually exists, and that in consequence, in order to be able to plan, the planning authority must impose upon the people that detailed code of values which is lacking."⁸⁷

⁸⁵B. Brutzkus, *Economic Planning in Soviet Russia*, p. 232.

⁸⁶G. Soule, "What Planning Might Do," 66 *New Republic* 88 (1931), p. 91, has an enigmatic statement for a planner: "If we do start to plan, there is no telling what the end may be." Perhaps some persons, like Mises, would like to know just where they are going, not that they are just on their way.

⁸⁷F. Hayek, "Freedom and the Economic System," 153 *Contemporary Review* 434 (1938), p. 436. R. Williamson, "A Theory of Planning," 5 *Plan Age* 33 (1930), states that "there must be a singleness of end" for economic planning. Cf. also B. Brutzkus, *op. cit.*, p. 76; Cassel, *op. cit.*, p. 323, where he states, "Planned Economy will always tend to develop into Dictatorship"; J. Hobson, *Economics and Ethics*, p. 219, a socialist, admits the necessity for a single authority; Tugwell and Hill, *op. cit.*, both planners, state that the substitution of social control for *laissez-faire* depends on "the surrendering of beliefs that do not fit into modern society"; Lorwin, preliminary paper, in *World Social Economic Planning*, p. 262, states "there must be some unifying center which can consciously shape the purposes of economic life . . ."; Hutton, in *The Burden of Plenty*, p. 144.

Clearly this argument does not mean that agreement on the ends be confined to blanket formulae such as "general welfare," "greater equality or justice," etc.; this is not enough for a *concrete* plan. Under present-day democracy to translate these broad ends into a quantitative scale of values involves debate in legislative assemblies. Experience has shown that representative bodies are unable to fulfil all the multitudinous functions connected with economic leadership without becoming more and more involved in the struggle between competing interests with the consequences of a moral decay ending in party corruption.⁸⁸ When economic life is subordinated to political life, there arises a demand to take it "out of politics" and to give it to an autonomous body, a planning commission; the disagreement by legislators on particular plans, strengthens this demand for giving a single person or body power to act.⁸⁹ The crisis of democratic governments today can in large part be traced to their inability to agree on policy as the functions of the state expand.

Thus runs the argument of those who maintain that unity of purpose entails the abolition of freedom. What have been the answers from the other side? Broadly speaking there are two answers which appear most frequently: (1) the Hegelian socialists assert that true freedom is something different from that type of freedom which we are accustomed to talk about, that it really consists in individual harmony with the "collective will," a will usually expressed or enunciated by the governmental head; and (2) some planners answer that it is absurd to think that the planning body either should or would plan for only one aim, that it could plan for several aims, including freedom, and strike some sort of balance between them.

The notion that true freedom consists not in individual vagaries or choice, but in the individual harmony with the socially-determined end, the common will, may be traced back to Rousseau, Kant, Hegel, and Marx. The importance of this idea in modern thought may be glimpsed from a statement by Dobb: ". . . when we speak here of 'purpose,' this cannot be conceived as something to be arbitrarily postulated, but that 'purpose' will itself be conditioned and selected by the situation of which it is a part. But to go no further than this would be to deny that human action and the forms it takes are part of the situation: to deny them any independent influence on events . . . in a socialist economy certain new relations, and hence new possibilities, will emerge, *in the shape of a new*

⁸⁸Cassel, *op. cit.*, p. 324. Cf. Hayek, *ibid.*, p. 436; also N. Wilde, *The Ethical Basis of the State*, p. 195, who comments, "Any scheme of social organization which intends to get results must . . . exercise restraint over the conduct of its members. If the root of all evil is to be found, as the socialists say it is, in economic conditions, then it is evident that salvation must lie in the strict control of these conditions. . . ."

⁸⁹Mussolini's slogan in the "March on Rome" in 1922 was simply "Action." The vacillations of the parties then in power in Italy had occasioned tremendous popular disapproval in the face of the trying times. Mussolini, a Man of Action, like Hitler in Germany, exemplifies the course of events stressed in this point of view.

type of social organization. The very fact that the statement starts with purpose and proceeds to postulate the action appropriate to the situation implies that there is a new relationship between men which gives to collective purpose a new significance."⁹⁰ In other words, there will emerge a "collective will" distinct from the individual wills. Freedom arises, according to this view, in so far as the individual will is "consistent with the freedom and happiness of all."⁹¹ This view is predicated on the assumption that the "collective will" will not be attacked by differences in individual interests, or stated otherwise, that with the abolition of classes there will be no occasion for individuals to dispute the common will in a "classless society." This latter doctrine has been discussed, and if the former argument is tenable that the abolition of the landlord and capitalist class will not result in the amalgamation of all individual conflicts, it follows that the only meaning which can be attached to Dobb's statement is the facetious, but perhaps pregnant observation, "As long as you agree with Hitler, you are free." As Hearnshaw wisely remarks, "This anomalous idea of compelling a man to be free," is the road to dictatorship⁹²—and so it has been. It is evident that this concept is not the usual one associated with the term "freedom" by Americans.

This "compelling of people to be free" leads to an interesting corollary: how far can we "compel" or "plan" people themselves? If it would be possible to plan people as well as things, then perhaps all our problems would be solved by the simple expedient of telling people what they want, and training them to be happy with what they shall get. Aldous Huxley's *Brave New World* pictures just such a society.⁹³ T. H. Green seems to think that eventually people will not want to do un-social things.⁹⁴ Whittaker observes: "A centralized authority which knows its own mind and is willing, on the other hand, to wield bludgeons in the shape of unfavourable treatment in respect of employment, social ostracism, and so forth, can go a long way in securing acceptance of its policies."⁹⁵ When the very success of the planners depends upon getting the people to believe in the scale of values which have been set up in order to receive support of the plan, it becomes almost apparent that the ruthless use of propaganda, the suppression of every expression of dissent, are essential to the very fruition of the plan. As Hayek remarks, "And man himself becomes little more than a means for the realization of the ideals which may guide the dictator."⁹⁶ A noted American sociologist (pro-planner)

⁹⁰*Political Economy and Capitalism*, p. 320.

⁹¹H. Laidler, *Socialist Planning and a Socialist Program*, p. 160. J. Frederick, *The Scope Plan*, p. 165, goes so far as to say that "Coercion in the coerced one's own best interests is no less considerate than a measure of coercion applied to an adolescent when all moral suasion has failed." Perhaps so to a point, but too strong a belief in this doctrine is the road to dictatorship.

⁹²*A Survey of Socialism*, p. 90.

⁹³This book is recommended to all planners or anti-planners as an ironical treatment of the point made in this section.

⁹⁴*Works*, vol. 2, p. 550, quoted by E. Whittaker, "Some Fundamental Questions, etc.," p. 196.

⁹⁵*Ibid.*, p. 195.

⁹⁶*Op. cit.*, p. 440.

urges: "There need be no illusions as to the complete workability of social planning. . . . We know all about the limitations of social technics and of the people involved."⁹⁷ If the "technics" are already known, then the force of the argument of Hegel and company bears our careful consideration.

If it is the belief that the only genuine freedom is the freedom of the individual to do with his thoughts, beliefs, speech, etc., what he himself chooses, then to assert that the individual who obeys a collective will is enjoying freedom is truly "a kind of slavery for the vast majority of mankind."⁹⁸ This identification of the individual will with that of the collectivity is common to German Fuhrerism, Italian Il Duceism, and Soviet Stalinism.

(b) *Heterogeneity of ends*.—The man who drops the concept of a socially comprehensive goal shifts the arena of battle. There appears to be a general failure on the part of the antagonists of planning to recognize this point of view; neither Hayek, Brutzkus, nor Mises, considers heterogeneity in aims a practicable issue, and they do not discuss it. The argument may first be presented before an appraisal is given.

In the hierarchy of proximate ends (value judgments), let us assume that every one realizes the implications of his choice. Can we logically assert that we *must* choose *one* to the exclusion of all others? Does Hayek's statement that the planning authority must determine a scale of values in order to make plans imply as much as he said it did? Does it imply that the planners cannot consider liberty, equality, productivity, security, self-sufficiency, etc., and give these some relative quantitative value in their schemata? Even the socialists seem to overlook the possibility that there is underlying the thesis of their critics an assumption that need not be true in fact.

The fact that planning by its very nature is purposeful has given rise to misconceptions. For, while it is true that planning is always planning to some end, all planning need not be to the same end.⁹⁹ This would be tantamount to placing *one* proximate end in the position of the ultimate, the same synecdochical habit of letting a part stand for the whole. Why should any one proximate end, rather than another, be selected by the planning authority? Is it not equally as conceivable that the authorities would plan for so much freedom that productivity would decline, or perhaps a state of near-anarchy impend? Some have so proposed it. Uncontrolled freedom, even anti-planners would admit, can be as iniquitous as the opposite extreme. The cursory review of the controversies that have raged around planning seems to reveal that supporters and

⁹⁷H. Odum, "Testing Grounds for Social Planning," 2 *Plan Age* 1 (1936), p. 11.

⁹⁸H. Parkes, *Marxism: An Autopsy*, p. 113.

⁹⁹W. Wundt, *Ethics* (vol. 3), contains a brief note in the last chapter in which he uses the term "heterogeneity of ethical systems"; the concept is here applied, based on the argument of Wundt when he distinguishes between an authoritarian and an autonomous ethic.

opponents alike repeatedly assume that what they consider the aim of planning is the sole aim, or at least the most essential.¹⁰⁰ Though Dickinson unnecessarily encumbers his otherwise lucid argument by recourse to an outworn class conflict tenet—lip-service at least—his statement on the aims of planning is worth repeating:

Planning is a means, not an end, and it is as possible to plan for freedom as to plan for anything else. The end to which planning is directed depends on the wishes of that section of the community which can, in the ultimate analysis, control the notions of the planning body. The price of liberty is eternal vigilance, under planning as under any other system, and if people wish to be free they must deliberately choose freedom and pursue it.¹⁰¹

The fact that there can be a balancing of one end with another which may be antithetical seems reasonable. It follows the time-honored rules of the legal profession who, admitting that Justice often closes her eyes and injustice is done, say that the best any human can do is to strive for the ideal, even though it never be quite attained. In other words, there is not an "all-or-nothing" choice before us; it is a question of adjusting the conflicting demands on our life and energies in such a way as to approach, though perhaps never attain, our ideals. Some inequality, some rigidity, some irrationality, some lack of ideal symmetry and order must perhaps be tolerated in any society. Finally, Dickinson, in stressing that eternal vigilance is the price of liberty, answers the charge that the planners seek to change man by changing his environment, that they seek to change the internal by planning the external.¹⁰² It should be remarked that Dickinson has long since left the old socialist camp, whether he realizes it or not; perhaps the credit for this movement belongs to Mises, who by calling attention to many of the socialist fallacies compelled the socialists to revamp their theories.

The gist of the argument is reduced to this: people may decide that they would rather be poor than be planned beyond a certain point and be able to give effect to this view in the organization of their society; they may decide for more equality rather than more production; and they may prefer independence even though it costs them material reduction in economic output, security, or stability. "Here, as elsewhere, however, it should be realized that there is no such thing as finality in social arrangements."¹⁰³

It seems unfair to compel a planner to adopt one aim to the exclusion of others; this is to deny him the same right the antagonist reserves for

¹⁰⁰Cf. P. Martin, "The Present Status of Economic Planning," 33 *I.L.R.* 610 (1936).

¹⁰¹*Economics of Socialism*, p. 227. H. Dalton, *Practicable Socialism for Britain*, p. 249: "There need not be only one object in our planning. There may be several, jointly pursued. And these may vary with circumstances." See also pp. 26-27, where Dalton says, "But socialism is a quantitative thing. It is a question, not of all or nothing, but of less or more. . . ." Cf. similar remarks by Lyon, *op. cit.*, p. 22.

¹⁰²R. Eucken, *Socialism: An Analysis*, gives a profound philosophical analysis of socialism and points out this fallacy; pp. 182-83: "Its [socialism's] treatment is far too narrow, too summary, too partisan. It overlooks the depths and complexities of human nature, and its action could affect only part of the surface of life . . . it makes man the centre of all effort, but its conception of human nature is too external. . . ."

¹⁰³E. Whittaker, *op. cit.*, p. 197.

himself, the right to pursue a middle course. It is generally admitted that most, if not all, actions *can* be carried to their extreme, either one way or the other. Equally agreed is that extremists (of both kinds) seldom meet with popular or commonsensical approval. Why should anti-planners either deny planners the non-extremist positions or put extremist notions into their mouths? It should be added, of course, that many planners have actually "perpetrated their own frauds."

12. *Democracy*.—The various arguments which assert that democracy is incompatible with economic planning may be summarized by pointing out that the assumptions upon which they are constructed are admissible of doubt. That the possibility of tyranny is real can be admitted at once; but like individual liberties, the price of democracy must be paid. Even under an apparently perfect constitution a democracy may act tyrannously to minorities. The objection that in trying to plan democratically conflicting group and class interests would prevent the formulation of a national policy¹⁰⁴ presupposes that the political structure of the country would be such as to require every detailed plan to be settled by Congress. Likewise, the argument that frequent elections and short terms of office would destroy the continuity of planning which is in its essence long run, while admittedly a problem of serious practical importance, does not comprehend that the destruction of plans is a necessary cost of liberty and democracy itself.¹⁰⁵

It may be admitted that representative government as it now exists is heavily encumbered by numerous details about which the representatives know little or nothing; criticisms of our existing democracies are rampant, and it is not proposed to enter into this debate. But if democracy means the ability to change the government peaceably in the interests usually of the majority,¹⁰⁶ we must admit that the particular governmental framework that a society will find best suited to its requirements is not a question of theory, but of practice. To work out the exact relations between Congress and a planning commission, for example, clearly would be a subject for a book in itself. This problem may perhaps be left to the political scientist.

E. SUMMARY

13. *Political and ethical factors in planning*.—By way of summary, it may be indicated, first, that the problem is not the form of the power, but whether it is exercised responsibly; a democracy to which we attach

¹⁰⁴See L. Lorwin's answer to this problem, "Planning in a Democracy," 1 *Plan Age* 3 (1935).

¹⁰⁵Whittaker, *op. cit.*, pp. 195-96, points out "long-range economic planning is not very consistent with the democratic form of government . . . some societies seem likely to prefer to run the risk of having plans upset (in the light of the history of elections, we must almost say, face the certainty of having plans upset) rather than give up this political institution."

¹⁰⁶Mises, *op. cit.*, pp. 70 ff., gives a discussion of the function of democracy, his conclusion being used in the above argument.

the usual significance of civil liberties is only a people organized in a particular way for government. Whether it is to be free or not will depend, not merely upon the kind of organization, but upon the manner in which it is used. The essence of freedom does not consist in the form of government, but in the character of the people, the *esprit de corps* of society, finding expression through it.¹⁰⁷

Second, it cannot be overemphasized that there is an enhanced possibility for tyranny if a group of planners seize control of the planning machinery and subordinate it to their own personal advantage. It must be recalled that the only device which statecraft has yet developed to overcome the situation where the state is both the source of law and the subject to be governed is the honesty of the state's representatives, and the integrity of its citizens.

Finally, if the issues have been presented in such a way as to enable the individual citizen to make his own choice, after a realization of the implications entailed, his good judgment may be trusted to avoid the purchase of a "plan in a poke."

14. *The place of economic theory in a planned economy.*—The emphasis placed on the political implications of planning may, at first sight, seem an unnecessary digression from the principal line of thought: viz., the place economic theory as such will have in a planned economy, if economic theory be restricted to the quantitative analysis of the effects of a certain scale of values (ends) upon the means. As it is perhaps evident, there are two basic reasons why so much emphasis has been placed on the ethical factors: (1) without a discussion of the ends of planning, the discussion of means or planning itself loses much of its practical significance; and (2) it is the writer's belief that as far as economic theory is concerned, there is nothing in the nature of the "means" which would preclude planning—or anything in the nature of the *relationship* between means and ends. The role of economic theory remains the same. If economic theory, then, defined strictly in terms of the neo-classical approach, has little to say on the desirability or undesirability of planning, the political and ethical factors assume a preponderating influence.

Finally, as far as economic theory is concerned, it makes little difference to the theoretical solution of the economic problem whether the aims of planning are determined authoritatively or democratically. Whatever the scale of values be that is laid down as a given datum, the allocation of the factors of production in accordance with that scale of values will be the same theoretically, will follow the same general principles. This point seems to have been overlooked by many writers, when they imply that if planning be authoritative, the economic problem would

¹⁰⁷Cf. Wilde, *op. cit.*, p. 190; Leighton, *op. cit.*, pp. 471 ff. Contrast Chamber of Commerce of U. S., *The American Economic System Compared with Collectivism and Dictatorship* (pamphlet).

be "easier," or simpler. It is the contention here that there is no difference in theory, though admittedly it might be much easier in practice, whether the decisions as to aims are laid down by a dictator or by means of a market for consumers' goods coupled with a democratic form of government. The difference practically would be in the relative proportions of the factors of production which would be allocated to various industries in accordance with the ends postulated. A good example of this change in practice, though not in the role of economic theory, is the changes that have occurred in the past several months of the war. In time of war we do virtually tend to approach a socially comprehensive goal in that all citizens are asked to sacrifice and bend their efforts toward a unity of purpose; the change in the scale of values as the result of such instrumentalities as priorities boards, price-control agencies, etc., can be seen on every hand: steel is diverted from non-defense industries to defense, as are various and sundry other materials. The average citizen feels the effect of this changed code of values, but it would scarcely be correct to say that the science of theoretical economics has changed thereby. The economics of war is a special study in the allocation of real means to a specific, real end.

CHAPTER III

THE PLACE OF A PRICING MECHANISM

1. *Introductory.*—Economic freedom, as distinguished from political freedom, which was discussed in the last chapter, is commonly taken to include freedom of consumers' choice, freedom of choice of occupation, and freedom of entrepreneurial activity. Since economic planning vests in the state the sole ownership and operation of the means of production, it implies the abolition of entrepreneurial activity by individuals; perhaps in the case of individual services, such as domestic servants, some "private sector" may be permitted in actual practice.¹ Freedom of occupational choice will be discussed in chapter 5. This leaves the problem of consumers' choice as the subject matter of this chapter.

Consumers' choice in essence is an extension of the problem of chapter 2. The problem may be presented as an issue between those who propose to plan consumption as well as production, as the communists, and those who prefer to maintain a price mechanism for the allocation of finished goods among consumers, as the modern socialists. In other words, is economic planning compatible with permitting the individual freedom to select consumption goods which are currently offered on a market? And, if so, to what extent is planning compatible with this freedom, and what kind of a market would best satisfy the requirements?

The pricing of consumption goods, or the allocation of them among individuals, may for convenience be called the "short-run" problem of price determination under a planned economy in order to distinguish it from the "long-run" problem of allocating the factors of production, a division which follows the neo-classical treatment of the subject. It is first necessary to dispose of several misconceptions about the problem.

A. THE CONCEPT OF CONSUMERS' PREFERENCE

2. *Planned versus unplanned consumption.*—Should the planning authority plan for what the consumers "want," or should it plan for what the consumer "needs," and how far can it plan to satisfy all the consumers' wants? From these questions it appears that the scope of the "ends" of economic planning has, by implication, been restricted to the

¹It is not proposed to discuss the size of the area of the private sector in this study. It undoubtedly would be an important problem in practical life; the difficulties that the Soviet Union has experienced with the "kulaks," agriculture in general, private retailing, the hiring of a few laborers by an individual, exemplify the nature of the problem. See B. Wootton, *Plan or No Plan*, ch. 2, where she discusses the Russian problems; C. Hoover, *Economic Life in Soviet Russia*; L. Hubbard, *Soviet Money and Finance*. An impartial presentation of this problem in theoretical form is given by R. Hall, *The Economic System in a Socialist State*, chs. 2 and 8. In chapter 8, Hall discusses the distinct problem of small enterprises, and suggests that some arbitrary—say some number like 10—be established for convenience sake to fill the gaps between the main structure of industry and the old capitalist system.

postulate that economic activity is to be directed toward the satisfaction of individuals, though the quantitative amount of which remains unsettled; this, however, does not seem to be an unreal assumption, since it seems obvious that even the Hegelians would not go so far as to assume that without individuals there could be a "reality," a "collective will." It is, furthermore, impossible for any society to continue to exist without providing for at least the basic necessities of life—food, clothing, and shelter; even the Pharaohs of ancient Egypt found it necessary to maintain their slaves and citizens with a minimum of subsistence while the major portion of the nation's energies were poured into the construction of pyramids, canals, etc.²

But how much freedom is to be given the consumer under planning? With regard to the significance of pricing for a planned economy, writers seem to be divided into two schools of thought: those who hold that the individualistic assumptions behind the pricing process have no relevance for a planned economy, and those who hold that they have.³ The first school rejects the notion that the demand schedules of individual consumers give any adequate indication of human needs; in other words, they reject the assumption that the individual knows best what is good for him. Dobb presents this view, as follows:

The virtues of "economic democracy" which it confers on a free market rest on a similar sacredness of individual choice to the virtues of Parliamentary democracy. . . . The highest economic good consists in giving the consumer what he thinks he wants, as political good consists in giving the people the government it thinks it deserves. Both conceptions are part of our bourgeois heritage from the nineteenth century. But there is no need to show that there are fallacies in the latter to demonstrate that there are fallacies in the former. The effect of the advertiser on economic choice may be taken as a fair parallel to that of the Press magnate on political opinion: both damage the sacredness of the popular verdict pretty ruthlessly; in both spheres it would seem that bad money drives out good. But in the economic sphere there is not even an approach to universal suffrage; on the contrary, a widely graded system of plural voting is the rule. Some men poll each a thousand votes to another's one.⁴

It should be admitted in fairness to this position⁵ that there is something to be said for planning consumption as well as production. In the first place, the planning authority would have to weigh the undesirability of unemployment against the undesirability of limiting the freedom of choice of buyers. The fickleness of consumers' tastes often upsets the

²Cf. Hall, *op. cit.*, pp. 46-47.

³Note that the point is not whether pricing of consumers' goods is possible or not; this matter is discussed later in this same chapter, and for the present it is assumed that it is a matter of whether we *should* permit a pricing system, not whether we *can* permit it at all. Dobb confuses these two issues.

⁴M. Dobb, "Economic Theory and the Problems of a Socialist Economy," 43 *E.J.* 588 (1933), p. 591. Dobb is criticizing H. Dickinson, "Price Formation in a Socialist Community," 43 *E.J.* 237 (1933); this article by Dickinson is incorporated in his later work, *Economics of Socialism*. References to Dickinson henceforth will be to his later work unless specifically stated otherwise.

⁵Typically a communist principle which envisages authoritarian planning not only of production but of consumption, in conformance with the communist principle, "to each according to his needs." Cf. Dickinson's remarks on this point, *ibid.*, pp. 31 ff.

best-constructed plans, at least under modern conditions. Plants may have to close down as a result of the shift in demand, other plants may have to be expanded, new machinery introduced, and as a consequence unemployment (perhaps only temporary) would result. This would represent an incompatibility between consumers' choice and that degree of economic security and centrally planned production which seems desirable to many persons.⁶

Second, though variety would inevitably be sacrificed, it may be that hitherto we have placed too high an estimation on freedom of choice—perhaps freedom has degenerated into license. In the case of articles which admit of standardization without loss of aesthetic or utilitarian value, there is much to support this view. A countervailing argument indicates, however, that variety itself is a good, and a good for which people will willingly make sacrifices; it cannot, it would seem, be heedlessly cast aside. Private enterprise has given us variety, and in detail it has given it surprisingly well.⁷

Third, undoubtedly the fact that there now exists great inequality in income and wealth permits our pricing mechanism to give "plural voting" to those who are rich; but this argument would be weakened materially if it be assumed that under the new order greater equality would prevail.

Finally, it must be admitted that some "needs" are imperfectly recognized by individuals. It would not seem intolerant, for example, to act on the assumption that no one wishes for smallpox or typhoid fever, whatever he may say; therefore, an authoritative system is far the best. The individual may not do when he is active what he agrees to be desirable when he is reflective. Everyone will probably agree that there ought to be a universal system of public health, and few would stand out against universal public education. Because the immediate effects of neglect are usually small, it is probable that many will not do for themselves as much as they feel that their neighbors should do; they must, in other words, be forced to have as much as they want: there should be no danger of wasteful consumption as there would be if there were a free supply of goods more immediately pleasant.⁸

The central point of Dobb's attack, however, is directed against what he calls the "sacredness" of consumers' preferences; he appears to argue that a free pricing system is necessary in order to give people what they want, but to deny the advisability of so doing. Lerner has a direct answer to this point of view:

⁶Cf. E. Burns, in *Socialist Planning and a Socialist Program* (H. Laidler, ed.), p. 24.

⁷As R. Burrows (*The Problems and Practice of Economic Planning*, p. 10) remarks, "All things considered, the surprising feature of our present system is that it works as well as it does, in its attempt to cater for the everchanging tastes of innumerable consumers, by processes of production which are lengthy and necessarily undertaken in anticipation of demand." It seems, however, that Dobb and his fellow planners deplore this fact. Cf. R. Wilson, in *National Economic Planning* (W. Duncan, ed.), p. 72.

⁸Cf. Hall, *op. cit.*, pp. 56-57, wherein he makes a similar analysis; and Dickinson's "communal" area of consumption, such as protection, etc., *op. cit.*, chs. 3-4.

A superior contempt for the tastes and judgment of the "masses," and a paternal solicitude in choosing for the people what is good for them, does not seem to me to be the avoidance of an unscientific major premise about "sacredness." It consists rather in supplanting the democratic assumption that—in the absence of vitiating factors—people try to get what they like by the much more suspect proposition that somebody else (the Government, Mr. Dobb?) knows better than the people themselves what is really good for them.⁹

The issue is then not an economic one, but a political one, and the fact that all consumption would be planned does nothing other than set up the planning authority's scale of values for those of a market. Since the authority would control demand beforehand, it is apparent that the chance for its making errors in calculating the trend of future production to balance a forecasted demand would be minimal. It could equalize the marginal returns more readily in actual practice were consumption planned.¹⁰ As Landauer states the case, "Thus it is a political decision through which the relative weight of the desires of individual consumers is determined. Not from the nature of human desires, but from the distribution of authority in society or from the ethical principles upon which a given society is built, can we understand why wants which have the same place on the scale of preferences with separate individuals have different social weights, and therefore are expressed by different figures of social values."¹¹ It is clear that if it disposes of sufficient force, the authority can impose anything which it chooses on the community up to the limit of the productive resources which are available.¹² But even here it must construct an order of preference, since it is scarcely conceivable that all the possibilities which occur to its leaders can be satisfied together.

These arguments go behind ordinary economic investigations, which deal with the way men behave rather than with what lies beneath their behavior. But it must be admitted that most economists suppose that there is some connection between what men say they want and what they do want.¹³ The dangers of admitting that it is to anyone's interest to

⁹A. Lerner, "Economic Theory and Socialist Economy," 2 *R.E.S.* 51 (1934-1935), p. 54. Lerner and Dobb were carrying on a controversy about this issue in the periodicals; the quotation, including the parenthesis, is extracted from Lerner's reply. See Dobb's reply to Lerner, 2 *R.E.S.* 144; and Lerner's rejoinder, 2 *R.E.S.* 152.

¹⁰Cf. A. Gourvitch, "The Problem of Prices and Valuation in the Soviet System," 26 *A.E.R. Supp.* 267 (1936), pp. 271 ff., for a discussion of the Russian system, in which free consumers' choice is not the goal.

¹¹C. Landauer, "Value Theory and Economic Planning," 3 *Plan Age* 217 (1937), p. 220. K. Mandelbaum and G. Meyer, "Zur Theorie der Planwirtschaft," 3 *Zeitschrift für Sozialforschung* 228 (1934), designate this problem as one which deals with the degree of control which is exercised over economic activities; (1) administrative socialism, strongly centralized, with no consumers' markets; and (2) market socialism, relatively decentralized. C. Hoover, "Some Problems of Economic Planning by Government," 4 *So. E. J.* 277 (1938), p. 278, points out this same problem.

¹²Hall, *op. cit.*, pp. 44-45 states, "For since some central body imposes the forms of economic activity on the community, it can impose anything which it has the power to enforce."

¹³*Ibid.*, pp. 47-51; Dickinson, *op. cit.*, p. 32. The old controversy between the economist and the psychologist as to the appropriateness of the former's assumption of the "economic man" is implied in this argument. Florence has an able answer to the psychologist's claim that the "economic man" is a false assumption, see *op. cit.*; cf. Hawtrey, *The Economic Problem*, for a slightly different answer. Wootton, *op. cit.*, p. 174, remarks, perhaps circumspectly: "The fact of the matter is . . . there is *never* any certain answer. The nearest we can get to an answer at the best of times is by observing how consumers behave when left to themselves . . . ; which, in practice, is not very near." (Choice always limited by prior decisions of producers, and advertising, she adds.)

have imposed upon him the ideas of someone else, seem only too obvious. Under such an assumption pure rationing becomes the method of distributing goods and services. Aldous Huxley, in his novel *Brave New World*, described such a collectivist state in which the problems of production and distribution from the economic point of view are surmounted by adapting the community to what they are going to get.¹⁴ Instead of adjusting satisfactions to wants, wants are adjusted to the available satisfactions; and this method is possible, perhaps, to all economic systems.

One might even go further and justify planned price manipulations on grounds that it is impossible under present conditions to account for the indirect social consequences of a certain choice or productive direction; the concept of "social costs" as compared with individual private costs here becomes much more definite and comprehensive. If certain restrictions or encouragements through price and output regulations specifically help to minimize unemployment and other social wastes or to increase economic stability in a relatively equalitarian society, perhaps most people would be in favor of this kind of "interventionism."¹⁵ In this connection it is perhaps clear that when economists employ the term "free market mechanism," they should not imply that such a "free market" exists under modern "interventionist" conditions: to a very considerable extent we have in most modern states a form of "rationing," in the sense that the state or some other body interferes with a so-called free market; a failure to recognize this fact has led some persons to attribute too much to the market system.¹⁶

The chief objection to the proposal that the planning authority should ration consumption goods lies in the practical problem of doing so. The impracticability of doling out incomes in actual goods and services would necessitate the use of some sort of certificates of title, or if the goods were distributed in an arbitrary manner, the same problem would arise. The fact that some of these certificates, or the commodities which they

¹⁴Dickinson, *op. cit.*, p. 32, points out: "The powerful engine of propaganda and advertisement, employed by public organs of education and enlightenment instead of by the hucksters and panders of private profit-making industry, could divert demand into socially desirable directions while preserving the subjective impression of free choice." The writer is not always sure just which side of the fence Dickinson is on; whether he is a "people planner" or not. This statement seems unambiguous, but Dickinson later swings over to the other side and assumes consumers' freedom; a fair interpretation of his view, like that of Dobb's, may be that they both favor a certain amount of "planned consumption," or rationing in the case of such things as public health, education, etc., though Dobb seems to go further than Dickinson. It would scarcely be necessary to call the reader's attention to the psychological fact that there may be a limit to the extent propaganda can "fool the people," at least in peace time. Once the motive behind the propaganda is discovered, its desired effect is emasculated; it is the writer's belief that planning people would meet with such tremendous forces inherent in individual personality itself that complete success would be impossible. This opinion, however, is not a qualified one; the psychologist should be consulted on its validity.

¹⁵A. Pigou, *Economics of Welfare*; cf. the discussion of interventionism, and the discussion of social costs in chapter 2. See also Mandelbaum and Meyer, *op. cit.*, for a similar argument, pp. 230 ff.

¹⁶L. Robbins, *Economic Basis of Class Conflict*, p. 186, remarks, "Now I can understand the socialist objection to a system of economic freedom that such a system satisfied the *wrong* consumers—that the unequal distribution of income gives the productive machine a 'set,' so to speak, which unduly favours those with the largest incomes. . . . But I cannot understand socialist objections to the criterion of consumers' valuations in general. On this point, surely a democratic socialism and utilitarian liberalism are at one. For what is the end of production save the satisfaction of consumers' wants?"

represent, would possess greater desirability, absolutely or relatively, to some members of the community than to others, would lead to exchanges between them. A sort of Black Bourse would arise among them; the man who prefers beer to cider will get rid of his cider for beer to the man who has opposite tastes, and so on. This sort of barter, though it renders exchange more difficult than in the case of a legal market, would conform to the economists' explanation of why exchange itself arises in any instance: the different intensities of demand of individuals for goods and services. From this argument, the use of money may be deduced as necessary even in the most rigid type of plan,¹⁷ and we might go so far as to state that an authority which aims at equality of income *must* give the consumers some choice.¹⁸

If it be assumed, therefore, with Hall, Dickinson, and most of the other recent writers,¹⁹ that some choice shall be given the consumers, the conclusion that it is necessary to estimate what people want before supplying goods cannot be avoided. When the resources are scarce it is a waste to supply any but the most urgent wants: there is a loss when any want which is satisfied thereby precludes the satisfaction of a more intense one. And there can be little doubt that a rationing system which goes beyond the primary necessities of life will constantly find itself with supplies of goods which are hardly wanted at all. But there is implicit in this statement two preliminary problems which must be disposed of before discussing how best to find out what people want. The first problem is that associated with the principle of the insatiability of human wants, an assumption which has been tacitly made in the preceding statement, but with which some persons do not seem to agree. The second problem is a more subtle one, perhaps: do consumers "originate" production, rather than passively "pass judgment" by the distribution of their income among articles already produced? This second problem is called consumers' sovereignty versus consumers' preference.

3. *The "Age of Plenty."*—A slightly different variation of the argument that consumption should be planned is the claim that fundamentally man's "needs" are capable of being satiated; since the benefits to be derived from goods diminish rapidly as their quantity increases, all the important wants of individuals can be satisfied without resort to the intricacies of money and consumer's choice. This school of thought points out that there is a tremendous waste in competitive advertising which seeks to convince people to buy things they do not "need," but are

¹⁷Hall, *op. cit.*, pp. 52-53; Dickinson, *op. cit.*, p. 3; and Burrows, *op. cit.*, p. 53, seem all to agree on this argument.

The necessity for the use of money, opposed to the communist argument that money should be abolished, is assumed in this chapter; the proof of the statement will be given in the following chapter.

¹⁸Cf. Hall, *op. cit.*, p. 53.

¹⁹Practically all the writers, with the exception of Dobb, assume a market for consumption goods; Dobb does not exclude it explicitly.

made to want. As a corollary to this argument, the proponents deduce that we are actually living in an "age of plenty," in which scarcity no longer exists. This school of thought is best represented in America by the technocrats, whose leading lights include Stuart Chase,²⁰ Howard Scott, and his technocratic followers.²¹

In order to deduce an age of plenty it seems necessarily implied that wants are satiable; from this would follow standardization (the elimination of variety), increased production, and thus the eventual abolition of scarcity; moreover, it implies the rejection of the doctrine that the individual knows best what is good for him. As Florence states it:

The engineer in his logic, based purely on physical and technical consideration, . . . would assume complete adaptability in human nature to the conditions of production he imposes. Or, short of that, he would force human beings into accepting the more efficient production.²²

The advantages of this position are the simplicity of the economic mechanism and the difficulty of criticizing it; if individual choice is thus not a guide to individual ends, or if those are of no social importance, the studies of economists become to a large extent of no practical use—like a "work on ballistics which assumed the force of gravity to be negative."²³ The reply to this argument that "we have passed from the economics of scarcity to the economics of plenty," has been admirably summarized by Beveridge:

²⁰Chase has written so many books and articles on the subject of the "Age of Plenty," the title to one of his books, that to attempt to list all of them would involve a considerable bibliography. His book *Men and Machines* states his argument in a popular and interesting manner. In fairness to him, it should be added that in calling specific attention to some of the wastes of advertising and modern industrial problems, Chase and those like him have performed a service.

²¹The technocratic literature is very extensive; a few of the well-known works in which the main argument of this school may be found are listed. Reference to some of their other points such as economic calculation by means of "ergs" or some other engineering-physical unit, will be made later:

H. Scott and others, *Introduction to Technocracy*.

F. Arkwright, *The A B C of Technocracy*—critical review.

A. Raymond, *What Is Technocracy?*—critical.

F. Soddy, *Wealth, Virtual Wealth and Debt*—one of the early founders.

T. Veblen, *The Engineers and the Price System*, which may be called the Bible of the Technocrats; it is a matter of conjecture whether Veblen himself would adhere to all the subsequent arguments advanced by some who profess to be his followers; he was too much of an economist to let pass such ideas as "ergs."

H. Leach, *The Paradox of Plenty*. The title gives a clue to his belief that we have an economy of "superabundance."

G. Laing, *Towards Technocracy*. His book is more critical than most of the "orthodox" technocrats.

L. Loeb, and associates, *National Survey of Potential Product Capacity; Life in a Technocracy*; both of which attempt to show that we have an age of plenty by a survey of America's potential productive capacity. Perhaps one should contrast this with Brookings Institution studies *America's Capacity to Produce and America's Capacity to Consume*; a less sanguine conclusion is reached in these two volumes.

W. Pelley, *No More Hunger*.

W. Polskov, *The Power Age*—a slight variation to technocratic lines.

S. Maxwell, *Plenocracy; Thinking Plenocracy Through; I Am in Action*. The three books have a vague mystical doctrine based on an analogy between our earthly existence and the solar system. The writer confesses he does not comprehend the import of these volumes completely; they seem, however, to imply an age of plenty, and are listed here as such.

P. Martin, *Prohibiting Poverty*.

W. Parrish, *An Outline of Technocracy*, critical, and a fair and clear presentation of the argument.

A. Hutt, *This Final Crisis*, though not a technocrat, but a socialist, he implies an "age of plenty."

The technocrats claim for their sponsors such famous men as the late Chas. Steinmetz, Bassett Jones, Maj. C. H. Douglas, John Dewey, and R. H. Tawney.

²²P. Florence, *The Logic of Industrial Organization*, pp. 46-47.

²³Hall, *op. cit.*, p. 47. Hall's comment was in direct answer to Dobb's position.

Yet one has only to open one's eyes to see it as a dangerous delusion. The great majority of mankind are still poor; condemned, for all the help of the machines, to labour longer than they desire and to go without many things that they want; the equal addition to the poor of all the seeming superfluities of the rich, if it could be brought about without general loss, would be quite insufficient gain.²⁴

In other words, the Principle of Scarcity is, as Cassel has served to emphasize,²⁵ the *raison d'être* of the science of economics; if nothing were scarce in relation to the human wants for it, then we have no use for such a word as "economics," because there would be nothing to "economize."²⁶

Under present circumstances and those which one can conceive of in the future, the scarcity not only of labor but of land and capital constitutes what is called the economic problem and arises from the disparity between our wants and our means of satisfying them.²⁷ If, as Beveridge says, there is not enough of the products of this earth to satisfy everyone, a choice is necessarily involved; the utilization of the factors in alternative uses works towards a variety of products, but every decision means that each of the other possible uses must be renounced. It seems, therefore, that a planned economy would have the same problem in common with any other economy.

4. *Consumers' sovereignty versus consumers' preference.*—The allocation of existing consumption goods among individuals in itself would not include the more important problem of *what* goods will be offered among which consumers may choose. In other words, the desirability of permitting consumers to make their own choice among the goods and services offered (to forego rationing, or "planned consumption") does not settle the issue of planned or unplanned consumption unless the range of choice actually offered the consumer is considered; obviously, if there is nothing produced for which the consumer may exercise his "choice," there is no "choice." The problem arises, therefore, what kinds of goods shall the authority make provision for? Shall it attempt to provide ten varieties of soap, or just one, shall it produce 16-cylinder automobiles or not?

It has been contended by some persons that since the end of production is commonly considered to be consumption, consumers should decide on what is to be produced. This argument has taken the form of enlarging the concept of consumers' freedom to include a new concept, "consumers' sovereignty." The confusion between the two processes involved in the direction of production—namely, what is to be produced in the first instance, and secondly, how the goods and services once pro-

²⁴W. Beveridge, *Planning Under Socialism*, p. 28.

²⁵G. Cassel, *The Theory of Social Economy*; see especially chs. 2, 3, and 4.

²⁶Cf. Dickinson, *op. cit.*, pp. 41-43.

²⁷Note the similarity of the statement of the economic problem to that given by Hall, *op. cit.*, pp. 2-3; and R. Hawtrey, *op. cit.*, ch. 1.

duced are to be distributed—seems to pervade the discussion of professional economists. This confusion seems implied in Mises' statement: "When we call a capitalist society a consumers' democracy we mean that the power to dispose of the means of production, which belongs to the entrepreneurs and capitalists, can only be acquired by means of the consumers' ballot, held daily in the market-place."²⁸

Hutt employs the term "consumers sovereignty" to designate the concept that consumers should in fact "dictate" or originate what producers are to create.²⁹ This term, however, implies certain notions that can scarcely be called real, even under capitalistic conditions. It implies (1) that now consumers' preferences are independent and autonomous, which would not be the case if we admitted the influence of advertising, state interventions, and the existence of monopolies or semimonopolies; (2) that preferences on the side of demand are fundamentally and in principle more important than those on the side of supply, or that the owners of the factors of production need not be consulted equally with the buyers; and (3) that the best use of resources is that which gives the fullest expression to the will of the people *as consumers*, which would preclude their wills *as producers*.³⁰

Though the natural sequence of events would seem to be for the consumer to start the process of production by giving an order for whatever he needs, in reality it is altogether exceptional for the consumer to take the first step, so exceptional that in an outline sketch of this nature the case where he does so can be disregarded. The consumer, as Hawtrey points out, is passive.³¹ For this there are a variety of reasons. In the first place consumers in general do not easily *originate* anything; they are not competent to take the initiative even in promoting the satisfaction of their own wants. The man who has this "inventive faculty" will probably find it worth his while to make use of his talents not only for his own benefit but for that of his neighbors. Secondly, even those who have the gift of initiative seldom have the time necessary to use it for the satisfaction of their own wants. Thirdly, for the greater part, the commodities now available for the consumer are produced in large quantities after uniform patterns. If the consumer is to have the advantage of the cheapness obtainable only by large-scale production, he must be content with the same pattern as his neighbors. The pattern will

²⁸*Socialism*, p. 21. See also *On the Economic Theory of Socialism* (B. Lippincott, ed.), p. 9, and F. Taylor's statement in the same volume, p. 42, in which the following words appear: ". . . the citizen to dictate just what commodities the economic authorities of the state should produce." Cf. G. Halm, in *Collectivist Economic Planning* (F. Hayek, ed.), pp. 179-80; B. Brutzkus, *Economic Planning in Soviet Russia*, pp. 70-71, 44-46, for a similar statement about the Soviet system of distribution; he applies his criticism to the device of fixing prices, which accomplishes the same thing as planning consumption or rationing.

²⁹W. Hutt, *Economists and the Public*, chs. 15 and 16. The term is borrowed from this source.

³⁰L. Fraser, "The Doctrine of 'Consumers Sovereignty,'" 49 *E.J.* 544 (1939), has given a forceful criticism of this doctrine.

³¹*Op. cit.*, pp. 19-20. His discussion is an early one which some seem to have overlooked.

be originated by either the producers or someone who orders articles from them, such as dealers.

Finally, even where the product is not manufactured in mass, but each article is produced separately and has individual qualities, the consumer in most instances may still prefer to see the completed article before he buys it, rather than commit himself by ordering it from the producer.³²

Perhaps economists should, therefore, take Fraser's advice by dropping the whole term "consumers' sovereignty" from their writing and thinking, and employ simply "consumers' preference," provided, everyone understands what that term means.³³ The reasoning above leads to this conclusion, it would seem: the right of consumers to choose among alternative goods already produced is a right which is passive in action, or retrospective. Briefly, by voting for one commodity rather than another, the consumer registers his disapproval or approval of something which is antecedent to his voting; but this negative characteristic is not to be assumed to be worthless. Without that power, the consumer loses a tremendous amount of personal freedom; if he be issued money which he may distribute on purchases as he sees fit, rather than being issued ration cards, the difference is almost comparable to that of a free man and a slave.³⁴

Immediately, however, there is a potent objection to this line of reasoning; namely, the difficulty which arises when the influence of an individual buyer rapidly diminishes with the increased size of the control over supply—complete control under a state planned economy. This danger has led Van Biljon to conclude that "The value of the market as an indicator of real demands will, therefore, . . . deteriorate with the lapse of time."³⁵ The possibility that the planning authority will overrule the consumers' "votes" by the simple expedient of not producing things which the consumer might want or producing what he might not want should not be minimized. Wootton stresses this point: ". . . in the planned economy, there is no such definite limit [i.e., retreat from producing something which consumers do not want] since mistakes can

³²Cf. *ibid.*, p. 20; Beveridge, *op. cit.*, pp. 12-13, makes a distinction similar to that made here when he comments: "The consumer cannot, under capitalism or under socialism, choose except between goods which are on the market and he cannot choose goods which are beyond his means; that is why I have spoken of consumer's choice, rather than consumer's freedom." Wootton, *op. cit.*, p. 173, states: "In every complex economic system the initiative *must* lie with producers and sellers; that much is true of a planned and an unplanned economy alike."

³³The elusive controversy carried on by Dobb and Lerner seems to have arisen because neither made clear to the other that he was talking at one time about "what will be produced," and at another time, about "how existing commodities will be distributed." Dobb, besides holding that authoritative planning of consumption is necessary (in his first article), retreats to the position (in his rejoinder, p. 148) that the pricing system "might . . . generally be the most convenient" method of distributing goods. At the same time he believes that "it would need to be modified by collective judgments in a large number of cases [e.g., in questions of new wants, in decisions concerning standardization versus variety, in certain questions as to the quality of tastes, and in questions of long-sighted versus short-sighted demand], and by supplementary methods of registering consumers' verdicts, operating outside the pricing system." It may be remarked that this is essentially the position taken by Dickinson, Lerner, and the writer.

³⁴Cf. R. Burrows, *op. cit.*, pp. 31-32.

³⁵F. Van Biljon, "Competition and Centralized Planning," *5 So. Afr. J.E.* 441 (1937), p. 450.

be covered up by subsidizing one article out of the profits of another, or manipulating the purchasing power of consumers, or by similar devices which are open only to those who control virtually the whole economic life of the community, and not merely certain industries.³⁶

Once again we are brought face to face with the political problem of how to prevent the authority from overriding the consumers' expressed wishes. Perhaps the rather frequent return to this point will be forgiven, because, in the writer's opinion, the significance of the political problem cannot be exaggerated; it is felt that on this issue, as well as its allied political problems, the real force of the argument for and against economic planning should center.

It seems necessary, therefore, to assume that definite checks may be set up to control the authority in such a way as to prevent it from exercising its monopoly powers to exploit the public. On the basis of this assumption, it has been proposed that the authority in trying to satisfy consumers, as one end of its planning, might adopt several devices to estimate demand.

B. THE ESTIMATION OF DEMAND

5. *The role of consumers in originating production.*—In order to devise some method whereby the consumer could express his own opinion as to what should be produced, some persons have suggested that advisory bodies of consumers, a representative assembly, or experts' opinions might be utilized.³⁷ There appear almost obvious limitations to these methods: (1) the nature of production is of such a highly specialized type involving expert knowledge, that a representative assembly, or advisory bodies could scarcely be considered competent to make any very valuable suggestions, though perhaps some use could be made of their services; (2) the average consumer would not have the time necessary to devote to the study of suggesting improvements in products or inventing new ones; (3) experts may give their opinions as to the technical problems connected with production—e.g., doctors may give advice on public health, engineers plan the sewers, dieticians control the food, educators the schools—but it seems unsafe to leave the expert the decision of how far the service is to be developed, and what proportion of the total social income should be allotted to its use; and (4) without some prior knowledge as to what the costs of producing articles would be, none of these groups could be of much service. In short, the success of the planned economy in introducing new products and adapting old ones to new uses will remain a practical problem of personnel, the willingness of the managers of industrial plants, and the planning authority, to take the initiative in developing new ideas. On this problem it is not the purpose here to

³⁶*Op. cit.*, pp. 173-74. Her discussion concludes that such need not be the case; but the example of Russia can be taken as illustrative of this very device.

³⁷Dickinson, *op. cit.*, pp. 44-51.

elaborate; it shall suffice perhaps merely to comment that there is no *a priori* reason why the personnel under a planned economy should be any less efficient than under present conditions; provided, however, that certain incentives to labor be adopted.³⁸

Another device which has been suggested as a means to estimate demand is that of soliciting consumers' opinions through questionnaires, ballots, etc., and the classification of these opinions in statistical form. Evidently this suggestion arose largely as a result of the criticisms of socialists who had proposed not to use such an "orthodox" mechanism as a market upon which prices could be registered. For convenience this suggestion may be called the "statistical derivation of demand."³⁹

Dickinson, in an article in 1933, suggested that "demand schedules for both consumption and production goods be constructed as one of the most important duties of the statistical services attached to selling agencies, and the productive organs of the Supreme Economic Council."⁴⁰ He reasoned that "Under capitalism, demand schedules are apt to exist in the realm of faith rather than in that of works, but within the glass walls of the socialistic economy they would become much easier to draw up."⁴¹ Lerner criticized Dickinson's use of statistically determined demand curves on the obvious ground that the demand for one commodity is not a function of its price alone but of the prices of all other commodities.⁴² It seems, however, that Dickinson's position was not clearly understood, though perhaps some of the blame goes to him for not making it clear. He stated explicitly in his earlier article: "Theoretically, the task is a very difficult one, since the demand for one commodity is not a function of its price alone but of the prices of all other commodities. Practically, the task could be solved to an approximation sufficiently close for the guidance of the managers of industry, by taking groups of more closely related commodities (composite supply and joint demand) in isolation from other groups."⁴³ This emphasis on the demand schedules to be derived statistically is, however, only an abbreviating term entirely legitimate in a theoretic synopsis; the demand schedule only systematizes the observation that any businessman forms on the probable reactions of

³⁸The incentives to labor will be discussed in chapter 5. Cf. Hall, *op. cit.*, especially ch. 5, on the practical problem of personnel, its selection, training, and efficiency.

³⁹Dickinson, *op. cit.*, pp. 46-47, seems to suggest that statistical demand curves could be drawn up, on the basis of which the planning authority could *direct* production. The import of his whole writings suggests, however, that he did not intend these demand curves to be derived in the absence of a pricing mechanism. The term "statistical derivation of demand" should not be construed to mean the same as it does where prices are known and demand tables are drawn up based thereon.

⁴⁰H. Dickinson, "Price Formation in a Socialist Community," 43 *E.J.* 237 (1933), p. 240.
⁴¹*Ibid.*, p. 240. Dickinson, in his recent book, *Economics of Socialism*, tempers this statement so that the criticisms will be met; see pp. 62-64 in the latter work for his discussion.

⁴²A. Lerner, "Economic Theory and Socialist Economy," 2 *R.E.S.* 51 (1934-35), p. 53. Cf. L. Walras, *Éléments d'Économie Politique Pure*, p. 163, for a statement that demand is not a function of one price but of the prices of *all* other commodities as well.

⁴³*Op. cit.*, p. 240. This "lip-service" to Walras and others is not only "lip-service" as Lerner, *op. cit.*, p. 52, claimed, but Dickinson, it is believed, assumed that statistical demand curves could be more easily utilized under socialism than under capitalism.

his customers, in terms of demand volume and price, to changes of price or supply.⁴⁴

It seems virtually impossible to utilize questionnaires or ballots to solicit consumers' opinions. Since there would not be enough to supply everybody's wants, an order of preference would be required. But until an individual knows how much he is going to have of a commodity he cannot say how much he wants it, while his decisions will in any case be affected by what he is going to get of other things. He will be very much in the dark until he knows what is going to be available and in what proportions. In short, any system of direct inquiry will be cumbrous, imperfect, and necessitating constant changes, and it may lead to the setting up of a series of barter transactions as in the case of rationing or "planned consumption." The consumer must know "the terms upon which alternatives are offered,"⁴⁵ and, as Cassel pointed out, "The demand of the individual consumer for a particular article is . . . not determined until the prices of all articles that can be objects of his demand at all are fixed."⁴⁶

We may go so far as to say that everyone who is choosing between alternatives, of which he can have only one with the material at his disposal, is performing an economic act. There must be calculation, whether it is conscious or not. But the results of the calculation are likely to be poor ones if no unit is employed and if the calculator is unaware of what he is doing. We know in a vague way what people want at present, and we could, perhaps, make a statistical inquiry which would show us exactly what their wants are—but this would be derived from existing prices. Anyone who thinks that it is easy to tell what is going to be good for the community is either imposing his own ideas or unconsciously using his experience of prices which express the consumers' ideas. Any method of allocating consumption goods among individuals must, by the nature of the complexity of the system, employ some convenient device whereby the consumers may compare, or, in other words, calculate, the desirability of one article with another; this presupposes the existence of money as the common denominator of value.⁴⁷

6. *The function of a price mechanism for consumption goods.*—In a planned economy the significance of the price mechanism, like that in the present system, is simply that it offers a convenient means of knowing the "terms upon which alternatives are offered." It serves as a means whereby consumers may make decisions in their assumed attempt to

⁴⁴Cf. E. Heimann, "Literature on the Theory of a Socialist Economy," 6 *Social Research* 88 (1939), p. 105, for a similar defense of Dickinson's (as well as others who realize the limitations of demand schedules) synopsis.

⁴⁵P. Wicksteed, *The Commonsense of Political Economy* (Robbins, ed.), pp. 21, 27, 36.

⁴⁶G. Cassel, *Theory of Social Economy*, ch. 4, sec. 16, p. 136; see also ch. 3, sec. 11, and the remainder of ch. 4 for the mathematical expression of this proposition. Cf. *ibid.*, p. 21.

⁴⁷Cf. Hall, *op. cit.*, pp. 49-60.

equalize their marginal satisfactions from various sources.⁴⁸ It has the further advantage that it is capable of registering an almost infinite gradation of values, and, where its operation is not obstructed by forces working counter to it, of adjusting its activities to these gradations. In other words, a price is by its very nature an instrument of quantitative comparison, and a finely constructed instrument at that.⁴⁹

It is sometimes argued that it does not matter whether the price mechanism of a planned economy is an economical one or not.⁵⁰ If this means that mistakes must be tolerated for the sake of the other advantages, the position seems logical and everyone is free to choose between the mistakes of one system (e.g., the capitalist one) and another. But if it means that it is not necessary to have some criterion for the choices which the leaders of the state will have to make, it seems to betray ignorance of the process involved in choices. Every choice that is made, either by consumers or the planning authority, expresses some sort of preference, and the result of all of them is a price system, which is only a set of relative valuations expressed in terms of one of the things which are being compared; this is a necessary simplification if practical results are sought where there is a large number of possible choices. It is, as Hall says, "as if it were argued that since wage-earners have to eat in order to be fit to work for employers, therefore in a Socialist state this bourgeois function should be abolished."⁵¹

It seems plausible, therefore, to assume that the planned economy would adopt a market system in order to allocate goods and services among individual users. By way of summary, the function of a market system under a planned economy could be stated thus: a price system implies that the consumers shall have incomes representing that portion of the available stock of goods it is thought each should have; and that they should choose among these goods, each of which has a price, to the extent of their purchasing power; thus their preferences are indicated automatically. If an individual likes what is dear, he must pay for it, and in this sense he is worse treated than someone else who prefers a lower-priced good; on the other hand, he is treated as fairly as another for when he comes to repeat his purchases, he can buy what anyone else would buy with the same amount of money.⁵² If it be further assumed

⁴⁸Cf. Wootton, *op. cit.*, pp. 41-43; Cassel, *op. cit.*, chs. 3-4, for his discussion of the similarity in the function of a pricing process or "free market" under socialism and under capitalism.

⁴⁹L. Robbins, *The Great Depression*, p. 150, observes: "A plan which was based upon the preferences of consumers would seek so to distribute its productive resources that the demand for all commodities was satisfied to the same level of urgency." Of course, Robbins considers this impossible under a planned economy, as will be pointed out in ch. 4.

⁵⁰M. Dobb (see the quotation above); also *Political Economy and Capitalism*, ch. 8.

⁵¹*Op. cit.*, pp. 46-47.

⁵²The problem of differences in individual subjective satisfactions is one that cannot be solved, by the very nature of individual personality. It may be quite "unjust" to treat individuals as equal and in doing so discriminate against those whose desires require high-priced goods to satisfy in favor of those of a more "Stoic" propensity. This seems to be a matter for the individual to solve; the best objective test seems to be an approximation, such as that presented in a price system. See the discussion on subjective considerations, chapter 2.

that greater equality in incomes would be an aim of the system, the danger that the price system would present a device for "plural voting" is minimized, although not entirely absent.

Upon the further assumption that the state would not take advantage of its monopolistic position to exploit consumers, the principles determining "short-run" prices can be suggested. It will be remembered that an increase of price almost always reduces the amount of a good which will be bought (according to the principle of diminishing utility), since the dearer it is the more of other goods must be foregone in order to obtain it; similarly, a reduction of price makes it more attractive in comparison with other things that compete for the consumers' dollars, and increases the amount bought. It seems safe to conclude then, with Knight, that "prices must be such as will clear the market of available supplies; a fairly successful effort must be made to set them at this point, or the system will break down in chaos. That is to say, the price of goods and services for direct consumption would be fixed on the short-run, marginalistic principle of maximum demand price for the given supply, taking individual tastes and incomes (purchasing power) also as given, exactly as in an individualistic competitive economy; and the goods and services would also be apportioned among the people in exactly the same way."⁵³ State shopkeepers can experiment, by raising or lowering prices or by varying qualities and designs, exactly as capitalist retailers do. In the case of goods whose supply is seasonal or is otherwise out of the control of the productive organs of the community (e.g., antiques, works of art, etc.) the selling agencies, in adjusting their prices so as just to clear their stocks, best exemplify, perhaps, this "short-run" price determination.

From the prices thus determined, statistical demand schedules may be drawn up along Dickinsonian lines, and guidance to production in the long-run will thus be effected. Variations in taste will express themselves in changing prices, and the productive mechanism will then be adjusted in the same manner as under capitalist market conditions; the change in price will reflect, in other words, the consumers' verdict on the desirability or undesirability of certain goods and services which have already been produced. This "negative" vote is presumed not to be effected by two factors which *can* arise in a planned economy: (1) advertising which tends to do anything other than "educate" the people about new products, or which is utilized to induce them to buy articles of questionable worth, and (2) the monopolistic position of the state producer or seller which is not employed so as to deprive the consumer of any exercise of preference through restriction of output.

⁵³F. Knight, "The Place of Marginal Economics in a Collectivist System," 26 *A.E.R.*, *Supp.* 255 (1936), pp. 259-60; A. Pigou, *Socialism versus Capitalism*, uses the same rule; cf. Wootton, *op. cit.*, p. 323; Hall, *op. cit.*, pp. 46-47, 61-62; Burrows, *op. cit.*, pp. 8-10.

C. COMMUNAL CONSUMPTION

7. *Social price*.—An all-powerful planning authority could no doubt make short work of certain distributive difficulties. For example, if uncontrolled expenditure caused a lopsided depletion of the stocks of goods produced, it would be possible to equate demand to supply by an appropriate adjustment of prices. A measure of rationing might also be required to back up a particular price-fixing, or might be introduced to usurp the role of higher prices in distributing a limited supply of goods. The example of Russia in this respect may be noted.⁵⁴ In the Soviet Union, for example, if the demand for some particular commodity declined, or consumers were reluctant to pay prices covering such costs as had been incurred, prices were reduced; the loss was then made good by transferring profits from other lines, by taxing consumers, by extracting from them voluntary or semi-compulsory loans, or by inflation. This would be contrary to the principle of short-run price determination and would be tantamount to a substitution of the planning authority's opinion as to what is good for the people for the opinion of the people themselves. Even a monopoly, according to the marginal theory, must in the short-run make the best of the situation once it has produced a certain quantity of goods and placed it on the market; whether the price covers costs of production or not is irrelevant. In the long-run, which is to be investigated in the following chapter, a different solution is possible.

The fact that in Russia, for example, these devices are employed to "override" the consumers' choice gives a clue to the importance which this sort of "compulsion" might assume as a legitimate interference with the market system. By "legitimate" interference is implied that, for some reason or other, it has been considered desirable to distribute certain commodities and services on a basis different from that which would have obtained had they been subject to the price system. In chapter 2 the term "social cost" was used to denote this concept; that is, it is considered desirable for society to take into its calculations imponderable elements which are not automatically reflected in the market place. In doing so the planning authority would to an unknown extent be substituting what it considered a socially-desirable method of allocating goods and services for that of a pricing process.⁵⁵

Dickinson has employed the term "communal consumption" to distinguish the nature of this problem from that of "individual consumption," for which the pricing mechanism would function as a means of allocating goods and services.⁵⁶ This distinction is perhaps evident even

⁵⁴See Wootton, *op. cit.*, ch. 2, for a discussion of the Soviet's pricing mechanism; also L. Hubbard, *Soviet Trade and Finance*; Brutzkus, *op. cit.*, and Hoover, *op. cit.*

⁵⁵L. Lorwin, Preliminary Paper, in *World Social Economic Planning*, p. 755, uses the concept of "social price" to designate this process by which a planned economy would give expression to other objectives than simply effecting a flow of goods and services from producer to consumer.

⁵⁶*Economics of Socialism*, pp. 51-55.

in capitalist economies. It flows from the fact that all ends are not capable of "atomization," and hence they can receive only imperfect expression on the market.⁵⁷ Durbin expresses this point of view:

Satisfaction may be derived from the contemplation or enjoyment of a certain set of relations embracing all elements in an economy instead of from the consumption of a physically divisible commodity like boots. The enjoyment of economic equality, for example, means the establishment of an indivisible set of relations between all the human factors of production in so far as they are recipients of final income. Security from disease demands the observance of certain rules and the performance of certain productive tasks designed to create a particular condition affecting all parts of the community. Protection from external aggression—the creation of a state of military preparedness—means that the organization of the whole industrial system must take on a certain character. The end in each of these cases is a complex and integrated whole.⁵⁸

The extent to which other than purely material ends actually influence the distribution of goods and services in a competitive economy may be observed in respect to the distribution taken by government: laws, customs, and the whole mass of interventionisms. The ordinary tests for equimarginal utilities are, in such a case as public finance or communal consumption, in practice difficult to apply. The directing body of any state, socialist or capitalist, has to decide how much defense is required, how much education can be afforded, and so on. There seems no way of reaching decisions except through qualitative judgments and common sense.⁵⁹

8. *The extent of communal consumption.*—The amount to be spent on communal consumption (the degree to which "social price" will be considered) cannot be determined by the balancing of costs, prices on a market; therefore, some rough-and-ready answer tempered by careful estimate must be assumed. Dickinson suggests the inclusion of the following items within the sphere of communal consumption as opposed to individual consumption:

1. Goods individually consumed, but which the community decides to supply communally: e.g., education, roads, water, heating, lighting, insurance, and other things not now so provided, which might include milk, spectacles, etc. The nature of these goods should be such that they would not be used too wastefully, and, at the same time, would not be directly competitive with goods sold in the individualized sector.

2. Goods that are communally consumed as well as communally supplied: e.g., defense, internal order, justice, health, etc.

3. Satisfaction less definite in character than goods and services, which cannot be subdivided or graduated among individuals: liberty, equality, security, stability, the amenities of culture, leisure.⁶⁰

⁵⁷E. Durbin uses the term "atomisation," "The Social Significance of the Theory of Value," 45 *E.J.*, 700 (1935), p. 702. The fact that many services, as well as commodities, are not "divisible" presents the same problem. A. Pigou, *Economics of Welfare*, in his concern over these "indivisible" elements, or imponderables, has used the term "social costs," to which has been added "social price" (with Lorwin) to designate the problem in the short-run.

⁵⁸*Ibid.*, p. 702.

⁵⁹See Hall, *op. cit.*, pp. 58-59.

⁶⁰*Op. cit.*, pp. 51-55.

Whether one would be inclined to agree with all the items included by Dickinson or not remains, essentially, a matter of personal opinion; some would like to see more items listed, others might prefer to have some items deleted. The decision taken by the planning authority, under the direction of the political government, would determine, however, the relative significance attached to that sector of the total national income which would be allocated communally as compared with that sector which would be rationed by the price mechanism. From this decision it follows that the relative proportions of the factors of production that will be devoted to the former as compared with the latter sector is determined simultaneously.

D. SUMMARY

9. *Implications summarized.*—In the light of the preceding discussion, it may perhaps be helpful to summarize briefly the position taken in this chapter and to show the relation of these implications to the following chapters. The following assumptions will be postulated for purposes of the subsequent discussion:⁶¹

(a) Consumers will be permitted to express their preference for those goods and services individually consumed and capable (in general terms) of divisibility: the preferences are to be expressed by means of a market on which prices will reflect the short-run conditions of supply and demand.

(b) Some portion of the national income will be distributed for communal consumption outside the market; the extent of this sector is to be determined in the light of practical experience in respect to social objectives.

(c) The operation of all industries under the planning authority will be carried on with scrupulous regard to the indices given by the finished-goods' market (for communal sector, experience will be the guide) and without exercise of monopolistic power—through “high-pressure” advertising and salesmanship, threats, coercive selling, or through the balancing of losses and profits among industries so as to prevent adjustments from being taken. The “glass walls” of publicity will be utilized to that extent socially considered desirable.

(d) The extent that the planning authority will adopt new inventions, introduce new products, and otherwise strive for innovation and competence in production is assumed to be normal. No contrary assumption seems to have been proven, since it has not been tried; the matter depends upon the success attainable in the selection, training, and incentives of the personnel.

(e) For the present, freedom of choice of occupation is assumed. (This will be discussed in chapter 5).

10. *Connection between chapters 3, 4, and 5.*—In general the problems of any libertarian economy may be grouped under three categories: First, there is the measurement of demand, in order that production may be directed so as to yield the desired satisfactions. This problem is the disposal of the goods which have been and will be produced so that they satisfy the most intense wants of the consumers, as indicated by their own

⁶¹It is apparent that there could be other than the assumptions given here, but in the light of the preceding argument not much room seems left for altering them without running into other difficulties. The second and third assumptions are most open to differences of opinion; only experience perhaps will reveal their validity.

preferences expressed through the manner in which they dispose of their income.

Second, there is the measurement of cost, in order that the satisfactions that are procured may be obtained with the minimum expenditure of resources: the calculation of costs affords a criterion for deciding between alternative plans of production. This problem is, in other words, to produce the goods in such proportions that the prices which clear the market of them also represent their cost to the community as expressed in other goods which might have been made instead. It is with this second problem that the following chapter attempts to deal. The problem presents such difficulties that many writers assert that it is impossible of solution, and hence that no planned economy is possible in which a pricing mechanism for the factors of production is absent.

Third, there is the problem of distribution—that of allotting to particular members of society definite shares in the goods produced. This will be discussed in chapter 5.

CHAPTER IV

THE ORGANIZATION OF PRODUCTION

A. THE PROBLEM OF ECONOMIC CALCULATION

1. *The problem stated.*—Observation reveals that most men require various adjuncts in order to attain whatever ends they happen to set before themselves. The most obvious of these are food, clothing, and shelter, which are required by every one in order to remain alive. Few men are content, however, with a minimum of these; the great majority seek to obtain quantities of goods which will afford them the means of entertainment or distraction, of knowledge, power, and so on. Fundamentally, the end of economic activity is the satisfaction of these human wants with resources that are limited in comparison with the number and intensity of the wants clamoring for satisfaction. How human “wants” are expressible may depend, first, on whether one’s allegiance is to the Hegelian school of thought which claims that those wants should be collectively determined, or whether it is to an individualist school that believes individuals themselves should be permitted to decide what they want within the ambit of social relationships; and second, whether one believes that wants are satiable or insatiable. How the scarce resources with which these multifarious wants may be satisfied are to be defined will depend upon whether other than those factors which may be given quantitative expression are to be included: e.g., sunshine, leisure, etc. If it be assumed, for the present purpose, that wants should be both individually determined (though influenced by social relationships) and insatiable, and that the resources include those means of production capable of quantitative expression, the practical economic problem becomes for every society the allocation of these resources among alternative uses so as to procure the maximum degree of satisfaction.¹ It is clear, however, that this statement of the economic problem excludes many elements that must and do find expression in everyday life. On the side of wants, there are those “net advantages,” such as the satisfaction derived from the enjoyment of a beautiful portrait (not one’s own), the satisfaction from fellowship, solitude, research, etc.,—all of which receive only indirect, and many times inadequate, expression when they are related to the rod of measurement employed in a market; the fact that they are not “divisible” or “exchangeable” renders

¹Cf. H. Dickinson, *Economics of Socialism*, pp. 1-2, for a slightly different definition of the economic problem; and R. Hall, *The Economic System in a Socialist State*, pp. 2-3, for a neo-classical statement, given above.

them none the less desirable for most societies. Likewise, on the side of a scarce means, there are such things as sunlight, fresh air, leisure time, etc., which cannot be expressed except indirectly in a market mechanism; nevertheless, these too are important. The possibility of reflecting these "imponderable" elements is, at best, a matter of social arrangement, custom, law, and institution; in one society they may be given more weight than in another. The essential fact remains, however, that there seems to be no scientific tool whereby they can be expressed in terms more exact than simple qualitative "feelings."

One might conclude that the best that can be done is to give them consideration as ultimates in the economic problem, but to confine that problem more specifically to those measurable resources that are utilized directly or indirectly for attaining these ends.² With this delimitation in mind, one may further indicate that the economic problem is not only a question of what needs are to be satisfied, but to what extent; not only a question of what resources are to be made use of, but the proportions in which a given quantity of resources is to be divided among different uses, all yielding different and competing satisfactions. It is this quantitative problem that is the essential economic problem.³ The merit in thus defining the economic problem lies primarily in the fact that it is a convenient methodological instrument for purposes of analysis; this neo-classical delimitation of the scope of economics can scarcely be claimed to be anything other than a device for eliminating innumerable variables.

Besides the necessity of distinguishing the economic problem from its allied social problems,⁴ it is essential that it not be confused with the technical problem of how best to organize production for technical efficiency.

Economical production, it is true, necessitates a knowledge of the relative efficiency of different combinations of the factors of production. To produce at a minimum cost—i.e., with a minimum expenditure of the scarce factors—it is necessary that the economist rely on the physical scientists for information as to the relative effectiveness of any unit of the factors. In other words, what methods are to be used in production depends largely on technical efficiencies (coefficients). But the engineer alone, contrary to current technocratic opinion, cannot in the nature of the problem decide *how much* of the factors should be allocated to a specific use.⁵ It is quite possible that a method of production which is technically inferior may be economically superior: as, for example,

²Cf. the discussion in chapters 1 and 2 above.

³Cf. W. Beveridge, *Planning under Socialism*, p. 4.

⁴G. Halm, in *Collectivist Economic Planning* (Hayek, ed.), p. 143, states that the economic problem should not be confused "with any such *social* optimum as would be implied in the idea of an economic harmony between private and social interests."

⁵The literature on technocracy, and of those persons who believe that the economy of scarcity can be supplanted by an economy of abundance, has been given in the preceding chapter.

when the use of cheaper material or inferior fuel saves more than is lost by the alternative or qualitative inferiority of the result.⁶ The technocrats seem to have had so little comprehension of the economic principle that they have confused the functioning of the technical apparatus of production with soundness in economic affairs.⁷ The technocratic attitude of socialist theorists, which is as old as the socialist movement itself, may be one of the chief reasons why the problem of the centralized control of economic life, so far from being adequately handled, has until very recently hardly been so much as formulated.⁸

Given a series of wants not all of which can be satisfied, a scale of preferences must be constructed in which those wants of highest intensity will take precedence over those of lesser intensity: the factors of production devoted to the creation of commodities or services which satisfy these wants, hence, will be allocated in a similar manner—i.e., the production of economic goods yielding the highest satisfactions will precede the production of those which would satisfy the less intense wants. The process of allocating the factors of production in accordance with this hierarchy of values has been called “economic calculation.”⁹

For society as a whole, the economic problem is an extensive one and would include the following heads: (a) what kinds of goods and services to produce; (b) by what methods they are to be produced; (c) the relative proportions in which they are to be produced; (d) the shares which each individual is to have of what is produced. The first problem, what kinds of goods to be produced, has been discussed in relation to the concept of consumers’ preference; the second problem, what methods are to be employed, depends on the advice of the engineer coupled with that of the economist, who also assists with the third problem, the relative proportions in which goods are to be produced. The shares which each individual is to receive is referred to as the process of distribution and will be discussed under that caption. There are two other problems that must be solved in any economic society: (a) the length of time which each person is to work—balance of leisure and work (unless leisure be included as a scarce good itself); and (b) how much out of the current production is to be saved for the future. All six of these questions must receive some sort of answer in any kind of society; and broadly

⁶G. Halm in *Collectivist Economic Planning*, p. 145, has stated the distinction thus: “Of course, the technical result is one of the factors that determine the choice of methods of production, but the decision is modified by considerations of costs, i.e., by considerations of a question of pure economic fact. Not only for solving the problem of which goods are to be produced, but also for answering the question of how these goods are to be produced, the guidance afforded by the pricing process cannot be dispensed with. In a communistic economy, as the example of Soviet Russia shows, there would be a tendency to confuse the technical with the economic optimum. . . .” Cf. R. Burrows, *The Problems and Practice of Economic Planning*, pp. 47-48.

⁷See, for example, the sanguine expression that America possesses the capacity to produce enough and in abundance with the existing and potential productive apparatus, if only the economists would not remain adamant to the demands of the engineers that the latter take over; E. Loeb and associates, *National Survey of Potential Product Capacity*; also *The Chart of Plenty*.

⁸Cf. Halm, *op. cit.*, p. 147.

⁹See G. Cassel, *The Theory of Social Economy*, chs. 1 and 2.

speaking, there is a choice between the competitive solution and that solution offered by a planned economy.¹⁰

2. *The competitive solution.*—The solution of the economic problem most familiar is that which is based on the institutions of free contract and the private ownership of property, and is called the competitive solution. It is discussed at length in works on economic theory. A summary of the working of a competitive system may serve as an introduction to many of the problems which a planned economy is likely to encounter.

It is a commonplace that everyone does better for himself if he specializes, concentrating on the production of some particular commodity rather than attempting himself to satisfy his own wants directly; and exchanging his own products for the results of the efforts of others. It is in the matter of exchange, in the market or price system, that the significant feature of a competitive society may be found. It is the function of the price mechanism to act as the governor of the actions of individuals in production, the allocation of consumption goods, and the distribution of income. It is important to realize that the pricing process is a mechanism, and though it is meant to be an automatic one, it represents a considered device for a purpose, not resignation to chaos.¹¹

Broadly speaking, the price mechanism performs three general functions under a competitive regime. The first function performed by the price mechanism is that of providing one solution to the problem of distributing the whole of the available goods and services and directing them where they are most in demand. This is the short-run problem of price determination. Fluctuations up or down in the price of an article will tend to diminish or increase the quantity purchased at a given time in a given market. For those who possess the necessary income to make their wants effective in the market, the price mechanism offers a convenient method for comparing the relative desirabilities of goods.¹²

The second function which the price mechanism performs under capitalism is to decide what shall be produced by allocating the factors of production among alternative uses in such a way as to satisfy the demands to the same marginal intensity. The third function is to allocate to the owners of a particular factor of production that portion of the total product for which the given factor was responsible. The

¹⁰Obviously, there are more than two conceivable alternatives. The purpose here is to contrast two solutions of the economic problem. It is apparent that the answer to (d) above, relative to distribution of income, may be expressed in a variety of ways.

¹¹The title of B. Wootton's book, *Plan or No Plan*, suggests more than seems proper; she admits that a "no-plan" economy actually does have a regulator, "price," (pp. 10-11). It may be noted that the assumption of specialization or the division of labor, which obtains in most advanced countries today, obviates the problem of economic calculation by an isolated individual—Robinson Crusoe—or family problems of an economic nature where the whole of the production-consumption area is within the immediate purview of one individual, and could, therefore, be solved in a rough way by the exercise of judgment. In modern societies the dependence of individuals upon others through the operation of the price mechanism renders academic the treatment of an obviously hypothetical case as Robinson Crusoe; of course, the concept may be entirely legitimate to illustrate principles that would be essentially the same.

¹²Cf. the discussion of the function of a price system for consumption goods, ch. 3.

distribution of income, determined by the principles of marginal productivity, in other words, depends upon the right of private property in the instruments of production; to the owners of those factors flows the return from them, measured in terms of the amount of product each factor has contributed to the total product.¹³

It is with the second function of the price mechanism that this chapter is primarily concerned: the problem of how much of the factors of production should be allocated to one use as compared with another under competition, and the same problem in a planned economy. Now a system which is governed by the price movements on the consumers' market follows certain practical principles which, it may be discovered, may be applied to a planned economy. If it be assumed that a certain series of prices for all the various commodities subject to exchange have been determined by the market mechanism, the question may next be asked, in what proportion will the factors of production be allotted to the production of any one or more of these commodities?

It is at this point that the "profit motive" of producers or sellers makes itself felt. The producers, striving to maximize their profits or to avoid losses, will endeavor to employ land, labor, and capital in combination so that the demands of the consumers, the intensity of which is expressed in the prices on the market, will be met; and in such a way that the intensities of these demands will tend to be equalized. If there remain a want which has a higher intensity of urgency than another, the former want will be expressed in a higher price (assuming money income to be adequate); and it follows that if the more intense want is expressed in an effective manner, i.e., by offering money on a market, it becomes uneconomic not to satisfy this want before satisfying one of lesser intensity. Producers allocate land, labor, and capital at their disposal in anticipation of these demand prices so as to maximize their own net satisfactions as producers; viz., at least to cover their costs or to minimize their losses.

Specific attention is called to the nature of the above propositions. The end of economic production is presented simply as the satisfaction of individual wants; the concept of the costs of production has purposely been given a subordinate position thus far in order to emphasize the essential nature of production as a process of equalizing, not the marginal productivity of the factors, but the intensities of demand. The significance of this distinction lies in the fact that the factors of production possess, in themselves, no value whatsoever except in that they are necessary for the production of things that do possess value. This is simply a

¹³It is not strictly correct to say that the distribution of income is completely determined by the law of marginal productivity. Even in theory one must allow for changes in the distribution which normally take place when the government levies taxes upon some and gives the proceeds of the taxes to others in the form of additional income. For our purposes here, perhaps it is not necessary to investigate this important exception. The specific problem of income will be discussed in the following chapter.

restatement of the familiar principle that the value of any unit of a factor of production, and of the factors themselves, is derived from the values of the finished goods.¹⁴

Under competition the price mechanism offers a further guidance to producers in that it places a tag upon the factors of production themselves which serves to indicate, as do all price tags, the relative scarcity of the means of production. The changes in prices indicate changes in the relative scarcity of products; changes in costs indicate changes in the relative scarcity of resources; the price-cost interaction provides a sensitive index to the direction of productive activity. This statement of the function of the price mechanism approaches the matter from the supply side, as opposed to the demand side given above. In other words, "a cost" is nothing more nor less than a convenient term used to designate the quantity of factors allocated to the satisfaction of a given demand of a certain intensity. Cassel favors the "scarcity" approach by emphasizing that a price itself is nothing more than a label indicating the relative scarcity of an article, or of a factor; and the price serves to prevent demand from running away in one direction rather than another, since all demands cannot be satisfied completely.¹⁵

By combining these two approaches—the demand and the supply—the basic principle of all economic value is obtained: namely, the relative intensities of demand are expressed in a series of prices which express the hierarchy of wants; the relative scarcity of the goods which go to satisfy these wants, the factors of production, is expressed in a series of prices, more frequently called costs. When these two scales are placed together they tend to converge at a point at which supply and demand are in equilibrium; at this point the intensities of demand are equalized in all directions to the best ability of the productive mechanism, limited by the scarce quantity of resources at its disposal (a static concept).

Under competition complete success is seldom attainable in balancing demand and supply. Producers attempt to equalize the marginal productivity of the factors of production in all directions by a process of successive approximation. An individual producer, when considering whether to add or to dispense with a unit of a factor, may compare the value of the product which this unit will contribute to or deduct from the value of the total product with the additional cost involved in its employment, or with the decreased cost involved in its displacement. Since each producer carries on his work in anticipation of demand, he

¹⁴Perhaps labor for labor's sake may be considered to have some value, but only to the individual who is doing the work; though this would make a noteworthy exception to the statement that the factors derive their values from the values of the finished goods, it may safely be assumed that under ordinary conditions of exchange, this would be minimal.

¹⁵*Theory of Social Economy*, Bk. I, chs. 1-2.

attempts to forecast the value of his finished product; on the basis of his forecast, he decides whether to incur any additional expense involved in enlarging his output, or to reduce his costs by restricting output. In this forecast he may be incorrect; he may receive a higher price or a lower price than he had anticipated. If a higher price is received, he may add to his output for the coming period; if a lower price, he may decide to curtail output.

But when all producers are considered, the process is subject to additional problems. Any one producer, if pure competition be assumed, will consider his demand price as a given figure—the demand curve will be horizontal. That is, under competition no single producer can, *ex hypothesi*, come into or go out of the market and thereby affect the price except in a negligible way. The nature of the price to the individual producer has been called the “parametric function of price.”¹⁶ At this given price any one producer may strive to increase his output as much as possible. But if all producers do so, the increased supply that would be offered will reduce the price, and the anticipated results will not accrue. Consequently, it may be shown that producers as a whole, in striving to equalize the marginal productivity of the factors at their disposal, tend to consider that for each one of them the market price is fixed; hence, if the price is high, each one of them will tend to add units to his productive machine, but if all do the same, the total output of the commodity overshoots the mark set by the initial price. The industry as a whole tends to become overcapitalized, and price tends to fall. If the initial price is low, the converse tends to result. This process of overshooting the mark, and falling below it, has been pointed out by numerous economists as an essential characteristic of competitive industry.¹⁷ Eventually, of course, the competition among producers *tends* by a series of successive approximations to narrow the range of the errors, and price tends in the long run to equal the costs of production; i.e., the price of the finished goods tends to equal the sum of the prices of the units of the factors of production employed.

One feature of this pricing process should be further examined. Under a competitive system there exists a pricing mechanism not only for finished goods, but also for the factors of production. The market for land and labor tends to determine the price to be attached to any grade of land or of labor. Private individuals who own land and labor, and others who would like to employ them, come into the market and establish a price for each based upon individual calculations of productivities.

¹⁶O. Lange, *On the Economic Theory of Socialism* (B. Lippincott ed.), pp. 59-61.

¹⁷Lange, *ibid.*, has made this principle the pivotal point of his reasoning. He calls it the “trial-and-error” method, which arises from the parametric function of price. Cf. A. Marshall, *Principles of Economics* (8th ed.), Bk. V, for a more careful statement of this problem. The above summary is brief and assumes a general appreciation of the principles of price determination.

The same is true for capital; but in the case of capital (and perhaps to a lesser extent in the case of labor) the price established (the rate of interest) serves another purpose than simply allocating the use of capital among different employments. It also serves as an inducement for individuals to save for the future, rather than spend in the present; hence, the price paid for the use of capital tends to determine the supply of capital. This twofold nature of the price for the use of capital is one that will recur in the later discussion. The fact that individuals own the means of production in a capitalistic economy permits of exchange, the establishment of a market for them. This market offers a convenient device whereby the factors may be costed to each producer; by the characteristic process of under-bidding and out-bidding in a market, there is a possibility for the more or less rapid determination of the prices. These movements in relative prices for both the finished goods and the factors has the advantage of adjusting the whole economy in such a way that the intensities of demand are equalized with a fair degree of accuracy and rapidity.

3. *The alleged impossibility of calculation in a planned economy.*—Now it is clear that in a planned economy the market for land and capital will be non-existent. The state will own both land and capital, and as the only buyer and the only seller, there can be no exchange; exchange is by its very nature a matter of individual ownership. The problem arises at once, can the state in the absence of a market for these two factors of production devise a method of rational calculation in order to equalize the intensities of consumers' demand? It is assumed that there will be a market for labor, since labor can only be owned by the individual whose services are demanded by the state. Wages can be determined, by this assumption, the same as under a competitive economy, provided the state does not choose to exploit its position as the only buyer of labor.¹⁸

In a fully planned economy, prices and costs would be in the hands of the same authority. It is perhaps not incorrect to say with Gideonse that "Careful economic calculation is infinitely . . . important to a collectivist society. . . ." ¹⁹ It has been assumed (chapter 3) that the disposal of the goods which are produced will be made by means of a market by which the consumers may indicate their most intense wants through the manner in which they dispose of their incomes. Prices will be placed at that point which will just clear the market of existing stocks. The second problem, however, is to produce the goods in such proportions that the prices which clear the market of them also represent their

¹⁸The determination of wages and income is discussed below, ch. 5.

¹⁹H. Gideonse, "Nationalist Collectivism and Charles A. Beard," 43 *J.P.E.* 778 (1935), pp. 789-90.

"cost" to the community as expressed in other goods which might have been made instead. For if given resources are actually producing one thing and are capable of producing another, and if the consumers prefer the second to the first, then it is to their advantage that the production of the second should be increased and of the first diminished until from the changes in scarcity a margin of indifference prevails.

This problem presents such difficulties that many writers assert that it is impossible of solution, and, hence, that no planned economy is possible in which rational economic calculation can be made. It seems necessary at this point to consider the debate which has raged for the past several years over the possibility of economic calculation in a planned economy.

B. HISTORY OF THE DEBATE ON ECONOMIC CALCULATION

4. *The pre-War period.*—It is a singular fact that the economic theory of a socialist system has been developed independently of any influence of socialist theory, almost entirely on the basis of modern so-called "orthodox" theory and by academic theorists.²⁰ The failure of the socialists to construct a theory of general reasoning for the future state may, perhaps, be traced to another of Marx's dogmas, coupled with what Hayek called the "decay of economic insight" as a result of the influence of the Historical and Institutional Schools.²¹

Mises has called specific attention to the Marxian doctrine which ruled "that no one should be allowed to put forward, as the Utopians had done, any definite proposals for the construction of the Socialist Promised Land. Since the coming of Socialism was inevitable, science would best renounce all attempts to determine its nature."²²

The socialists themselves began to realize the truth in these statements when, following the war in 1919, many countries witnessed the accession to power of the dominant socialist parties. Ströbel in writing about the German Socialist movement after its political victory in 1918 commented bitterly:

At the moment when political power fell into the lap of the Socialist Proletariat its leaders were never once in agreement as to the measures which

²⁰The only exception, according to the writer's knowledge, is E. Barone, who was a military officer but followed closely Pareto. Two passages in O. Lange's work (cited below) suggest that Pareto and Barone have been followed by younger Italians who have elaborated their ideas. Unfortunately Lange fails to give further information, and literature in that language is inaccessible to the writer.

²¹F. Hayek, *Collectivist Economic Planning*, pp. 15 ff.

²²L. Mises, *Socialism*, p. 16. Cf. B. Lippincott, *On the Economic Theory of Socialism*, p. 7; Lippincott suggests that "Orthodox economists have given little attention to socialist economics either because they have been absorbed in the realm of pure theory or because they have been devoted to capitalist institutions." Of course, Wieser, Cassel, and Hawtrey had in earlier times spoken of these problems, and the Germans had pursued the argument following the war to a considerable extent.

W. Beveridge, *Planning under Socialism*, pp. 11-12, offers that "The Marxian School of thought which dominated Continental socialism, positively discouraged any inquiry into the actual organization and working of the socialist society of the future; it branded as 'unscientific' any attempt to define what would happen after the revolution; . . . Very largely the independent enquirer must make his own construction of a socialist state."

ought to be adopted for the systematic and progressive reconstruction of the economic life. They were familiar enough with the nature of the Socialist goal and also with the trend of economic development, but completely in the dark as to the stages to be traversed, and the details of a socialization scheme.²³

When the Labour Party came to power under the MacDonald ministry in England, a similar disillusionment awaited their followers. As a result of the disagreement in the Party as to the steps to be taken, and as to the policies that the Prime Minister actually adopted, there issued a whole series of books, conferences, and public discussions in a belated effort to outline the future Socialist State, should, perchance, political power fall their way again.²⁴

Few socialists have seemed to grasp the complexity of the modern economic structure, which functions so unobtrusively that it is easy to take for granted the interrelations of its parts, or they assume that we shall retain our present co-ordination in a new economic order without the deliberate organization of an alternative system. It would seem to be the duty of all who advocate a change to acquaint themselves with the possible implications of that change.²⁵

It would, of course, be unjust to demand of the planners to present in anything like concrete detail the actual character and course of economic life under collectivism. Concrete prediction regarding any collectivist system would involve prophecy as to the conditions under which it would be established, the details of its political organization, and of what either the people or those in authority politically would want to do, think themselves able to do, try to do, and how far they would succeed; or more accurately, how far they would have succeeded at various subsequent points in time. But it does not seem unfair to ask for some general reasoning; or as Beveridge has put it, "If one is progressing towards socialism, it is useful to have a mental picture of the journey's end."²⁶ If one holds that a country can be made prosperous by planning and will be ruined if there is "no-planning," it is useful to see just what is the difference between the two programs.²⁷

But not all the blame may be placed on the socialist for the failure to present a general outline of the future economy. In part the ranks of the economists themselves have shown a curious antipathy toward the

²³H. Ströbel, *Socialisation in Theory and Practice*, p. 6.

²⁴See G. Catlin (ed.), *New Trends in Socialism*; G. Cole, *Principles of Economic Planning*; H. Dalton, *Practicable Socialism for Britain*; *Problems of a Socialist Government*; *Towards a National Policy*; B. Wootton, *Plan or No Plan*; in all of which there are statements which either explicitly or implicitly admit the disillusionment the members of the Labour Party suffered during their political supremacy. Wootton and Dalton have both written with an eye on the future, in the hope that the next time there will not be so much "improvising"; Dalton presents detailed plans for the reformation of Parliament, industry, transportation, etc.

²⁵One may look in vain for an appreciation of the problem of calculation in such books on socialism and planning as *World Social Economic Planning*, *Annals of Collective Economy*, *America Faces the Future*, and the books mentioned in footnote 24 above, with the single exception of Wootton's.

²⁶*Op. cit.*, p. 3.

²⁷Cf. F. Knight, "The Place of Marginal Economics in a Collectivist System," 26 *A.E.R. Supp.* 255 (1936), p. 258; and A. Holcombe, *Government in a Planned Democracy*, p. 156.

study of theoretical economics; the influence of the Historical school, and in America, the Institutionalists, has discouraged theoretical economics.²⁸

The development of the theory of economic calculation in a planned economy or in a socialist community has had a rather long and varied career which oscillates from the "impossible" to the "possible" extremes, both claiming the validity of "orthodox" theory. The following survey partakes of a bird's-eye view of the history of the debate, and it does not attempt to go further than point out the principal contentions of the respective writers.

It is perhaps fitting to open the biography of the theory with a great name in economics, that of John Stuart Mill, whose first edition of his famous *Principles of Political Economy* appeared in 1848. His famous, and much misquoted, proposition states:

The principles which have been set forth in the first part of this treatise, are, in certain respects, strongly distinguished from those on the consideration of which we are now about to enter. The laws and conditions of the Production of wealth partake of the character of physical truths. There is nothing optional or arbitrary in them. Whatever mankind produces, must be produced in the modes, and under the conditions, imposed by the constitution of external things, and by the inherent properties of their own bodily and mental structure. It is not so with the Distribution of wealth. That is a matter of human institution solely. The things once there, mankind, individually or collectively, can do with them as they like. They can place them at the disposal of whomever they please, and on whatever terms.²⁹

This proposition does not mean that one might arbitrarily raise wages and lower profits, for wages and profits are parts of the system of production as well as that of distribution. It does mean that, although the function of wages in the accounts of production is the same under any system of ownership and operation, changes of ownership and operation would change the distribution of income. In other words, what matters for production is the interest charge as a cost item; to whom it is paid out makes no difference to production but makes a great deal of difference to various classes of income recipients. If land, labor, and capital are factors of production indispensable to any system, and rent, wages, and interest the value of their respective contributions, the charge for which must be made under any system, then the various economic systems are plainly distinguished according to the social groups to which they allocate ownership rights and the title to an income therefrom. Mill, of course, never went so far as to apply his proposition in detail to socialism; it remained for his successors to attempt the solution.

²⁸This influence is perhaps so well known as not to require further elaboration; for a clear discussion of the "decay in economic insight," see Hayek, *op. cit.*

N. Pierson, "The Problem of Value in a Socialist Community," in *Collectivist Economic Planning*, p. 43, comments that even if socialism were carried into practice, "It is not to be believed that the best economic writings of our day would in such circumstances become worthless; they would be referred to, and not in vain, for advice on many important questions."

²⁹Book II, ch. 1, sec. 1 (p. 199 in Ashley's ed.).

As early as 1854 H. H. Gossen, while considering the problems which would confront the central economic authority projected by the communists, came to the conclusion that the task would far exceed the powers of individual men.³⁰

In 1888-89 Friedrich von Wieser published his *Der Natürliche Werthe*, the very title giving a clue to the exposition that the natural value of a commodity, as well as of the factors of production, is something which cannot be altered by a mere change in their ownership. Wieser reasoned that value of goods to individuals is the same as to society, and this value is reflected in the factors of production and divided among them according to the laws of imputation.³¹ In order to maximize welfare equal marginal values must be obtained for each unit of the factor, from which follows that all the factors must be used to produce the highest values. Therefore, if the demand for goods, the supplies of both the goods and the factors of production, and the technical coefficients of various branches of production are given data, imputation needs no manifestation in a market carried on by private exchange. In short, the value of a factor of production will in any given employment, given the demand for the product of its use, and the efficiency of that factor, be, in Mill's words, "arbitrary," and in Wieser's, "natural."

Vilfredo Pareto, the Italian economist-sociologist, developed a theory of imputation along mathematical lines, and some have credited him with having inaugurated the theory of imputation. His reasoning, as given in the *Cours D'Economie Politique* (1896-97), proved that given the demand price for finished goods on the market, the supplies of the factors of production and their technical coefficients, by a series of simultaneous equations the value of the net contribution of any one unit of any factor of production could be derived from that of the finished goods.³² The simultaneous equations attempt to express the relative significance of a unit of a factor of production in all its possible uses; the very fact that an agent can be employed in alternative uses necessitates this comparison, a comparison made by the capitalist enterprise by the simple expedient of calculating the cost to him of an additional unit of the factor expressed by the market for that factor. As it has been explained, this additional cost is weighed against the value of the additional product which will result from the employment of it; if the price for the finished good is high enough to cover the additional cost, the

³⁰*Entwicklung der Gesetze des menschlichen Verkehrs und der daraus fließenden Regeln für menschlichen Handeln*, 1854, quoted in Hayek, *op. cit.*, note 1, p. 26.

³¹This summary of Wieser is necessarily brief; it is taken from the English translation, *Natural Value*, of C. Malloch. Books 4, 5, and 6 are of particular relevance. Wieser's laws of imputation are similar to J. B. Clark's principle of marginal productivity with which American students are more familiar.

³²The writer's source of information is from secondary material only; Pareto's *Cours*, published in French, in two volumes, has not been translated; my limitation in mathematics precludes any detailed examination of Pareto, Barone, or the later writers, like Cassel, Zassenhaus, in their mathematical calculations; fortunately, most of them explain their reasoning in non-mathematical terminology.

employer will tend to take advantage of the situation and hire one more unit. Obviously however, without the selling price for the finished good being given, there is no possible scale with which cost may be compared; in the absence of a market for consumption goods, someone would have to construct such a scale of preferences; thus it would afford the minimal basis upon which the Paretian simultaneous equations might be constructed. The values of the factors, thus determined, could then be applied as costs when the occasion arose to consider their transfer from one employment to another.

From an entirely new quarter there came in 1902 a second contribution that expressed doubt as to the possibility of solving the problem of economic calculation. In this year, N. G. Pierson, the Dutch economist, expressed his opinion that under socialism the problem of value had at least not yet been settled by the socialists.³³ Influenced by the nature of his country's economy, Pierson considers the problem of value first in relation to international trade. Hayek has called Pierson's article, "the first important contribution to the modern discussion of the economic aspects of socialism."³⁴ It is doubtful, however, whether the import of Pierson's contribution lends so much credence to Hayek's statement. In the first place, Pierson seems concerned primarily with the necessity for the use of money as a common denominator for the expression of the relative values of different commodities; this, evidently, was in opposition to those socialists and communists who had proposed the abolition of money. Secondly, the application of the principle that money must be employed in order to calculate rationally—viz., in order to be able to compare dissimilar goods, especially those flowing in international trade—to the problem of calculation itself is made only indirectly where Pierson refers to the necessity for paying more for the goods using capital than for those not employing it, given the same quantity of the other factors. This proposition, undoubtedly, required presentation, but it is incorrect to claim that the use of money in itself offers anything more than a tool to the fundamental problem of economic allocation. Finally, Pierson admitted that he merely opened the discussion but that he did not attempt to answer the problem. In this respect it must be conceded that Pierson had performed a valuable service in calling attention to the essential nature of the problem, and in demanding that the socialists consider the future state, rather than lead people on to that state without having a solution worked out ahead of time.³⁵

The use of mathematical equations in the computation of value and

³³"The Problem of Value in the Socialist Community," reprinted in Hayek, *op. cit.* This article appeared originally under the title "Het waardeprobleem in een socialistische Maatschappij" in the Dutch periodical *De Economist* (vol. 41, pp. 423-56, 1902), and was later reprinted in Pierson's *Verspreide Economische Geschriften*, edited by C. A. Verrijn Stuard (Haarlem, vol. 1, pp. 333-77, 1910).

³⁴*Ibid.*, p. 27.

³⁵*Ibid.*, pp. 41-87.

imputation was made by three successors of Pareto and Wieser, two of whom seem to have been overlooked by subsequent writers.³⁶

The first of these three, in point of time at which their writings were published, was L. von Bortkiewicz, who utilized the simultaneous equations, evidently taken from Pareto,³⁷ and applied them to the Marxian system, with particular reference to capital. The import of Bortkiewicz' writings, however, indicate that he was following Böhm-Bawerk's lead in demonstrating that the labor-theory of value was inapplicable. He pointed out that it would be impossible by any known mathematical device to derive a system of valuations for the factors of production based on a labor-theory of value. Reasoning that the full value of the finished goods could not be imputed to labor alone, Bortkiewicz concluded that interest must be calculated as a cost under socialism the same as it was under capitalism. But he did not carry his criticism to the extent of denying the impossibility of calculation under socialism, if interest were included.

The second of this group of three, Enrico Barone, employed the mathematical tools developed by Pareto and applied them specifically to the problem of economic calculation. In his "The Ministry of Production in the Collectivist State,"³⁸ written in 1908, Barone demonstrated that there is no theoretical difficulty involved under a completely socialized regime in correctly estimating the relative advantages of the factors of production among alternative uses in such a way as to obtain the collective maximum. He concluded:

From what we have seen and demonstrated hitherto, it is obvious how fantastic those doctrines are which imagine that production in the collectivist regime would be ordered in a manner substantially different from that of "anarchist" production.

If the Ministry of Production proposes to obtain the collective maximum—which it obviously must, whatever law of distribution may be adopted—all the economic categories of the old regime must reappear, though maybe with other names: prices, salaries, interest, rent, profits, saving, etc. Not only that; but always provided that it wishes to obtain that maximum with the services of which the individuals and the community dispose, the same two fundamental conditions which characterise free competition reappear, and the maximum is more nearly attained the more perfectly they are realized. We refer, of course, to the conditions of minimum cost of production and the equalization of price to cost of production.³⁹

Barone took the orthodox terms of demand, supply, and cost of production, and constructed into a system of equations the most important

³⁶See Hayek's preliminary review, *op. cit.*, pp. 1-40, in which he mentions only Gossen, Pierson, Pareto, and Cassel in the group prior to the War, and E. Heimann, "Literature on the Theory of a Socialist Economy," 6 *Social Research* 88 (1930), in which he leaves out Bortkiewicz and Schumpeter, both of whom should have been accessible to him in the German. The writer has found only one reference to these two earlier writers in the other literature, namely, in K. Tisch, *Wirtschaftsrechnung und Verteilung im zentralistisch organisierten sozialistischen Gemeinwesen*.

³⁷"Wertrechnung und Preisrechnung in Marx'schen System," 23 *Archiv f. Sozpolitik* 1 (1906), and continued in 25 *Archiv* 10 (1907) and 25 *Archiv* 445 (1907). Bortkiewicz gives no specific mention of Pareto.

³⁸Reprinted as Appendix A of *Collectivist Economic Planning*, pp. 245-90.

³⁹*Ibid.*, p. 289.

interrelations of economic quantities, and also treated the various dynamic questions which relate to the greater or smaller welfare of individuals and of the community, which he did not confuse with the concept that "wealth is welfare." His indebtedness to Pareto, he expresses with unmitigated gratitude: "some of the arguments I use and some of the conclusions at which I arrive have already been made available to us, as the special contribution of the indefatigable and prolific work of that solitary thinker of Celigny."⁴⁰ Not only did Barone demonstrate that the problem of imputation could be solved by mathematical equations based on the scale of preferences determined by demand, whether that demand were expressed on a consumers' market or whether it were expressed as the scale of preferences of the Ministry itself, but he considered the related problems of income distribution, the necessity for employing money as a means of rendering practicable the imputation, and the concept of welfare. Perhaps it would be safe to say that to Barone belongs the credit for first having demonstrated the theoretical possibility of economic calculation in a socialist community, as a specific application of the Paretian equations. Neither Pareto nor Wieser attempted to apply their reasoning in such a detailed and specific manner to the problem under socialism, though they did indicate the relevance of their tools to the problem.

Following Barone's lead, Joseph Schumpeter (the last of this group of three men mentioned above) made a somewhat similar analysis.⁴¹ He began with the theories of Wieser, that the same categories of cost would apply in a socialist as in a capitalist society, and of Böhm-Bawerk, relative to the necessity of interest being included as a cost of production, and demonstrated by means of mathematical equations that the imputation problem (*Zurechnungsproblem*) was theoretically soluble.⁴² Schumpeter's contribution seems to have been overlooked by most of his contemporaries as an early writing on the imputation problem; perhaps this has largely been due to the fact that very little of Schumpeter's works have been translated from the German, though this would not excuse the German students for overlooking him.⁴³

In America, Frank Taussig in the first edition of his *Principles of Economics* (1911) indicates that he appreciated the problem of value in a

⁴⁰*Ibid.*, p. 246. His objective in the article is expressed simply, "I propose to determine in what manner the Ministry concerned with production ought to direct it in order to achieve the maximum advantage from its operations."

⁴¹"Bemerkungen über das Zurechnungsproblem," 18 *Archiv für Volkswirtschaft* 77 (1900).
⁴²This statement as it appears misrepresents Schumpeter's position slightly; the fact that he did utilize Böhm-Bawerk's argument that interest is a cost of production is true, but he did not agree with Böhm-Bawerk in the latter's analysis of why interest arises. Schumpeter considered the Austrian's analysis insufficient, and he gave his own theory; since the theories of interest as such are not discussed here, the difference between the two men is not shown.

⁴³K. Tisch, *op. cit.*, cites Schumpeter with approval in her doctoral thesis of which he was supervisor. The various writings of Schumpeter in German, other than the one mentioned here, were inaccessible to the writer, either in German or English; it is to be hoped that some day the chief theoretical work in German will be made available to English students.

socialist community, though he did not elaborate on this theory. He simply stated:

. . . there would seem to be no insuperable difficulties in the way of valuing commodities in the socialist state. The pricing of the goods on sale would involve, to be sure, not only accurate bookkeeping (of the cost-account sort), but the determination of the wages of the laborers engaged in the several branches of production. . . . Often enough, in existing industrial organization, figures of cost and price can be reached only with approximation to accuracy; and this reasonable approximation suffices.⁴⁴

Whether Taussig was acquainted with the earlier literature on this problem he does not say; it may well be doubted that at that early date he had had access to Pareto, Barone, or Pierson. If this is true, it is the more surprising that his conclusion was what it was. He evidently found no reason to change his opinion when he made his recent revision (1939).

Another forgotten writer was James H. Smith, an Englishman who wrote in 1917 under the misleading title "Economic Moralism." Smith seems to have been one of the first writers who used the term "planning" production, when he spoke of socialist economics. As the title of his book suggests, his main concern was the "immorality" of the existing system, and he suggests a new society of "economic moralism," in which the means of production would be owned and operated by the government, freedom of consumers' preference and of occupational choice would be permitted. He sketches in some detail the makeup of his proposed society, which in a later book he develops even more fully.⁴⁵ With regard to the direction of production, he proposed that the national coordinating body collect statistics to determine demand, and that production be coordinated through the use of these statistics; he links this to his policy of permitting freedom in the spending of income, which, he says, will indicate what lines of production should be carried on and what lines should be restricted.⁴⁶ Though he does not attempt to demonstrate the theoretical practicability of economic calculation, he does at least seem to understand the nature of the problem, and of even more interest, he develops in some detail a picture of the future society.

The last of the pre-war contributors was Gustav Cassel.⁴⁷ Basing his approach to the theoretical problem of economics on his famous principle of scarcity, Cassel reasons that this principle would obtain in all types of societies; therefore, the elements of cost, which are simply a measure of the scarcity of any one factor of production, would also be present in different systems—interest, wages, rent, and profits (by profits in a socialist community, he evidently means the chance of their arising). Casselian

⁴⁴*Principles*, vol. II, ch. 66, sec. 6. In the 2nd, 3rd, and 4th editions this statement remains virtually the same.

⁴⁵*Collectivist Economics* (1925).

⁴⁶*Economic Moralism*, pp. 145 ff. Smith's theoretical reasoning is inconsistent and he fails to appreciate the costs of interest and rent.

⁴⁷*The Theory of Social Economy* (1919). See especially chs. 1, 3, 4, and 5.

economics professes, however, not to consider the problems of the determination of demand, but rather assumes that demand exists as a given datum in any calculation—actually, of course, it is relatively unimportant whether it be assumed, or explained as the Austrian or psychological school has done. Starting then, on the assumption that the goods produced by a society would be demanded, Cassel points out that a price must be attached to each good in order to indicate its scarcity, and the scarcity of the factors which went into its production; from these prices which would measure the relative scarcities of various commodities can be derived the relative scarcities of the factors of production. Cassel demonstrates the problem of imputation by means of simultaneous equations. He further suggests that the pre-existing structure and prices under capitalism might be utilized as a starting point by a socialist society in allocating the factors of production in such a way as to conform to their respective scarcities in different uses. The Casselian theories are well known to Swedish and German as well as English economists.

5. *The post-War period in German literature.*—It is interesting to observe that the term “planned economy” seems to have had its origin in 1919 in a plan developed by the Reichswirtschaftsminister R. Wissel and his under-secretary of State, W. von Moellendorf. These two submitted in a memorandum to the Cabinet, May 7, 1919, and developed later in two pamphlets, *Die Planwirtschaft* (1920) and *Praktische Wirtschaftspolitik* (1919), the idea of a “planned economy” (*Planwirtschaft*).⁴⁸

The post-war literature began with the attacks upon the possibility of economic calculation in a socialist community by Ludwig von Mises, Max Weber, and Boris Brutzkus.

Boris Brutzkus gave his theoretical argument in a series of three lectures in 1920, which appeared in German in 1928 under the title *Die Lehren des Marxismus im Lichte der russischen Revolution*.⁴⁹ His position may be summarized under the following divisions:

1. He indicts Scientific Socialism (Marxism, and especially Leninism in Russia) for confining itself exclusively to a criticism of the capitalist economic order, and for not producing a theory of its own.⁵⁰

⁴⁸Given by F. Hayek, *op. cit.*, p. 32. These pamphlets were not available to the writer. J. Smith, mentioned above, made use of the term “plan” but did not use the term “planned economy” as such.

⁴⁹The original three lectures were first published in Russian under the title “The Problems of a Social Economy under Socialism,” in a Russian journal, *Ekonomist*, 1921-22. The German translation was again translated as the first chapter of B. Brutzkus, *Economic Planning in Soviet Russia* (1935). This latter volume was a companion to F. Hayek (ed.), *Collectivist Economic Planning*, which placed before English readers the gist of the arguments which had taken place in the preceding decade in the German, Italian, Dutch, and Russian languages.

⁵⁰Cf. the singular similarity of this position with that of Mises, quoted above. The following comments are taken from the English work, *Economic Planning in Soviet Russia*. Brutzkus states (pp. 3-4) that with the exception of N. J. Tugan-Baronovsky, not a Marxist, there was no attempt to present a theory of planning. Bucharin, the Leninist apologist and the Soviet theoretician, merely affirmed the old socialist proposition that the categories of the capitalist economic system would lose their significance under socialism.

2. "Economic calculation is of far greater significance in the socialist than in the capitalist society."⁵¹

3. Economic calculation is only possible when it is based upon money; the "natural socialism" period of Russian planning demonstrated the chaos resulting from a failure to appreciate this fact.⁵²

4. Therefore, "It is obvious that an economic system which possesses no mechanism for co-ordinating production with the needs of society cannot be maintained."

The remainder of his book is devoted to a discussion of the policies of the Soviet Union through the first Five-Year Plan (1928-1933). The main attack, then, seems to be on the failure of Marxism to appreciate the necessity of money, and therefore price, in order to calculate; there seems to be no inclination on Brutzkus' part, however, to go further and claim that economic calculation would be impossible, *if* money were used.⁵³

To Ludwig von Mises goes the distinction of having called the attention of the world to the essential nature of economic calculation in such a forcible manner that economists, both socialist and capitalist, were sent scurrying in search for an answer. The great majority of "planners" are, unfortunately, still unaffected by it, or as Hayek puts it, "the great mass of the hangers-on of any popular movement are always unconscious of the intellectual currents which produce a change of direction."⁵⁴ Mises' thesis may be simply stated as follows: "Where there is no free market, there is no pricing mechanism; without a pricing mechanism,

⁵¹*Ibid.*, p. 11. He adds: "The capitalist entrepreneur may, if he likes, keep no books at all. So much the worse for him—he will make a gamble of his business If he wastes the forcés of production he will pay for his folly with his fortune and his social position. Not so in the socialist society. If a large-scale concern is conducted without the assistance of proper calculation, its manager may nevertheless lead an untroubled life, however great may be the waste of society's means of production which is caused by the irrational organization of the undertaking It is precisely this atrophy of economic calculation which we have witnessed in Russia."

⁵²*Ibid.*, pp. 14-15. Particular attention is called to this point on the ground that unlike Mises, Brutzkus bases his case on the lack of money calculation. He comments significantly that the use of the free market and the calculation of the profitability of separate state undertakings, based on data provided by that market, "does not lie within the framework of socialism as Marx conceived it, and what interests us is precisely the solution of the problem of economic calculation under Marxian socialism." This point would be granted by almost all planners today, except, perhaps the communists who have failed to profit by the mistakes of the Soviet Union. The fact that Brutzkus' argument is thus directed makes it of less effect than that of Mises, once money is admitted as a rational device for calculation.

⁵³Cf. the discussion of the function of the pricing mechanism under a planned economy. It is the opinion of the writer that Brutzkus did not imply that economic calculation with money was impossible. At no place in his volume available to the writer could such an implication be drawn. That calculation would be impossible without the use of money is an entirely distinct issue, it is believed. The tenor of his argument is expressed again in the following excerpts: "Thus the socialist state is not in a position, even with the help of all its scientific theory and immense statistical apparatus, to measure the needs of its citizens or to reduce these needs to one level; for this reason it is unable to provide production with the guidance which it needs" (p. 44). And again, "The authoritarian distribution of consumption goods puts an end to the free satisfaction of needs . . . even under capitalism where adjustment is to the vital interest of the entrepreneurs, the equilibrium between supply and demand can only be achieved by a perpetual and at times very considerable fluctuation of prices. How then may we hope that the much clumsier socialist economic machine, working with fixed prices, will be able to achieve such an equilibrium" (pp. 70-71). Thus the issue is authoritarianism versus market distribution which is derided as "unethical"; the practicability is made worse for the bureaucrats by not having a costing apparatus expressed in terms of money. But it would seem that if a free market for consumption goods were permitted, as was argued in chapter 3, and money were utilized, Brutzkus would be left with nothing in particular to object to.

⁵⁴*Op. cit.*, p. 201. This applies also to most of the organized collective efforts which profess to be devoted to the scientific study of the problem of planning. See, for example, the contributions made by thirty-seven economists, sociologists, and "statesmen" to *Planned Society, Yesterday, Today, Tomorrow* (F. Mackenzie, ed.), where you can search in vain for any sign that the problems are even recognized.

there is no economic calculation."⁵⁵ There are, however, one or two significant features to this argument to which specific attention should be called. In his 1920 article the main points brought out could be summarized in a syllogistic manner, as follows:

1. Several minor points may first be pointed out: (a) The labor-theory of value as a unit of calculation is controverted. (b) He is personally in favor of a free exchange in order to distribute consumption goods, "goods of a higher order." (This he admits is an ethical argument). (c) For goods of a "lower order" (extra-economic, or imponderables) monetary calculation cannot embrace, and hence must be included within the ambit of our judgment of values. (d) Municipalization today should not be considered as the same thing as socialization.

2. It is an illusion to imagine that in a socialist state calculation *in natura* can take the place of monetary calculation; since there would be no means of determining what was "rational" and what was not.

3. Therefore, rational economic activity requires the pricing of all goods, production goods as well as consumption goods.

4. Prices, however, require the existence of a market.

5. A market requires the existence of independent owners of the goods exchanged; an artificial market for the factors of production is impracticable since private property is the basis of exchange, and without this private ownership there can be no real market. The prospect of profit to the individual producer is the motive for exchange in the case of production goods.⁵⁶

As a result of the admissions on the part of the socialists that *Naturalrechnung*, or calculation *in natura*, was impossible, hence the pricing of all goods would be necessary to rational activity, Mises in his later writings drops point 2 above, and summarizes his stand thus:

If the socialists attempt to belittle the significance of the problem of economic calculation in the Socialist community, on the ground that the forces of the market do not lead to ethically justifiable arrangements, they simply show that they do not understand the real nature of the problem. It is not a question of whether there shall be produced cannons or clothes, dwelling houses or churches, luxuries or subsistence. In any social order, even under Socialism, it can very easily be decided which kind and what number of consumption goods should be produced. No one has ever denied that. But once this decision has been made, there still remains the problem of ascertaining how the existing means of production can be used most effectively to produce these goods in question. In order to solve this problem it is necessary that there should be economic calculation. *And economic calculation can only take place by means of money prices established in the market for production goods in a society resting on private property in the means of production.*⁵⁷

It may be specifically noted that Mises *did not* claim that it would be impossible to determine what goods to produce, nor how many of them; his critics seem to have mistaken his position. What he does say is simply that given what to produce, the problem of allocation of the factors is

⁵⁵Mises' original article appeared in German under the title, "Die Wirtschaftsrechnung im sozialistischen Gemeinwesen," 47 *Archiv f. Sozpolitik* 86 (1920); this article was translated into English and appears as "Economic Calculation in the Socialist Commonwealth" (pp. 87-130) in *Collectivist Economic Planning* (F. Hayek, ed.). In addition to this earlier article, Mises wrote several articles in answer to his critics, among which are: (1) "Neue Beiträge zum Problem der sozialistischen Wirtschaftsrechnung," 51 *Archiv f. Sozpolitik* 188 (1923); and (2) "Neue Schriften zum Problem der sozialistischen Wirtschaftsrechnung," 60 *Archiv f. Sozpolitik* 187 (1928), in the latter of which he discusses J. Marschak, O. Neurath, E. Horn, B. Brutzkus.

⁵⁶The summary is taken from *Collectivist Economic Planning*, pp. 87-130. The real gist of the argument is contained in points 3, 4, and 5.

⁵⁷*Die Gemeinwirtschaft* (1922), translated in 1937 under the title *Socialism*. See pp. 141-42 and *passim*.

impossible on any rational basis without a market for production goods, the market itself presupposing private property in the objects of exchange. The misinterpretation of Mises' argument seems to have arisen as a result of the fact that he speaks at one time of Marxian socialism, which forbade the use of money in calculation, and in another connection of socialism in general: in the first case, it would be correct to say that it would be impossible to discover even what to produce, without reducing these terms to some comprehensible quantity.⁵⁸

To Max Weber the struggle between the market parties is the indispensable condition of accuracy in calculation, with the paradoxical consequence that what is advocated as a higher form of rationality in society, that is, the deliberate coordination of individual actions, wrecks the technical foundation of rationality, the objective standard of measurement. Weber's attention, however, was directed not only to the economic problems of socialism, but also to its cultural significance, and in his typical approach he develops a *Weltanschauung* of socialism. Natural calculation (*Naturalrechnung*) seemed to be the main concern of Weber in the economic realm:

The assumption that some system of accounting would in time be found or invented if one only tried seriously to tackle the problem of a moneyless economy does not help here; the problem is the fundamental problem of any complete socialization and it is certainly impossible to talk of a rationally "planned economy" while insofar as the all-decisive point is concerned no means for the construction of a "plan" is known.⁵⁹

Judging from the importance that *Naturalrechnung* had assumed in socialist literature as a method of economic calculation (calculation in kind had been employed in the early War communism in Russia), one cannot help concluding that many of the early attacks on socialism—e.g., Brutzkus, Mises, Weber, and others—were directed primarily at this feature. Evidently Mises and Weber hurled their attacks against the proposals of Otto Neurath and Otto Bauer who had proposed as early as 1919 that *Naturalrechnung* could be *Wirtschaftsrechnung*.⁶⁰ Of the three men, Mises, Weber, and Brutzkus, only Mises carried the argument further than attacking a moneyless economy; he asserted that even with a money calculation, without private ownership in the means of production, rational economic calculation (*Wirtschaftsrechnung*) was impossible.

Many of the objections made at first were really a quibbling about words caused by the fact that Mises had occasionally used the somewhat

⁵⁸*Ibid.*, pp. 114-24, and his article in *Collectivist Economic Planning*.

⁵⁹*Wirtschaft und Gesellschaft* (Vol. III of *Grundriss der Sozialökonomik*, 1921), pp. 55-56, as quoted in Hayek, *op. cit.*, p. 34. Weber's original work was unavailable to the writer; his comments are drawn from a variety of secondary sources that seem to agree broadly as to Weber's thesis.

⁶⁰Both Neurath and Bauer were inaccessible to the writer; Hayek, *op. cit.*, p. 27, mentions both of them but does not give their writings; K. Tisch, *op. cit.*, lists two important works by Neurath: (1) *Durch die Kriegswirtschaft zur Naturalwirtschaft* (1919), and (2) *Wirtschaftsplan und Naturalrechnung* (1925); and Bauer evidently follows Neurath's lead. The above comments are drawn from Hayek and Tisch, in main part.

loose statement that socialism was impossible, while what he meant was that socialism made rational calculation impossible. Of course, any proposed course of action, if the proposal has any meaning at all, is possible in the strict sense of the word, i.e., it may be tried. Mises corrected this misapprehension:

Die Erkenntnis der Tatsache, dass im sozialistischen Gemeinwesen rationelle Wirtschaft nicht möglich ist kann natürlich weder für noch gegen den Sozialismus sprechen. Wer aus ethischen Gründen für den Sozialismus selbst unter der Voraussetzung einzutreten bereit ist, dass durch das Gemeineigentum an den Produktionsgütern die Versorgung der Menschen mit wirtschaftlichen Gütern erster Ordnung verringert wird, oder wer von ästhetischen Idealen geleitet den Sozialismus will, wird sich dadurch in seinem Bestreben nicht beeinflussen lassen.⁶¹

From Mises may be dated the contributions which sought, first, to refute the arguments, and second, to develop a compact theory of calculation for a socialist state. Karl Polányi in 1922 published a detailed article in reply to Mises, in which it was stated that the main problem of calculation could be solved along "functional" lines, but he admitted that calculation in a centrally organized planned economy (*Verwaltungswirtschaft*) was impossible.⁶²

Jakob Marschak, a socialist, added another reply to that of Polányi. Against the contention that no prices could be found, at least for production goods, if the entire process of production were amalgamated under one control, Marschak maintains that they could be derived on the one hand from commodity prices and on the other from a free labor market, these two factors between them determining the values and quantities for the intermediate levels. Finally, to Mises' assertion that in the absence of an exact calculation a socialist economy could not be extended and raised to higher levels, Marschak replies that it is a relative emancipation from the ties of the market automatism which imparts to our great enterprises the scope for their innovations.⁶³

Then came the reply from the Mises' school, given by George Halm in his little volume, *Die Konkurrenz*.⁶⁴ Halm points out, among other subsidiary things, (1) that if freedom of consumption be permitted and a price is established on the market for consumption goods, this fact alone is not a sufficient guide to production, since the economic management of production is always based on a comparison of the prices of the products with their costs of production (a more tempered statement of Mises' thesis); (2) therefore, intermediate goods must also be priced; (3) if it be assumed that there is also a labor market, upon which the price of

⁶¹"Die Wirtschaftsrechnung im sozialistischen Gemeinwesen," 47 *Archiv f. Sozialpolitik* 120 (1920).

⁶²"Sozialistische Rechnungslegung," 49 *Archiv f. Sozialpolitik* 377 (1922), p. 419.

⁶³"Wirtschaftsrechnung und Gemeinwirtschaft," 51 *Archiv f. Sozialpolitik* 501 (1923); the subtitle to this article reads, "Zur Mises'schen These vor der Unmöglichkeit sozialistischen Wirtschaftsrechnung."

⁶⁴Published in 1929, the main part of which is translated under the title "Further Considerations on the Possibility of Adequate Calculation in a Socialist Community," pp. 131-201 of Hayek, *op. cit.*

labor is determined without exercise of the monopoly position of the state as the sole employer (the same is true of consumption goods, he adds), the main problem of costing comes in the valuation of capital.⁶⁵ Halm admits, thus, that it would be possible to allocate labor, but when the problem of capital use is considered, calculation is impossible, because there is no market, as in a capitalist economy, whereby the interest rate may be determined. The Halm thesis thus reduces Mises' argument of a broad denial of the possibility of calculation, to a denial that calculation would be impossible in the case of capital only. Halm adds that "Any sort of economic calculation that aims at deducing the value of the factors of production from the prices of commodities is . . . impracticable," since the essential thing is the possibility of establishing a comparison between *known* commodity-prices and *known* costs of production.⁶⁶ The use of a fictitious rate of interest in order to calculate the value of capital goods is, he says, to argue in a circle.⁶⁷ "What is wanted is not a post-liminious imputation of accidental commodity-prices among the accidental combination of means of production employed . . . but immediate light on the question of what costs are *to be incurred*."⁶⁸ Therefore, he is forced to discard the equational method of Pareto, Barone, Schumpeter, and Cassel. This latter point is made clear in the German:

Die Konkurrenz ist als soziales Ordnungsprinzip nicht zu entbehren, weder theoretisch noch praktisch. Ein Preisbildungsprozess ohne Erwerbstreben und Konkurrenz ist unvorstellbar. Das Casselsche Idealpreisschema genügt nicht.⁶⁹

Two replies to the Mises-Halm attack were made by Carl Landauer and Eduard Heimann. Landauer assumes (1) a consumers' market and (2) a market for labor. From the values determined on these two markets, the value of capital goods may be ascertained theoretically by the marginal productivity procedure, under the variation method, just as today it is ascertained by any business man who considers, on the basis of its value for his enterprise, whether or not to secure the service of an additional unit of productive factor or to dispense with one. This value is determined, of course, by the relative plenty or scarcity of such units in the presence of a given demand for the final goods and a given technological knowledge. From here it is only one step to the central thesis of Landauer's book, that in a planned economy and in a free market, assuming equal needs of consumers and equal equipment of

⁶⁵This discussion is taken from Hayek, *op. cit.*; Halm remarks after demonstrating the necessity of interest as a cost of production: "Now it is unfortunate that this allowance for interest, the need for which is urgently dictated by economic considerations, cannot be adopted in the socialistic economy. Perhaps this is the most serious objection that can be maintained against socialism" (p. 161).

⁶⁶*Ibid.*, p. 163.

⁶⁷*Ibid.*, p. 164.

⁶⁸*Ibid.*, p. 182.

⁶⁹*Die Konkurrenz*, p. 179. This same expression may be gleaned from the English work, but it is not expressed in exactly the same way. The similarity, therefore, between Halm and Mises is made known in this expression; since only competition or exchange can make known the price of capital, and since exchange depends on private ownership (Mises), collective ownership makes calculation irrational.

materials, labor power, and technical knowledge, the same processes are required—simply following the signals of value. It can be readily seen how closely Landauer follows Wieser, and it may be noted that this proposition may well be said to anticipate the entire further development of the theory, including the most recent publications in English.⁷⁰

Heimann, following Cassel's argument, suggests that the monopolistic trusts in a planned economy accept the price at which demand absorbs supply, and then increase or reduce the supply until it is absorbed by demand at the cost price.⁷¹ In a later publication, Heimann chose to solve the problem of capital costing, or allocation, by preserving a competitive market among the socialized properties. Heimann states, that this process together with the free market for final products could not "fail to establish a correct rate of interest."⁷²

A variation in the ideas of planning is presented by Georg Klein, who proposes the "ever-normal granary" idea of calculation. Prices were to be kept rigid and changes in demand would appear directly as surpluses or deficits of current supply at the stable price. The centralized authority could easily perceive these conditions, and hasten to remedy them. This method, it may be remarked, seems to be the one actually adopted to a considerable extent by the Soviet authorities.⁷³

In 1932 Kläre Tisch investigated the proposals for economic calculation in a doctoral thesis, and she concluded that the theoretical problem may be solved by use of Walras-Cassel equations.⁷⁴ The same year Emil Lederer, in considering the problems of calculation in a planned economy concluded that imputation would be possible, given a consumers' market and the use of money, along the same lines as under capitalism. He expresses this as follows:

⁷⁰Landauer, *Planwirtschaft und Verkehrswirtschaft* (1931). Landauer's "trial-and-error" method, or the "variation method," is seen from the following statements: "Man schätzt, wieviel Millionen Tonnen Eisen, wieviel Millionen oder Milliarden Arbeitstage, wieviel Millionen Nektar Land jeder Art man für ein bestimmtes Wirtschaftsjahr zur Verfügung hat und sucht dadurch die optimale Disposition zu finden, dass man jedes solange von einer Verwendung in die andere schiebt, bis es die höchste erreichbare Bedeutung wirklich erreicht hat. Als Kontrollziffer ist dabei dem Gut jedesmal eine Grösse zuzuordnen, die der erreichten Bedeutung entspricht" (p. 119). N. Kaldor in his review of the book (42 *E.J.*, 276 (1932)) states that Landauer's attempt to solve the problem of rational calculation is nothing "more than a naive attempt to conceive the hypothetical constructions adapted . . . in order to simplify reality." This appears to be a somewhat strong assertion.

⁷¹*Mehrwert und Gemeinwirtschaft* (1922); comments about this book are taken from the author's own remarks, "Literature on the Theory of a Socialist Economy," 6 *Social Research* 88 (1939), p. 96.

⁷²*Ibid.*, p. 98. Heimann is referring to his theory which he developed in two articles, "Zur Kritik des Kapitalismus und der Nationalökonomie," and "Über Konkurrenz, Monopol und sozialistische Wirtschaft," both of which were reprinted in *Kapitalismus und Sozialismus* (1931). None of these were available to the writer, and Heimann's own review of them is the writer's source to their contents. It may be remarked that this "playing at competition" among the state monopolies was shown to have definite limitations by Halm; see above.

⁷³Klein's book is entitled, *System eines idealistischen Sozialismus* (1931), the review of which is taken from Heimann, 6 *Social Research* 88 (1939), p. 99. The idea of Klein would not be applicable to all commodities, nor to labor and capital; he admits this and advances that the rate of interest must be raised so as to raise commodity prices and set free resources for additional investments. Cf. L. Hubbard, *Soviet Money and Finance*, and B. Wootton, *Plan or No Plan* (ch. 2), for a discussion of the same method in Russia.

⁷⁴*Wirtschaftsrechnung und Verteilung im zentralistisch organisierten sozialistischen Gemeinwesen*, a doctoral dissertation at the University of Bonn; it is, perhaps, more correct to say that she adopted the Pareto-Schumpeter equations than those of Cassel and Walras. The solution is, however, similar.

Jeder Produktionskörper würde dann sehr bald sehen, ob er auf Grund der ihm entgegenstehenden Nachfrage in her Lage und genötigt ist, seinen Betrieb zu erweitern, oder umzuformen. Der Mechanismus würde dann such insoweit genau parallel dem der kapitalistischen Verkehrswirtschaft funktionieren. Dabie würden aber Erweiterungen des Produktionskörpers mit grösste Kühnheit vorgenommen werden können, gerade weil grosse Mittel für Experimente zur Verfügung Ständen.⁷⁵

In this respect he follows Landauer with his "variation method," which Lederer terms the "experimente."

By 1934 in the German literature the theory of economic calculation had assumed its final statement. Kurt Mandelbaum and Gerhard Meyer summarized the theory of calculation under the following points:

1. If consumption is planned as a whole by government decree, and individuals can influence it only indirectly through leaving supplies unbought or demanding more than is available (in which case the familiar Russian queue form for lack of commodities), the direction of the production is correct by definition. This the authors call "administrative socialism."

2. They claim that a planned economy need not have possession of the means of production, but through a rigid control of the investment policies, coupled with a control of the banking system for short-term credits, the net result is tantamount to ownership. Socialism they define simply as ownership of the means of production. They emphasize the minimum degree of centralization necessary to determine the control of capital investments, a point overlooked by many other writers.

3. If consumption goods are allocated by means of a market system, (which they call market socialism) economic calculation is possible since this pricing mechanism is common to both capitalism and socialism. Rational calculation, however, is possible for the conduct only of existing production under socialism, but the same would not be true of future production which envisages some arbitrary decision relative to the amount of capital accumulation which is considered politically desirable to have.

4. The method of rational calculation under socialism for the conduct of existing production is simply via the experimental method of costing the factors of production in such a way that the demand for them in various uses will exactly equal the supply available.⁷⁶

A final synthesis of the arguments is given by two recent writers, Herbert Zassenhaus,⁷⁷ and Alexander Bilimovic.⁷⁸ Both make use of the Paretian-Barone equational method as a theoretical proof of the possibility of calculation, and then proceed to demonstrate that in actual practice the equalization of marginal returns (an equilibrium analysis) could be carried out by means of the method of approximation, viz., adjusting the size of industries and the amount of production to the prices (determined either by a consumers' market or by authoritarian

⁷⁵*Planwirtschaft* (1932), p. 47. Consequently, Lederer concludes, the problems of a planned economy are not economic, but political: "Es liegen hier Fragen der ökonomischen wie der politischen Dynamik von der grössten Kompliziertheit verborgen" (p. 48).

⁷⁶"Zur Theorie der Planwirtschaft," 3 *Zeitschrift für Sozialforschung* 228 (1934); this article is reproduced in résumé form by G. Meyer under the title "A Contribution to the Theory of Socialist Planning," 3 *Plan Age* 209 (1937). Heimann, *op. cit.*, p. 102, concludes his review of the German literature with this contribution.

⁷⁷"Über die ökonomische Theorie der Planwirtschaft," 5 *Zeitschrift für Nationalökonomie* 507 (1934); Zassenhaus gives a review of the theoretical discussion on economic planning in "Neuere Planwirtschaftsliteratur und die Theorie der Planwirtschaft," 7 *Zeitschrift für Nationalökonomie* 110 (1936).

⁷⁸"Einige Bemerkungen zur Theorie der Planwirtschaft," 9 *Zeitschrift für Nationalökonomie* 147 (1938).

direction, the latter of which they both deplore) in such a way that the supplies of the factors of production will tend to be in full employment.⁷⁹

6. *The post-War period in English literature.*—The controversy prior to the late 20's over the possibility of rational calculation under socialism was confined almost entirely to the German literature. Though there seems to have been some appreciation of the problem by two English writers, R. G. Hawtrey⁸⁰ and Maurice Dobb,⁸¹ there appeared no specific contribution to the theory of economic calculation until 1929. In that year two American economists, basing their theoretical reasoning on the traditional marginal utility analysis, came to the conclusion that the problem of allocating the factors of production under socialism could be solved by the simple process of equalizing the marginal returns of each factor in accordance with the value of the product derived from the consumers' market and with the total supply of that particular factor available; in that manner full employment of all the factors, the desideratum of equilibrium theory, would be attained by a process of "trial-and-error." The first writer was W. Crosby Roper who embraced this idea in an undergraduate thesis at Harvard;⁸² the other writer was F. M. Taylor who gave his paper before the American Economic Association in 1929.⁸³ Taylor (and presumably Roper) seem to have arrived at their conclusions entirely independent of the intellectual currents in Continental literature; it is remarkable that neither of these contributions received mention by any of the English writers except Dickinson and Hall.⁸⁴

In England, in 1933, H. D. Dickinson opened the discussion again seemingly quite independently.⁸⁵ His statement of the solution to economic calculation is simply, "given the prices of consumption goods,

⁷⁹See Zassenhaus' summary statement, *op. cit.*, p. 518, "Über die ökonomische Theorie, etc." He gives in essence the argument adopted in this study.

⁸⁰*The Economic Problem*, p. 338, seems to recognize the problem when, in referring to how the balance between output and consumption could be attained under a collectivist regime, he compares it with the solution in an individualist community: "In an individualist community the action taken is the resultant of many different individual opinions . . . Each separately is fallible, but individual errors are to a great extent eliminated by the law of averages. The State would be better placed to reach a correct solution than any one trader, provided that the data available to it were properly collected and assembled. But, however perfect the data may be, the solution cannot be purely a matter of calculation; it remains a matter of judgment, and subject to error. And for want of the saving influence of the law of averages, the judgment of the State though better than that of any one trader would be worse than that of all traders taken together."

⁸¹In *Russian Economic Development Since the Revolution* (1928), Dobb in analyzing the Soviet system of production and distribution remarks here and there of the necessity for a more adequate statistical service in order to forecast demand, and an accounting system which would include the costs of land, labor, and capital in production. In this connection Dobb seems to antedate Dickinson who wrote in 1933. See below.

⁸²*The Problem of Pricing in a Socialist State*, 1929. This work was not available to the writer. Taylor makes reference to it.

⁸³"Guidance of Production in a Socialist State," 19 *A.E.R.* 1 (1929) reprinted with the contributions of O. Lange, under the title *On the Economic Theory of Socialism* (B. Lippincott, ed.).

⁸⁴To Heimann's statement that the controversy prior to 1930 was limited to the German literature and that when this literature was made available to the English-reading public "The explosive aggressiveness which had characterized the first attack in German was gone," it may be interposed that at least two American economists came to the same conclusion in one or two years (presumably it took them that long to work up their material into an article) that it took the "explosive aggressiveness" of the Germans over a decade to reach.

Dickinson, *Economics of Socialism*, refers to Taylor; and Hall, *op. cit.*, acknowledges both Taylor and Roper.

⁸⁵"Price Formation in a Socialist Community," 43 *E.J.* 237. His later work *Economics of Socialism* takes advantage of the criticisms offered this article by Dobb, Lerner, Lange, and others.

there can be derived from them the demand prices of any given quantities of production goods. The demand for consumption goods determines price, which is imputed back to production goods and then is reflected forward again to consumption goods in the guise of cost."⁸⁶ In his first work, Dickinson overemphasized perhaps the use which may be made of the statistical measurement of demand; he mentions that the "beautiful systems of economic equilibrium described by Böhm-Bawerk, Wieser, Marshall, and Cassel are not descriptions of society as it is but prophetic visions of a socialist economy of the future."⁸⁷ Dickinson was the first to include the problems of international trade in a theoretical analysis. His treatment of the dynamic problems, especially that of capital accumulation, was along the "equilibrium" thesis, which Dobb criticized.

Maurice Dobb, writing in 1933 just after Dickinson, levels his argument primarily at Dickinson's assumption that under dynamic conditions the state would, under socialism, adopt similar policies of equalizing the marginal returns on capital in various uses as is done under competitive conditions.⁸⁸ The gist of Dobb's argument is that under a capitalist system it is impossible to estimate the rate of capital accumulation for the future, a situation which is not true in a planned economy where the plan would contain specific provisions for capital accumulation. Therefore, he is led to conclude that the indications of the market for finished goods need not in all cases be taken as conclusive information upon which capital should be distributed in various uses. In other words, if the interest rate should fall from six per cent to four per cent, a more rapid rate of technical advance could be undertaken, industries or plants that could not afford to pay six per cent, but could pay four per cent, would, therefore, be started at once instead of waiting until the required capital was accumulated.⁸⁹ From this argument he deduces his now famous "pursuit-curve" analogy.⁹⁰

For convenience the remainder of the numerous contributions in the English literature on economic planning may be discussed simply by dividing the writers into two groups: those who consider calculation possible (all of whom use either the mathematical solution or the method of successive approximation, or both), and those who maintain that it is impossible. A detailed review of the contributions of the writers, especially those who are in agreement that calculation is possible, but who

⁸⁶Note the similarity of this statement with the theory of Wieser.

⁸⁷In his article, *op. cit.*, p. 247.

⁸⁸"Economic Theory and the Problems of a Socialist Economy," 43 *E.J.* 588 (1933). Dobb's opinions relative to authoritarian allocation of consumption goods were discussed in chapter 3, and his controversy with Lerner was noted there.

⁸⁹*Ibid.*, pp. 596-97.

⁹⁰*Ibid.*, p. 597. He gives an example: "If one did not realize that in five years' time one would be rich enough to build a palace, one might build oneself a house, destined later to become redundant. But if one had been able to forecast the windfall of five years hence, it would have paid one to forego the house and live in a bungalow in the interim, and with the difference commence to lay the foundations of the palace." This same argument is reproduced in the final chapter of Dobb's *Political Economy and Capitalism* (1937).

seek to refine the thinking on the subject, would involve repetition inasmuch as they are referred to under specific topics.

Of those who maintain that calculation under a planned economy is impossible, T. E. G. Gregory leads the list in point of time of writing. He follows Mises' thesis and does not advance the argument from the place where Mises had left it in 1920.⁹¹ In 1934 Lionel Robbins, in *The Great Depression*, and in 1935 Friedrich von Hayek, in *Collectivist Economic Planning*, present almost identical arguments which attempt to demonstrate that calculation is impossible under collectivism.⁹² The Robbins-Hayek contentions begin with the assertion of Mises that economic calculation is not only theoretically impossible, but practically impossible. They stress that even if it were theoretically soluble on the basis of the simultaneous equations, it would be such a tremendous task that no state authority could ever hope to accomplish it. Robbins' statement of this argument is as follows, and that of Hayek is almost identical:

On paper we can conceive this problem to be solved by a series of mathematical calculations. We can imagine tables to be drawn up expressing the consumers' demand for all the different commodities at all conceivable prices. And we can conceive technical information giving us the productivity, in terms of each of the different commodities, which could be produced by each of the various possible combinations of the factors of production. On such a basis a system of simultaneous equations could be constructed whose solution would show the equilibrium distribution of factors and the equilibrium production of commodities.

But in practice this solution is quite unworkable. It would necessitate the drawing up of millions of equations on the basis of millions of statistical tables based on many more millions of individual computations. By the time the equations were solved, the information on which they were based would have become obsolete and they would need to be calculated anew.⁹³

Hence, the conclusion appears inevitable; without pricing of production goods, which entails private ownership and exchange, economic calculation is impracticable; nor will it be made any more practicable by resort to "fictitious competition" among the industrial syndicates,⁹⁴ nor will the "trial-and-error" method bring about minor changes which occur from day to day as under capitalism.⁹⁵

⁹¹In *Gold, Unemployment and Capitalism*, pp. 227-94, entitled, "An Economist Looks at Planning," which had appeared in *The Manchester School*, June, 1933. He devotes only two pages to the theoretical argument, pp. 291-92, in which he quotes Mises. Gregory is a follower of Hayek and Robbins.

⁹²Robbins gives the same argument in his later book, *Economic Planning and International Order*, and reference to it is made in *The Economic Basis of Class Conflict*.

⁹³*The Great Depression*, p. 151. Hayek's only alteration in this reasoning is that there would be at least "hundreds of thousands" equations to solve. *Op. cit.*, p. 212.

⁹⁴Robbins, *ibid.*, p. 153; Hayek, *ibid.*, pp. 221-22. They answer in this connection Heimann's proposal for re-introducing some sort of competition; but they fail to appreciate that the trial-and-error method itself presupposes some autonomy being given the managers of the state enterprises in order to bring about day to day adjustment. It is doubtful whether Heimann, though others have not been as circumspect as he, endeavored to prove that anything more would be accomplished by the "fictitious competition."

⁹⁵Robbins, *ibid.*, p. 153; Hayek, *ibid.*, pp. 213-14. Hayek presents the argument in this connection that the central authorities could not utilize the trial-and-error method simply because it was too cumbersome, that they could not possibly make every adjustment necessary in prices by successive orders from the center. It may be indicated that the method need not necessarily imply this centralization; in fact it could not if consumers were to have any voice in choosing what they wanted from the goods produced. Hayek, of course, deduces logically from his line of reasoning that since this fixing of prices would be cumbersome and impossible, it would lead to the abolition of "consumers' sovereignty" (pp. 214 ff.). By this latter expression, it is assumed that he does not fall into the confusion which was pointed out in the preceding chapter.

G. D. H. Cole, the title to whose book, *Principles of Economic Planning*, promised to develop a theory of planning, practically admits that he either does not comprehend the problem or chooses deliberately not to discuss it.⁹⁶ His statement relative to it is: "I know of no infallibly 'right' principle on which this choice can be made. . . ." ⁹⁷

The remainder of the English literature which has appeared since 1933 endeavors to refine the theory of economic calculation in a planned economy (or under socialism). In 1934 Heimann, now in America, produced a brief article in which he expressed his earlier views.⁹⁸ In England, A. P. Lerner⁹⁹ and M. Dobb carried on their controversy which marked the close of that year. Early in 1935 Barbara Wootton published her *Plan or No Plan* in which she devoted very little attention specifically to the problem of calculation under a planned economy, but indicated the general reasoning behind the problem.¹⁰⁰ This was followed with contributions by E. F. M. Durbin¹⁰¹ and H. Smith.¹⁰² The next year saw four contributions to the theory,¹⁰³ and one article by Frank Knight¹⁰⁴ in which the place of marginal economics in a planned economy is summarized.

The year 1937 gave us a veritable harvest of literature on planning, the most noteworthy of which were the treatments by Lerner, Lange, Hall, and Pigou. A number of other minor contributions were produced,¹⁰⁵ none of which seem to advance any new proposals, and some

⁹⁶In the preface Cole rules the "theoretical" discussion out lest it not meet with popular approval of his book; though he had intimated in his earlier works that he intended to discuss economic problems. Compare these statements with those made by reviewers of this book; E. Whittaker in the *So. Afr. J.E.*, as well as those in the *E.J.* and *A.E.R.*

⁹⁷*Ibid.*, p. 187. He then remarks, p. 188, "Let us assume, for the present, that the prices at which goods are sold in our planned economy depend on their costs of production." "The present" must still obtain, because he never returned to this proposition.

⁹⁸"Planning and the Market System," 1 *Social Research* 486 (1934).

⁹⁹"Economic Theory and Socialist Economy," 2 *R.E.S.* 51 (1934-35); M. Dobb made a criticism of Lerner, "Economic Theory and Socialist Economy, a Reply," 2 *R.E.S.* 144 (1934-35), to which Lerner made a "Rejoinder," 2 *R.E.S.* 152.

¹⁰⁰Wootton develops most of her theoretical reasoning in relation to her study of the Soviet system, though she makes other comments along the "trial-and-error" method of others. See the review of this book by F. Knight, 43 *J.P.E.* 809 (1935).

¹⁰¹"The Social Significance of the Theory of Value," 45 *E.J.* 700 (1935); Durbin also contributed another article the following year, "Economic Calculus in a Planned Economy," 46 *E.J.* 676 (1936), in which his theories relative to a planned economy are set forth at more length.

¹⁰²"Planning and Plotting: A Note on Terminology," 3 *R.E.S.* 193 (1935), which is a short article on terminological problems.

In "A Note on Economic Planning," 2 *Plan Age* 17 (April, 1936), A. Baster comments that "theoretical economics is of no value in planning." It is added here for its illustrative value in that it seems to ignore all the other work already completed.

¹⁰³W. Beveridge, *Planning under Socialism*, contains a few references to the problem of economic calculation. A. Gourvitch, "The Problem of Prices and Valuation in the Soviet System," 26 *A.E.R. Supp.* 267 (1936), contains references to the problem in the critique of the Soviet system. L. Hubbard, *Soviet Money and Finance*, should be compared with B. Brutzkus, *op. cit.* P. Martin, "The Present Status of Economic Planning," 33 *I.L.R.* 619, and 35 *I.L.R.* 177, gives a review of the theory in an abbreviated form; his discussion is so sketchy as to make it almost impossible to obtain a conception of the ideas of the man he is reviewing.

¹⁰⁴"The Place of Marginal Economics in a Collectivist System," 26 *A.E.R. Supp.* 255 (1936). Knight distinguishes clearly between what he calls the "static" problems on which the economist as such may pronounce, and the "dynamic" problems which are essentially political in nature.

¹⁰⁵Among those included in this category are:

R. Burrows, *Problems and Practice of Economic Planning*.

G. Landauer, "Value Theory and Economic Planning," 3 *Plan Age* 217 (1937), in which he summarizes his arguments that appeared in the German literature (above). Landauer, like Heimann, and the late E. Lederer, came to America shortly after 1932.

R. Mossè, "The Theory of Planned Economy: A Study of Some Recent Works," 56 *I.L.R.* 371 (1937), a general review.

C. Sutton, "The Relation between Economic Theory and Economic Policy," 47 *E.J.* 44 (1937), in which some mention of the theory of a planned economy is made.

T. Hutchison, "Note on Uncertainty and Planning," 5 *R.E.S.* 72 (1937-38), deals with the rate of interest in a planned economy.

of them actually revert to earlier ideas. Lerner concerned himself primarily with the problem of the size of industries in a planned economy; the principles under which these industries would operate; and the problem of the effects on the tempo of production the rate of capital accumulation might have.¹⁰⁶ Oskar Lange refined the "trial-and-error" method of attaining equilibrium and allocating all the factors of production in a rational way under socialism; perhaps it can be said that Lange and Taylor have emphasized this feature of practical methodology in calculation more than any other single writer.¹⁰⁷

A. C. Pigou in his small book, *Socialism versus Capitalism*, approaches the subject with the aid of the traditional Marshallian apparatus; he turns his attention to the problem of economic calculation with the acuteness of perception rarely found in other writings. His emphasis on the necessity for clearing away confusion in the thinking about the subject of socialism makes his own contribution the more valuable, in spite of its brevity. The practical solution to the problem of the allocation of resources among alternatives uses is by way of a process of approximation; the problem admits in principle of solution by means of simultaneous equations, he says.¹⁰⁸ That there may occur errors in practice seems obvious, but how nearly complete success will be approached depends "on the degree of skill and probity of the controlling authority itself, and of the subordinate bodies through which it works."¹⁰⁹

Though Dickinson's book, *Economics of Socialism*, appeared in 1939 and represents a more detailed and lucid presentation than his earlier contributions, R. L. Hall's *Economic System in a Socialist State* is easily the climax of the literature on economic planning. It goes far beyond all the others in the realism and refinement of the problems it sets forth, and it considers them with exemplary circumspection.¹¹⁰ Although Hall follows the scheme generally accepted in the English-written literature, he gives many side-glances to other possible arrangements, both more and less centralized than his. He treats of the problems of money and banking, international trade, the possibility of having a "private sector" within a planned economy, and the dynamical problems of change. His treatment of the costing of labor, by non-competing groups, the consideration of intra-marginal concerns

¹⁰⁶"Statics and Dynamics in Socialist Economics," 47 *E.J.*, 253 (1937). See E. Durbin, "A Note on Mr. Lerner's 'Dynamical' Propositions," 47 *E.J.*, 577, in which Durbin criticizes a minor point of Lerner with respect to marginal costs under a planned economy; and Lerner's reply "Theory and Practice in Socialist Economics," 6 *R.E.S.*, 71 (1938).

¹⁰⁷"On the Economic Theory of Socialism," 4 *R.E.S.* Part I, pp. 53-71; Part II, pp. 123-44 (1936-37). Both parts are reprinted under the same title (B. Lippincott, ed.) along with the article of Taylor, *op. cit.* See also A. Lerner's "A Note on Socialist Economics," directed at Lange's original articles (4 *R.E.S.*, 72, 1936-37); and Lange's "Mr. Lerner's Note," 4 *R.E.S.*, 143. Lange makes corrections in his reprint to take care of these objections by Lerner.

¹⁰⁸P., 118.

¹⁰⁹P., 118.

¹¹⁰Someone remarked to the writer that Hall's book was too "circumspect" to be adopted by socialists whose cause he has actually championed.

where capital may earn less than normal or more than normal, is one of the most lucid in the literature of socialism.¹¹¹

By way of summarizing the threads of the debate on the possibility of rational calculation in a planned economy, one may indicate five general observations: (1) The attack against a planned economy under the form of socialism prior to the War was directed primarily toward its ethical and political features, rather than its economic practicability; such men as Mill, Wieser, Pareto, Barone, Schumpeter, Bortkiewicz, Taussig, and Cassel were in general agreement that the strictly economic problem was soluble. (2) The attack after the War shifted its front and separated into two divisions, one hurled against the Russian *in natura* attempt at calculation (Neurath's *Naturalrechnung*), the other at a more camouflaged point. (3) This second wing of the battle was carried on under the banner of Mises, Hayek, and Robbins, and was directed against the possibility of any sort of rational calculation in a planned economy. (4) The blow seems to have been parried by the opposition, and once again the war rages on its original front—the political and ethical. (5) Finally, the noteworthy characteristic of the controversy is that it has been carried on very largely by "orthodox" economists, independent of socialists, many of whom have failed to appreciate the problem.

C. THE CONCEPT OF COST

7. *Labor-cost theory*.—The thread of the argument may be picked up again in this section from where it was left in section 2 (the competitive solution of the problem of calculation). The prices for the goods already produced will be placed at that point which will just clear the market of existing stocks (chapter 3); this will tend to measure the relative scarcities of the finished goods. The second problem is to produce the goods in such proportions that the prices which clear the market of them also represent their cost to the community as expressed in other goods which might have been made instead; or, in the terms of chapter 1, the marginal productivity of the scarce factors are to be equalized in all directions if planning is to be economical.

There are a few preliminary problems, however, that must be disposed of. The concept of cost itself seems to be in need of some clarification. From the review of the nature and history of the controversy regarding economic calculation, it can be seen that different concepts seem to be

¹¹¹Cf. F. Knight, "Two Economists on Socialism," 46 *J.P.E.* 241 (1938), in which he reviews Pigou and Hall.

Though this review ends with Hall it should be mentioned that there have been a few additional writings concerning the theory of a planned economy: M. Dobb, "A Note on Saving and Investment in a Socialist Economy," 49 *E.J.* 713 (1939), containing an elaboration of Dobb's "pursuit-curve" analysis; R. Williamson, "A Theory of Planning," 5 *Plan Age* 33 (1939); E. Heimann, "Literature on the Theory of a Socialist Economy," 6 *Social Research* 88 (1939), to which the writer is indebted for some of the comments on the German literature particularly.

attached to the term "costs of production." The nature of costs may be revealed by an examination of a few methods which have been proposed as measures of costs.

Perhaps one of the oldest theories of cost is the labor-cost theory of value, which has come down from Ricardo and was made the basis of Marx's system of economics. In spite of the trenchant criticisms of the labor-theory of value, it may still be discovered among socialist writers who have not bothered, seemingly, to familiarize themselves with the criticisms. After all that has been written by such men as Böhm-Bawerk, Menger, Mises, Brutzkus, and others, it is surprising to discover the following statement by a recent writer: "Obviously the basic common unit of measurement is the man-hour. And whatever money measurement is used in a planned economy must in the last analysis correspond to the ratio of man-hours in the economy."¹¹² It is even more surprising to discover the same trend of thinking in two more or less "orthodox" economists, Mandelbaum and Meyer.¹¹³

Marx's concept of "socially necessary labor" and his idea that skilled labor is equal to that of unskilled labor plus a coefficient are two ideas which Marx never clearly explained. As an explanation of value, the Marxian theories have long stood disproven. Brutzkus, for example, states the essence of the value theory as contrasted with the labor theory:

At the root of value phenomena lie subjective evaluations; these are summed up and crystallized in the market price which reflects the intensity of the social need for commodities. Not only the rentier . . . but also the proletarian satisfies his requirements with the sanction of the market prices. When he finds a warm overcoat on the market, side by side with the finest Brussels lace, not even the proletarian will be interested in how much labor was spent in the production of the coat as against that of the lace. On the contrary, he will only take into account the urgency of his needs.¹¹⁴

The fact that labor is not homogeneous, that there exist different grades and skills of labor, render the use of labor-cost in economic calculations impossible. There may be, however, an exception to this rule. It is interesting to note that cost accounting in terms of pure labor-time is appropriate to two phases of economic development at opposite poles to each other. One is a state in which mechanical aids to production are unimportant relative to human labor and in which, consequently the supply of human labor is the chief limiting factor. The other is a state where the use of mechanical aids has been developed to the full—to the point of capital saturation—when once more labor is the only scarce

¹¹²M. van Kleeck, *On Economic Planning*, p. 261.

¹¹³*Op. cit.*, p. 214. They say that there may be substituted for prices of a competitive economy, accounting or quasi-prices calculated along either the lines of modern marginal economics or in accordance with a labor theory of value in a planned economy. It would seem that they are confusing the concept of "money" with the form in which money is usually expressed.

¹¹⁴*Op. cit.*, p. 25. The whole argument about labor-units as a measure of value has been so well discussed by others as not to require attention here except by way of passing comment. It seems correct to conclude with Mises that "Today we know this for the error it is." *Socialism*, p. 115. Cf. Dickinson, *Economics of Socialism*, pp. 67-69.

factor of production.¹¹⁵ If man-hours be considered simply as a "unit," or concept to which all other values are reduced, then labor units are synonymous with money since money is simply an "x" to which the values of all other exchangeable things are related. There seems to be no objection theoretically if one chooses to employ "man-hours" instead of dollars; it is possible to express them, perhaps, in some acceptable form, as 25 mh, instead of \$25. The concept of money, as distinct from its use in society as a definite object, is quite compatible with this statement. It is seldom true, however, that the labor-theorists propose to use labor units in this manner.

8. *Energy-cost.*—The technocrats have submitted that the cost of goods may be reckoned as proportional to the quantity of energy embodied in them—physical units as foot-pounds, kilogram-meters, kilowatt-hours, calories, therms, or what not.¹¹⁶ This suggestion, like that of labor units, fails to realize that the physical power used in production bears a changing and diminishing relation to economic values and human activities as a whole; and that it is therefore completely unsuitable either to determine the total amount of currency required at a given period, or to secure adjustment between different human activities, or to afford a measure of relative reward.¹¹⁷ Strictly applied, the energy-cost proposition would involve ignoring the use of land and raw materials in their native condition. Human labor would be costed according to the energy-cost of the physical maintenance of the human body considered as a machine. Fixed capital would be reckoned as stored-up energy, and be charged to cost as it is used up, but, as in the case of labor cost, the time-element would be ignored, i.e., interest would not enter into energy cost.¹¹⁸

9. *Price the measure of cost.*—"Costs" as used by economists may include two distinct concepts. The first is the concept that costs are a physical quantity of production goods used in the making of a given amount of consumption goods or combination of goods; this can be designated the "physical concept" of costs. It must be noted that the "physical" costs are not the same as the "real" costs to which Marshall refers.¹¹⁹ Given a total supply of each of these factors, the costs involved in the production of a commodity is a matter of adding together the physical units of each factor employed, without regard to the capacities of each unit of any factor (e.g., skilled as contrasted with unskilled labor). The term "physical" has been applied to this concept in order to emphasize its

¹¹⁵Cf. Dickinson, *Economics of Socialism*, p. 69. Neither of these two conditions appear to be real at present.

¹¹⁶See H. Scott, *Introduction to Technocracy*, pp. 47-48, and other technocratic literature mentioned in chapter I.

¹¹⁷One could imagine the inflation which would occur if all consumers should decide to take ultra-violet baths.

¹¹⁸Cf. Dickinson, *op. cit.*, p. 71; A. Salter, *The Framework of an Ordered Society*, pp. 9-10.

¹¹⁹*Principles of Economics*, Bk. V particularly, and Bk. I. Senior's "abstinence" theory of interest, and the theory of the psychological school that costs are "disutilities," are included in the "real costs" doctrine of Marshall, Pigou, and others. It is admitted by almost all economists that the measurement of these subjective elements is impossible with the existing tools.

nature. The term which has been applied more frequently is *in natura* calculation of costs, an expression used by Mises and Brutzkus; the German language expresses it perhaps better than the English with the word *Naturalrechnung* (calculation in kind).¹²⁰

It was in refutation of this concept of costs that Pierson devoted his attention; Brutzkus' indictment of the Soviet system seems directed primarily at this vulnerable point. The failure of the Soviet Union to use money in its calculations led to an immense loss of resources.¹²¹ In spite of the fact that communists persist in asserting that money is the root of all evil and should, therefore, be abolished,¹²² the necessity for its use as a simplifying device is conceded by the more thoughtful persons.

Since value is an expression, not of the labor-cost, nor of the energy-cost necessary for production, but of the utility of any good or service which possesses scarcity, it is clear that one might express the value of an article in terms of all other articles which exist—hundreds of thousands at least. But the insuperable task of expressing the value of a bag of potatoes in terms of all other conceivable articles for which potatoes may exchange makes it imperative that some device be adopted whereby comparisons of relative values of various articles may be made more readily. The device adopted is money—it may just as well be called an algebraic "x"—to which all other values are related. The expression of values in terms of money is called price, and price is the only working measure on the basis of which physically dissimilar goods may be compared. It is immaterial whether price be so many x's or so many \$'s; the fact that money is utilized as a medium of exchange does not change this concept, though it does permit of changes in the value of money itself. In a planned economy, however, the concept of price—expression in terms of money—can be divorced from money in its function as a medium of exchange in respect of the factors of production. Since *ex hypothesi* there is no exchange for the factors except that for labor (which would be an exception to the statement), the accounting prices for the factors could conceivably be bookkeeping units only. Actually the bookkeeping units would have to bear some relationship to the money given consumers who would spend it on the consumers' market; it might suffice, however, to maintain only a proportionate relationship between the bookkeeping value of money and the circulating value of it. If the value of the circulating money rose, the bookkeeping value must rise proportionately, or

¹²⁰O. Neurath proposed *Naturalrechnung* as a method of rational calculation under socialism; see references to his works above. He reasoned that since the value of money itself fluctuates, the only suitable method for calculation was calculation "in kind," in physical units produced and physical units of the factors expended in production. See his statements in *World Social Economic Planning*, pp. 751 ff., where he gives a brief résumé of his doctrine.

¹²¹Cf. Brutzkus' criticism, *op. cit.*, pp. 15 ff.; C. Hoover, *Economic Life of Soviet Russia*.
¹²²N. Thomas, "Capitalism Will Not Plan," 67 *New Republic* 338 (1931), expresses the prevailing communist opinion that money should be abolished along with private property and profits. It seems apparent that the communists are confusing the concept of money, as an expression of the values of other goods in a common unit, with the form it assumes—gold, paper, etc.—and with the fact that money performs other functions than that of being a common unit of measurement.

else production would not be directed in accordance with the criterion of consumers' preference established on the market.

It seems possible to conclude that rational economic conduct is impossible without evaluation, under whatever kind of economic system.¹²³ But this states that it is necessary to unburden the concept of costs with the impossibilities of labor-cost, energy-cost, and "natural" unit cost, as measures of value; it does not indicate how, given the use of money of some sort, economic calculation will be made under a planned economy.

If the scale of preferences expressed in the consumers' market be taken as the criterion of value, there are two problems involved in order to produce the maximum satisfaction at a minimum cost: (a) when the production of an extra quantity of goods is under consideration, the cost of the additional product must be balanced against the satisfaction yielded by it; and (b) when alternative methods of producing the same good are available, it must be possible to measure and compare the costs incurred by the alternative methods and to choose the method that involves the least cost. These same two problems would obtain if the scale of preferences were determined in any way other than by the market in which consumers express their preferences; even if the dictator determined the hierarchy of valuations, the economic principle of equalizing the marginal returns for the factors would be operative. In the latter case, however, the controversy as to whether price really measures "costs" is irrelevant; where individual consumers determine the price by the manner in which they distribute their income in purchasing goods, the objection is interposed that such prices do not measure the subjective satisfactions nor the subjective disutilities involved in production.¹²⁴

Whether in a competitive economy or in a non-competitive economy, the objection to the establishment of a value system expressed in terms of money seems to be based on an unwarranted application of psychological statements to economic problems. It seems evident that even if we could bring two persons under exactly the same external circumstances, and if their scale of preferences were exactly the same, it would still be meaningless or even wrong to say that a given amount of bread or a car or any other commodity is equally *useful* to each; or that the expenditure of labor time, capital, and land for the production of the commodity is justified simply because there is some satisfaction derived therefrom. But it may very well be justified to say that it is equally important for society that each of them has bread, or that each of them has a car, and that for this reason a loaf of bread has the same social value in the hands of each of them, or that resources which may be used to give a loaf of bread or a car to one of them have the same social value as

¹²³Cf. Brutzkus, *op. cit.*, p. 15; Mises, *op. cit.*, p. 104.

¹²⁴The "real" versus "money" costs problem which has troubled economists. See Marshall, *Principles*, Pigou, *Economics of Welfare*, and C. Landauer, "Value Theory and Economic Planning," 3 *Plan Age* 217 (1937), pp. 218-19.

the resources which may be used to give those commodities to the other.¹²⁵ The balancing of individual satisfactions with individual disutilities can only be approximated in actual life in any economic system; the fact that more resources (costs or disutilities) have been devoted to the production of one article than to another can only be justified on the basis that generally speaking individuals who consume the article in question consider its utility sufficient to justify their foregoing of something else for which they could have spent their incomes.¹²⁶ Unless society chooses to override these individuals' decisions by making a different allocation of factors, it must be accepted that consumers know in general what they want; it is irrelevant that the disutilities which others may have to suffer in the production of these wants are great or small. It must be assumed, it seems, that the price tag tends to signify a "meeting of minds" among individuals on the desirability of incurring the sacrifices in order to attain the satisfactions.

In the ultimate analysis, therefore, if so-called real costs be relegated to the realm of "social costs," which are not subject to any known rule of measurement but which find their expression through the political and social relations of a cultural unit, costs are the values of the alternative opportunities for production that are foregone when the decision is taken to make the particular good with the resources in question. Cost is the expression and the measure, in terms of price, of the ultimate fact of scarcity.¹²⁷ The concept of economic value is simply an intellectual tool for comparing the desirability of various alternative uses of economic resources. From among the innumerable combinations of the many types of labor or capital, and of the gifts of nature, we want to choose the most desirable. The costs of the factors are expressed in terms of price only because the goods into which they flow are likewise expressed in terms of price—i.e., they possess utility in relation to their availability. As Wieser has stated the case: "In this way we reach the point of view from which production goods are conceived of as costs. The first element in it is that the productive employment figures as outlay, as sacrifice, as loss; the second is that, in virtue of this, attention is called to the equalisation of several connected productions. To say that any kind of production involves cost, simply implies that the economic means of production, which could doubtless have been usefully employed in other directions, are either used up in it, or are suspended during it."¹²⁸

It is now possible to consider specifically Mises' objections to the possibility of economic calculation in a planned economy. If his trenchant criticism of *Naturalrechnung* is accepted as fundamentally accurate,

¹²⁵Cf. Landauer, *ibid.*, pp. 220 ff.

¹²⁶Cf. Hall, *op. cit.*, and the discussion in chapter 3 on the nature of the pricing system for consumption goods.

¹²⁷Cf. Cassel, *op. cit.*, sec. 16, ch. 4; Dickinson, *op. cit.*, p. 75.

¹²⁸*Natural Valuc*, Bk. V, ch. 2 (p. 175 in Malloch's trans.).

and if his assumption that price in a competitive economy (and as it has been applied above to a planned economy) roughly serves as a measure of subjective satisfactions is also granted, the gist of his argument may be summarized under three headings:

1. Rational economic activity requires the pricing of all goods, production goods (goods of a higher order) as well as consumption goods which are priced in the consumers' market under the assumption above. (See chapter 3.)
2. Pricing requires the existence of a market.
3. A market requires the existence of independent owners of the goods exchanged.¹²⁹

As may be seen from the quotations given in the preceding section (B), Mises takes up a number of slightly varying positions. One moment it is pricing in general that is impossible under socialism. Another moment he admits the possibility of pricing consumption goods, but considers it impossible, in the absence of independent, privately-owned enterprises, to extend the process to production goods. According to this view, which is the one that he most consistently upholds, it is in the pricing of production goods that difficulty is alleged to occur. In Austrian terminology, the real problem of socialist economics is not so much that of pricing as that of imputation. The difficulty, then, is essentially that of calculating the marginal products of factors of production in alternative uses, in the absence of a market for those factors.

Taking up the points of Mises' argument in the order given above, one can perceive a somewhat obvious *non-sequitur*. That rational economic calculation requires the pricing of all goods is perhaps obvious. Without pricing, it has been argued, no calculation is possible with known rules of measurement and comparison. But Mises identifies the price system with the market, and the market with the existence of separate enterprises and of private ownership of production goods. This involves a confusion of the essential nature of price with its historically and institutionally qualified manifestation. Even Mises does not claim that the pricing of consumption goods requires a free market, if we interpret his statement broadly that, "It is not a question of whether there shall be produced cannons or clothes, dwelling houses or churches, luxuries or subsistence. In any social order, even under Socialism, it can very easily be decided which kind and what number of consumption goods should be produced. No one has ever denied that."¹³⁰ In other words a dictator can very well set up his own scale of valuations, upon the basis of which production may be carried on, with little or no regard being given to consumers' preferences in the matter. It is clear, however, that if the planning authority determined the valuations there would be no market in the sense in which that term is employed generally.

¹²⁹See summary in the preceding section. It is to be noted that his other points have been utilized to support the writer's own line of reasoning; viz., labor-theory of value, market for consumption goods, extra-economic or imponderables in calculation, and calculation *in natura*.

¹³⁰*Socialism*, p. 141.

This admission by Mises, one might presume, would have brought him to apprehend the essential nature of price; if the planning authority can determine in the case of consumption goods the "terms upon which alternatives are offered," then obviously the market itself is but an institutional device for determining the same "terms" in accordance with consumers' desires. Wicksteed has expressed this in the following words: "By a man's scale of preference or 'relative scale,' then, we must henceforth understand the whole register of the terms on which (wisely or foolishly, consistently or inconsistently, deliberately, impulsively, or by inertia, to his future satisfaction or to his future regret) he will, if he gets the chance, accept or reject this or that alternative."¹³¹ If one applies the Wicksteed thesis to the present case, price becomes in essence a system of valuations—the scale of preferences may be that of the planning authority *or* that of the consumers. It has been argued that it would perhaps be more convenient as well as more desirable perhaps from a personal point of view in most societies to adopt the scale of preferences of consumers, rather than that of a dictatorial authority. But in neither case would the concept of price, as the terms upon which alternatives are offered, be altered. In the determination of the priorities in any society, moreover, the consumers' market is never taken as a final criterion whereby to guide the allocation of factors.¹³²

The line of reasoning which is based on the assumption that the prices for finished goods have already been determined (either by a consumers' market or by the planning authority), may be deduced somewhat as follows: given the prices of consumption goods, there can be derived from them the demand prices of any given quantity of production goods. The fact that goods possess value, in other words, determines the value which is imputed back to production goods and then is reflected forward again to consumption goods in the guise of cost. The values so far ascertained are not really costs, however,¹³³ since they are only deductions from the market values of the goods, in accordance with the theory of imputation.

In demonstrating that the value of the factors are derived from the value of the goods into which they flow, Pareto, Barone, Schumpeter,

¹³¹*Common Sense of Political Economy*, vol. 1, ch. 1 (p. 36 of Robbins ed.).

¹³²See the discussion of the place of imponderables in the present competitive economy, chs. 1 and 2, and the importance of interventionisms with the operation of the "free market mechanism," chs. 1 and 3. W. Beveridge, *op. cit.*, pp. 14-15, points out that under planning, "The decisions of this authority [i.e., the planning authority] need not all be based on economic considerations properly so-called; it may favor one industry or process rather than another on aesthetic grounds or because they produce a better type of citizen; it may (as appears to have happened in Russia) cut down immediate consumption and foster the extension of capital equipment as a means to better preparedness for war. This is obvious and need not be laboured." Cf. the discussion of the place of "communal consumption" in a planned economy, ch. 3, and the possibility of a planned economy's pursuing a heterogeneity of ends, ch. 2.

¹³³Some have been content to rest their case on the simple proof that the prices of the factors may be imputed from the prices of finished goods. Theoretically this stage of reasoning may be considered as final, since it is apparent that once prices are attached to the factors, the marginal productivities are ascertainable. It is not clear, however, how this process may be accomplished in practice. Barone and Cassel, as well as Zassenhaus, carry the reasoning through, but Schumpeter seems content to drop the matter once he has proven that imputation may be solved by his mathematical deductions. See the preceding section for articles by these writers; for convenience reference to their general reasoning will be made without encumbering the reader with innumerable footnotes, unless specific quotations are given.

Cassel, Tisch, Zassenhaus, and the other mathematicians have performed a two-fold service. They have shown the necessity, first, that there should be prices and a mechanism which uses them; that there can be only guesses in the dark in the absence of some price system. And, second, they have demonstrated that the task of allocating productive resources to different uses is possible without a market for the factors of production.

In this connection it may not be amiss to consider the Hayek-Robbins "second-line" defense that the hundreds of thousand equations could not in practice be utilized for the guidance of production.¹³⁴ It is perhaps clear that this argument is different from that of Mises (and Halm). In general there seem to be two threads among the writers who maintain that calculation is impossible in a planned economy. The first is the view that the planning authority will be unable to find a method which is theoretically sound of assessing the costs of production; it will therefore be unable to decide on the prices which it ought to aim at, and its quantitative estimates of the proportions in which it is desirable to produce the different consumption goods will be only guesses and almost certainly wrong. This is essentially Mises' point of view. The second view (Hayek-Robbins-Burrows) is that it will be so difficult in practice to devise a mechanism which will enforce the results of theoretical calculation that the errors actually made will be of a serious nature. The second thread of argument retreats from the theoretical controversy which had already been demonstrated by Pareto, et al., to the practical controversy.

To the practical issue that the planning authority would find it impossible to take advantage of the simultaneous equations which serve to impute values to the factors of production from those of the consumption goods, there are two general comments to be made. In the first place, it appears that there has been a misinterpretation of the exact significance of the equations themselves. Although it be admitted that there would be millions of equations in actual life conditions (an equation for every single commodity or service produced), it is not correct to assume that all these equations need be solved simultaneously by one authority. An appreciation of the nature of these equations seems to be lacking. They simply represent a convenient mathematical expression of Wicksteed's concept of price, "the terms on which alternatives are offered." It is price in the generalized sense which is indispensable to solving the problem of allocation of resources. The terms on which alternatives are offered are determined "ultimately by the technical possibilities of transformation of one commodity into another, i.e., by the production function."¹³⁵ If this generalized concept of price be employed, it can easily be shown

¹³⁴R. Burrows, *op. cit.*, p. 52, agrees with Hayek and Robbins.

¹³⁵O. Lange, in *On the Economic Theory of Socialism*, p. 61. The term "price" may mean the exchange ratio of two commodities on a market, and it seems that this is the sense in which Mises used the term. In consequence of public ownership of the means of production, there is in a planned economy no market on which capital goods are actually exchanged; there are obviously no prices of capital goods in the sense of exchange ratios on a market.

that Hayek and Robbins have misinterpreted the significance of the mathematical equations that express these terms. It can be seen by a simple example that all of us, including those who never heard of simultaneous equations,¹³⁶ actually do "solve" them every day consciously or unconsciously. Every time one considers buying, let us say, a package of cigarettes which costs fifteen cents, he helps to solve hundreds of thousands of equations whether he realizes the fact or not. In other words, in evaluating the worthwhileness of a package of cigarettes, an individual theoretically considers all the alternative articles for which he may spend his fifteen cents; the mathematicians have simply expressed this theory in algebraic terminology, which, in turn, is based on the economists' assumption of the "economic man." Now actually, of course, none of us calculate all the alternatives available, the terms of which are expressed in the prices for these articles on the consumers' market. We purchase cigarettes rather than a dime-store novelty for a variety of reasons that have no proximate relationship to economic phenomena; it may be a result of habit, of ignorance, of wanting to follow other persons' example, etc. But even Hayek and Robbins, when they buy the morning newspaper, have presumably, as economists, weighed the alternatives for which they might have spent their money; it is extremely doubtful that this process requires a knowledge of higher mathematics.¹³⁷ Perhaps this argument is somewhat exaggerated, but it may be illustrative of the essential point.

The second line of refutation (see D) undertakes a more specific application of the mathematical equations to the practical problem which would be faced by the planning authority in allocating the factors of production. It was remarked above that the mere establishment of the theoretical possibility of imputing the value of the factors from the value of the finished goods does not ascertain the "costs" of production.¹³⁸

D. ECONOMIC CALCULATION IN A PLANNED ECONOMY

10. *The process of successive approximation.*—When it is realized that all the members of the factors of production have to be compared with one another—and this not with respect to their power of satisfying the consumer, nor even with respect to their power of producing in their present uses goods which satisfy him, but with respect to their power of producing *all* the goods which satisfy him—the formidable nature of the next step will be realized. It must be admitted at once that no accurate answer is possible: the demands of consumers, and hence the potentialities

¹³⁶Or those who would not be able to solve them if they had heard about them.

¹³⁷Cf. Wootton's refutation of Hayek and Robbins along similar lines. *Plan or No Plan*, pp. 320-24.

¹³⁸For a statement of the mathematical equations and their solution, see Dickinson, *op. cit.*, pp. 111-12; Lange, *op. cit.*, pp. 52-60, and Zassenhaus, *op. cit.*

of productive resources change rapidly in comparison with the time which would be required to make a fraction of the comparisons, and the laborers die, the capital goods wear out, before they can be tried in more than a few occupations. It is not to be supposed, however, that any society, even in those short periods of history when free competition was thought by the ruling classes to be the ideal of an enlightened government, approached the point when all resources are applied in accordance with the principles which have been laid down. Even the competitive solution of the problem of economic calculation, as was seen above, only approximates true equilibrium at any given time.¹³⁹

After the first condition of a preference scale is fulfilled, the second condition is that "the terms upon which alternatives are offered" in respect of the scarce factors of production be known. This condition is determined by the technical possibilities of transformation of one factor for another, or the application of the law of variable proportions. If it be assumed that the factors of production be divisible units, by applying the law of variable proportions that combination of the units of the factors which yields the highest contribution to the total product will be preferred to that combination which yields less. It is not necessary, as has sometimes been suggested, to know the price of the other factors before calculating the value of the one in question; the other factors remain the same throughout, and their price is immaterial. The managers of the various plants in a planned economy could, in all probability, estimate the effectiveness of adding a little more capital in one place, a little less in another direction, employing one more laborer or discharging one, etc., in such a manner as to approximate the highest return possible with a given combination of the factors. This is essentially the same procedure as under a competitive economy where individual proprietors calculate whether it will pay them to add a little more or subtract a little of any one of the factors. That combination which is technically most efficient (and in this respect the economist depends on the engineer completely) will be compared with that combination which is economically most efficient, consideration being given to the prices which may be obtained for the finished product. The principle of substitution applies, of course, with equal validity under a planned economy and a capitalist one.

In this connection the difficulty of computing the marginal product arises from the fact that in practice a whole laborer or machine has to be added or removed, instead of the small fraction which is supposed in the mathematical expression of the theory, and as it is expressed in economic textbooks; in other words, the assumption that the factors of production are atomistic is not in accordance with fact. Thus, it is possible to have

¹³⁹See Hall, *op. cit.*, pp. 79-80, and discussion above.

a gap between the marginal loss (where a unit of the factor is dropped) and the marginal gain (where a unit is added), and there is an element of indeterminateness in the value of the marginal product. The process of rearrangement is called the variation of the "technical coefficients" (the quantities of each factor required to produce a unit of product, or the proportions in which the factors are combined),¹⁴⁰ and in some industries this variation is not possible without large changes in output. The problem of assessing marginal productivities, therefore, is mainly practical; it depends on whether the planned economy can command the services of men as capable as the managers of capitalist factories, and no conclusive answer can be given to the question, since no experiment has as yet been tried.

Finally, the third condition, viz., that available supplies of the ultimate production goods are to be just exhausted by the demand for them at their current "coefficients," may be attained by a process of successive approximation, given the amount of resources available. It seems that this third condition is the one to which most of the theoretical and practical arguments have been directed. How, say the critics, can the planning authority, in the absence of a market for the factors, cost the land, labor, and capital to the various industries under its care in such a way that those costs will represent the sacrifices (not real costs) which the community as a whole suffers by their allocation in one direction rather than in another?¹⁴¹ The procedure by which the factors may be allocated may be called a process of successive approximation.¹⁴²

Before dealing with this procedure, however, it should be pointed out that the discussion is directed primarily at that concept commonly designated as "static equilibrium" in textbooks. The modifications to the theory under dynamic conditions will be considered below. As a necessary preliminary to the explanation of the process by which the method of successive approximation could be used to solve the imputation problem, it may be assumed that at any particular time the stock or income of each primary factor which was available for the current production period would necessarily be a substantially determinate quantity. Unless the available quantity of any factor was thus determinate and at the same

¹⁴⁰*Ibid.*, pp. 76-77. Cf. Lange, *op. cit.*, pp. 60 ff. See R. Mossè, "The Theory of Planned Economy; A Study of Some Recent Works," 36 *I.L.R.* 387 (note) (1937), and pp. 387 ff., for a slightly different exposition of the mathematical expression of the problem of economic calculation.

¹⁴¹Halm refers to the lack of "the characteristic under-bidding and out-bidding that is essential for the rapid determination of prices." He must mean the correct prices, since a central authority could determine the actual prices it chose to debit to its industries with any speed it pleased. Cf. Hall, *op. cit.*, p. 69, for a refutation of this same statement.

¹⁴²Lange and Taylor employ the term "trial and error," while the critics call it "guess-work." It is immaterial what the process is called so long as it is understood. The term "successive approximation" (a term used by Hall, ch. 3, in another connection) has been selected for two reasons: (1) the procedure of trial and error has come to have an unpleasant meaning as a result of its criticisms, and it implies to many persons other things than it did to Lange and Taylor; and (2) the cobweb theorem in respect of the competitive solution has already been designated as a process not dissimilar in many respects from that which is explained in this connection.

time so limited that its total was smaller than the need for that factor, though it might be a factor of production, it could not be an economic factor, and so could not be one of the factors with which society would be concerned.¹⁴³

Taylor has outlined the following procedure which would be taken by the planning authority in ascertaining the effective importance of each primary factor in alternative uses:

1. It would set about constructing factor-valuation tables in which it would give each factor that valuation which, on the basis of more careful study, it believed to be the nearest approximation to the correct valuation that could be worked out in advance of experience.¹⁴⁴

2. It would then proceed to carry on its functions as managers of all productive operations as if it considered the valuations given in the provisional tables to be the absolutely correct valuations.

3. While thus acting, it would after all keep a close watch for results which would indicate that some of the provisional valuations were incorrect.

4. If such results appeared, it would then make the needed corrections in the tables, lowering any valuations which had proved too high, raising any which had proved too low.

5. Finally, it would repeat this procedure until no further evidence of divergence from the correct valuations was forthcoming.¹⁴⁵

In constructing factor-valuation tables, either of two methods may be employed: (1) the authority may impute at first to the factors the same values which were imputed to them under capitalism, prior to the transition to a planned economy;¹⁴⁶ or (2) it may on the basis of a mathematical imputation derived from the consumers' market construct such valuation tables. It is immaterial which basis is used; the process of costing the factors will be the same in either case. The function of price in a competitive economy (Lange calls this the parametric function of price) would operate in exactly the same way in a planned economy. The central authority must impose on the managers of the industries this parametric function of price as an accounting rule.¹⁴⁷

¹⁴³See Cassel, ch. 1, and Taylor, p. 51.

¹⁴⁴The statement of these steps is summarized from Taylor, *On the Economic Theory of Socialism* (Lippincott, ed.), p. 52. The first step is the same as attaching some "coefficient" to the factors (used by Dickinson), or a "technical coefficient" (used by Lange and Hall).

¹⁴⁵For all essential purposes these steps are the same as made by Hall, Dickinson, Lange, Lerner, Zassenhaus, Barone, and others—except perhaps in terminology.

¹⁴⁶C. Landauer, *Planwirtschaft und Verkehrswirtschaft*, p. 119, suggested that the same values be placed on the factors as had obtained under capitalism in order to provide a convenient place at which to begin, which would obviate too many revisions in order to attain a condition of full employment. N. Kaldor in a review of Landauer's book stated: "No one can regard as anything more than a naive Dr. Landauer's other idea that the Socialist State should impute at first to the factors of production the same values which were imputed to them under Capitalism" (42 *E.J.* 281, 1932). Naivete seems an unduly strong word for a process which, however erroneous, would be extremely useful and valid. Since the socialist state must start somewhere, it may as well be with the given data of the capitalist regime; it is doubtful that Kaldor would deny the advisability of profiting "from others' mistakes."

Lange points out that one could start with a set of prices "given at random," by drawing numbers from an urn. On the basis of this random set of prices (Walras' *prix cries par hasard*, *Elements d'economie politique pure*, p. 66) the individuals fulfill their subjective equilibrium condition and attain their maximum position. For each commodity a quantity demanded and a quantity supplied is established. Now the objective equilibrium condition comes into play. If the quantity demanded and the quantity supplied of each commodity happen to be equal, the entire situation is settled and the prices are the equilibrium prices (pp. 70-71, *On the Economic Theory of Socialism*).

¹⁴⁷See Lange, *ibid.*, pp. 80-82.

The prices established by the planning authority on the basis of the factor-valuation tables will be costed to the industries in the form of bookkeeping entries; this is simply a statement that the terms on which alternatives are offered must be established for all users of the factors.

Now the objective test of equilibrium makes itself apparent. If the valuation of the factors be such that the quantity demanded equals the total quantity of the factor (assuming a fixed stock), the equilibrium will have been attained. If, however, the quantities demanded by the managers of the industries and the total quantities of the factors available diverge, the price must be considered incorrect; a revision becomes necessary. Any price different from the equilibrium price would show at the end of the accounting period a surplus or a shortage of the factor in question.¹⁴⁸ Or as Taylor has put it, to determine whether the valuation imputed to the factor were too high or too low, "that fact would soon disclose itself in unmistakable ways. If too high a valuation of any factor were made, it would cause the stock of that factor to show a surplus at the end of the productive period. If too low a valuation the factor would show a deficit." Therefore, "surplus or deficit—one or the other would result from every wrong valuation of a factor."¹⁴⁹

As a result a new set of prices for the factors would be constructed, which would serve as a new basis for the establishment of an equilibrium condition. If demand and supply are not equal for each factor, prices must be changed again, and yet again, until the process goes on to the attainment of the objective equilibrium condition. By a series of successive approximations as to the correct valuation of the factors, the planning authority thus may establish an equilibrium. Like that of perfect competition, the equilibrium is based on the full employment of all factors at the task in which they contribute most to total production.

Thus the accounting prices in a planned economy become the "costs" which are determined by prices on a competitive market for the factors in a competitive economy. But both can be determined by the same process of successive approximation. It seems obvious, therefore, that the real answer to the claim that hundreds of thousands (Hayek) or millions (Robbins) of equations must first be solved lies in this essentially similar process. The only variables in the equations which would have to be solved would be those of the consumers and the managers of production. These are exactly the same unknowns that are determined in the present economic system and the persons who do the determining could be in all likelihood the same also. Consumers solve them by spending their incomes so as to get out of it the maximum total utility; and

¹⁴⁸*Ibid.*, pp. 70-71, makes a comparison of the parametric function of prices under competition with the same function in a socialist economy; Lange begins with Walras' *tatonnement* process and demonstrates that the process of trial and error applies with equal validity to both the capitalist and socialist economy.

¹⁴⁹Taylor, *ibid.*, p. 53.

the managers of the state's industries would solve them by finding the combination of factors that equalizes marginal cost and the price of the product. They solve them by a method of successive approximation, asking (or imagining) small variations at the margin, in Marshall's terminology, and watching what effect these variations have either on the total utility or on the cost of production.¹⁵⁰

It may be added, further, that the same procedure of approximation would be applicable to an authoritarian system where freedom of choice in consumption and freedom of choice of occupation were non-existent and where the allocation of resources, instead of being directed by the preferences of consumers, is directed by the aims and valuations of the bureaucracy. The authority would use the same method of accounting, but the changes resultant would probably be less numerous. It would probably be of less concern whether all the factors were employed to the fullest and in the most effective manner; but in this case the stock of the factor would be considered as less than the quantity available.¹⁵¹

It is interesting that Robbins accepts the idea that under complete planning there need not be a perfect allocation of resources:

It is not to be expected that any organization will satisfy the criterion completely [i.e., perfect allocation]. If the choices of the consumers change, if the natural conditions of production alter, or if technical knowledge improves, at any moment there must always be some disparity between the actual and the "ideal" distribution of resources. Our judgment of the success of any organization therefore must be based, not on its capacity at any moment to achieve the "ideal" but upon its capacity continually to tend in that direction.¹⁵²

Pigou summarizes the case when he comments, "How nearly complete success will be approached depends, of course, on the degree of skill and probity of the controlling authority itself, and of the subordinate bodies through which it works. But, except in a world of supermen, many and grave lapses are certain to occur."¹⁵³

¹⁵⁰Lange, *ibid.*, p. 88, comments sarcastically, "And only a few of them have been graduated in higher mathematics. Professor Hayek and Professor Robbins themselves 'solve' at least hundreds of equations daily, for instance, in buying a newspaper or in deciding to take a meal in a restaurant, and presumably they do not use determinants or Jacobians for that purpose." ¹⁵¹There may exist a special case where accounting is not needed to carry out a plan effectively. If the technical coefficients of production were constant, marginal cost is independent of the scale of output. In this case the problem of choosing the optimum scale of output is thus ruled out. No prices and no cost accounting whatever are needed. Efficiency in production is maintained merely by technological considerations of avoiding waste of materials, etc. It seems that those who deny the necessity of an adequate price system have this case in mind. Cf. Lange, *ibid.*, note 46, pp. 94-95, for a statement of this proposition, which, he says, is one of Pareto's contributions. He adds significantly, "But we need not say how extremely unrealistic is the assumption that all coefficients of production are constant. The very fact that in the Soviet Union such great stress is laid on cost accounting shows how far from reality this special case is removed." This point did not occur to the writer as within the realm of possibility, and it is to Lange that he is indebted.

¹⁵²*Economic Planning and International Order*, p. 195. This statement seems to refute his colleague's assertions. See Hayek, *Collectivist Economic Planning*, pp. 213-14. Hayek assumes that every single price both of consumption and production goods must be fixed by the central authority. Given his assumption, his case may stand; but it seems quite unnecessary to the success of a plan that the authority determine upon every price, the same as it would be unnecessary for the President of the General Electric Company today to fix the price on all the firm's hundreds of articles throughout the country. The utilization of managers, store-keepers, etc., to assist in operating the economic machine does not seem inconsistent with the general coordinating function of the authority. This is essentially a problem of how much centralization is necessary, or how much decentralization in minor cases ought to be permitted.

¹⁵³*Socialism versus Capitalism*, p. 119.

Lange considers that there would actually be an advantage in the trial and error method under socialism as compared with the same method under capitalism:

Indeed, it seems that this trial and error procedure would, or at least could, work *much better* in a socialist economy than it does in a competitive market. For the Central Planning Board has a much wider knowledge of what is going on in the whole economic system than any private entrepreneur can ever have, and, consequently, may be able to reach the right equilibrium prices by a *much shorter* series of successive trials than a competitive market actually does.¹⁵⁴

There has been suggested a method whereby the costing of the factors might be obtained other than by the process of approximation. This method envisages the introduction of pseudo-competition or "playing at competition" among the state's trusts in such a way that the demand for the factors will tend to equate the total supply of them; in the case of land and capital the supply will be in the hands of the state itself, in the case of labor, the trusts will compete on the labor market for the services of laborers.¹⁵⁵

To this proposal there have been two general lines of attack by its critics. The first attack is that presented by Hayek, who employs the concept of Edgeworth that the result of reintroducing competition would create a world of competing monopolies. Edgeworth says, "In a world of monopolies there is no determinate equilibrium: there would survive only the empirical school, flourishing in the chaos congenial to their mentality."¹⁵⁶ Hayek states:

In a world of such monopolies this may not have the effect of reducing production all around in the sense that some of the factors of production will remain unemployed, but it will certainly have the effect of reducing output by bringing about an uneconomic distribution of factors between industries. . . . The equilibrium that would be reached would be one in which the best use would have been made only of one scarce factor: the possibility of exploiting consumers.¹⁵⁷

Short of the establishment of a world of competing monopolies, a second line of argument assails the proposal that fictitious competition be introduced; Robbins states this case:

For competition to be free the entrepreneur must be at liberty to withdraw his capital altogether from one line of production, sell his plant and his stocks and go into other lines. He must be at liberty to break up the administrative unit. It is difficult to see how liberty of this sort, which is necessary if the market is

¹⁵⁴*Op. cit.*, p. 89. In reducing the number of trials necessary a knowledge of the demand and supply schedules derived from statistics may be of great service, but such knowledge, although useful, is not necessary in finding the equilibrium prices. (Cf. Dickinson's suggestion of statistics, pp. 104-05). If the authority fixed prices purely by trial and error, and managers adhered strictly to treating the prices as constant, in certain branches of production fluctuations described by the cobweb theorem might appear in a planned economy. In such cases the authority would deliberately use anticipations as to the influence of variations of output on the price of the product in fixing the accounting prices. One might add to what Lange considers a good reason for preferring the process of trial and error better under socialism than capitalism the fact that under capitalism the relative success of the method seems to be increasingly less, if one may judge from the amount of idle resources.

¹⁵⁵See W. Beveridge, *Planning under Socialism*, pp. 15-17; Landauer and Heimann made such suggestions earlier.

¹⁵⁶F. Edgeworth, *Collected Papers*, vol. I, p. 138.

¹⁵⁷*Collectivist Economic Planning*, pp. 221-22.

to be the register of the varying pulls of all the changes in the data, is compatible with the requirements of a society whose *raison d'être* is ownership and control at the centre.¹⁵⁸

In reply to these two lines of attack, it may be admitted with Edgeworth that the problem of pure monopoly is insoluble for all communities, collectivist or capitalist. If a single productive unit is more efficient than a number of small units, how can we tell whether it is as efficient as it might be? Or as Hall states the case: "If a world champion has no-one against which to measure himself, how can he tell of what he is capable?"¹⁵⁹ It is probable that what would happen will depend on the extent to which the monopolists allow for the reactions of the other monopolists to their actions, and this behavior cannot be predicted.

As far as the planned economy is concerned, this theoretical difficulty is one which does not arise, and Hayek introduces Edgeworth's analysis in a situation to which it is inapplicable. Edgeworth was considering a condition in which all the monopolies were competing for the customers with the aim of making as large profits as possible for themselves; this is a condition under capitalism, not under state ownership. It is certain that no planner would suppose that there is anything like "planning" about such a state of affairs; the aim is not to "exploit the consumer," as a scarce good itself, whatever else it is. Equilibrium is theoretically much easier when there is an attempt to equate prices and marginal costs than it is when the attempt is to maximize profits. When it is added that the planning authority will impose the "parametric function of prices" as an accounting rule upon the so-called competing trusts, the indeterminateness is removed. The comparison of the efficiency of the factors, measured by the values they produce in different industries, is, thus, an extension of the process of successive approximation. The trusts are simply given a modicum of authority to make their own decisions as to the correct combination of factors and the scale of output—a matter of flexibility in the organization of the production plan. The introduction of a sort of competition, thus, becomes a practical device to equate the demand and supply of the factors in the hands of the state; it does not propose to establish "competitive prices," except in so far as the concept of equilibrium under competition be attained by a series of approximations made by the authority in the determination of the factor-valuation tables.¹⁶⁰

Even if it be admitted that pseudo-competition serves no other purpose than to show up the incorrectness of the original valuations placed on the factors, there seems to be no particular merit in adopting the

¹⁵⁸*The Great Depression*, pp. 153-54. Cf. Hayek, *ibid.*, p. 237. Brutzkus seems to be skeptical of the device as well.

¹⁵⁹*Op. cit.*, p. 138.

¹⁶⁰The device of pseudo-competition seems to have been misunderstood by the critics of Beveridge, Heimann, Landauer, and Lerner. Cf. *ibid.*, pp. 135-36.

device, for a quite different reason. It has often been pointed out that under competition individual producers, who assume that the price given on the market is a determinate datum, seldom attain a condition of equilibrium without a series of attempts; this very fact has been advanced as a justification for coordination through planning.¹⁶¹ It would seem that the planning authority could anticipate the future price of the factor in question without having to wait until the managers of the trusts actually established a certain price by the process of bargaining. The authority would have available the statistical data which would indicate to it the probable effects on the price of an increased supply's being offered on the market; with its more complete statistical information,¹⁶² it would be in a better position than say one of the trusts to approximate the eventual price, and for this reason it could allocate the factors so as to approximate equal marginal productivity more readily. Therefore, it seems unnecessary and even perhaps wasteful to carry on such a procedure of faked competition. Perhaps the authority would want to utilize the bargaining process to test the metal of the managers of the plants, but this is a more or less subsidiary matter to the problem of costing the factors. It is perhaps apparent that the fictitious competition in a planned economy would be monopolistic competition, not a condition comparable to the theory of perfect competition.¹⁶³

There seems to be no theoretical reason, therefore, to believe that the problem of determining the accounting-costs for the factors of production could not be solved by actual experience. Whether these costs will possess any significance in a planned economy will be determined ultimately by the experience gained and the diligence of the personnel of the management of the whole system.

II. Marginal versus average costs.—The prices of the factors of production having been determined by the process of successive approximation, it remains yet to demonstrate how these "cost-prices" may be reflected in the prices of consumption goods flowing to the market. This involves a further refinement around which considerable controversy has taken place. One group maintains that the allocation should follow the rule that average costs should be minimized by the managers of the plants; the second school points out that all that is necessary is that marginal costs be covered by the selling price.

Lange represents the first group when he states that the planning authority should lay down two rules to determine the combinations of

¹⁶¹Wootton seems to base her whole case for planning on this point; see chs. 3-4 of *Plan or No Plan*.

¹⁶²Dickinson's position, though misinterpreted by his critics, seems to be in agreement with this argument (*op. cit.*, p. 105).

¹⁶³The fact that any one producer may actually affect the price of the product by his own actions renders the possibility of success in introducing competition even less attainable in the absence of full knowledge (known only to the authority) of what other producers are intending to do. Cf. E. Chamberlin, *Theory of Monopolistic Competition*.

the factors of production and the scale of output: (a) one rule must impose the choice of the combination of factors which minimizes the average cost of production. This would make the marginal productivity equal in different employments. (b) A second rule determines the scale of output by stating that output has to be fixed so that marginal cost is equal to the price of the product; it is addressed to both the managers of plants and the managers of a whole industry.¹⁶⁴

The first rule laid down by Lange performs the function of private producers' aiming to maximize their profits or to cover their costs of production under competition. The second rule performs the same function as free entry into and exodus from the industry do under competitive enterprise.

Lerner, in criticizing Lange, pointed out that the concept of average costs in Lange's first rule is not applicable except in a case of "static equilibrium," and since this case was unreal, it would be preferable to adopt a single rule that every producer must produce whatever he is producing at the least total cost, and that each producer "shall produce any output or any increment of output that can be sold for an amount equal to or greater than the marginal cost of that output or increment of output."¹⁶⁵ Lerner's statement introduces the "dynamical" nature of planning at once. Although Lerner himself would object to the statement made above that in the construction of a valuation table the authority should undertake to attain a condition of equilibrium, it is believed that there is essentially no point of disagreement between this statement and the position of Lerner. By the assumption that the supplies of the factors are fixed, it seemed more convenient to discuss the proposition. The correction to the original estimates of the valuations for the factors may be obtained by a series of successive approximations which would be tested in the light of experience in so far as there was revealed neither a surplus nor a deficit of the factor in question at the end of the accounting period. Now by dropping the assumption that the supplies of the factors are fixed, the approach suggested by Lerner may be utilized without destroying the essential validity of the earlier findings.

¹⁶⁴*Op. cit.*, pp. 77-78.

¹⁶⁵A. Lerner, "A Note on Socialist Economics," 4 *R.E.S.* 72 (1936-37), a reply to Lange's article which first appeared in the same periodical, 4 *R.E.S.* Part I, p. 53, Part II, p. 123. Lange published a rejoinder to Lerner, "Mr. Lerner's Note on Socialist Economics," 4 *R.E.S.* 143, in which Lange admitted the argument that his was a static concept based upon an assumption of constant returns, in which case average and marginal costs are equal. He stated, "Thus the principle of equalizing marginal cost and the price of the product may be taken, as Mr. Lerner is perfectly right in pointing out, as the most general rule ensuring the consistency of the decisions with the aims of the plan" (p. 144).

E. Durbin, "Economic Calculus in a Planned Economy," 46 *E.J.* 676 (1936), attempted to apply an analysis similar to that of Lange; the equational method Durbin discarded but adopted a static equilibrium concept. Lerner again attacked the position in his "Statics and Dynamics in Socialist Economics," 47 *E.J.* 253 (1937); to which Durbin replied, "A Note on Mr. Lerner's 'Dynamical' Propositions," 47 *E.J.* 577. In the last article Durbin admitted the force of Lerner's argument, but insisted that average costs were a useful tool for analysis of an equilibrium condition. Finally, Lerner attacked this position as an outmoded expression in economics of something that never existed (i.e., equilibrium in the sense Marshall had employed the term) in "Theory and Practice in Socialist Economics," 6 *R.E.S.* 71 (1938).

The rule that each manager of a plant or industry should produce that output whose marginal costs would just be equal to or less than the selling price affords the planning authority a principle on the basis of which both short-run and long-run prices may be gauged.¹⁶⁶ In the intermediate period (Marshall's short-normal period, not the period outlined in chapter 3) the speed of operation for the plants and industries in a planned economy would be determined by this rule. In all cases the output, increment or decrement of output, will be undertaken only when the costs on the margin will just be covered by the selling price. It is the proportionality of price to margin cost that is significant for the optimum distribution of resources, for that condition alone is necessary and sufficient to ensure that no resources that could be used to satisfy a greater need are used to satisfy a lesser one. Since complete competitive equilibrium can never be attained in a planned economy, the classical analysis that the price should cover average costs is irrelevant. Under perfect competition marginal revenue, marginal costs, average costs, and price are all the same; but under imperfect competition, the case in a planned economy, they may be quite different. In the case of imperfect competition, the idea of maximizing profits, the desideratum of a competitive economy but not of a planned one, no longer applies. In a competitive economy, however, the real justification for charging a price sufficiently high to cover average money costs lies in the fact that, though society itself would not suffer by the failure to do so, the individual producer may—in fact must—go bankrupt and withdraw from production entirely. As Lerner states, "Thus, if for any reason there is an excess of equipment for the production of any product so that the production of the output which makes price equal to margin cost makes price less than the average cost, it would be a social waste to restrict output to that which makes price equal to average cost. This would be equivalent to the attempts in monopolistic capitalism to maintain capital values. . . ." ¹⁶⁷ In other words, if price is such that average costs are not covered in the long-run, the size of the plant itself is at fault, not the speed of its operation. Since the investment has already been made in the plant, to society the capital outlay has irremediably been made, and the fact that society has altered the price does not change the nature of the outlay.

Perhaps this principle may better be explained by considering several productive units that, in all probability, will have different costs, except in special cases. If the different costs be ranged in order from the least to the greatest, then a range over which costs increase is obtained, and

¹⁶⁶Dickinson (pp. 105-09) adopts marginal costs as a basis, but he seems to confuse the marginal costs which would obtain under competition with the nature of the same costs in a planned economy. Hall, Lange, Durbin, and Zassenhaus finally adopt Lerner's point of view. It was thought desirable not to present the arguments which may be pursued in the above cited periodicals, but rather to point out the particular applicability of the marginal cost analysis to a planned economy, and to indicate some possible confusions in the concept.

¹⁶⁷"A Note on Socialist Economics," 4 *R.E.S.* 75.

this may be the typical case. Since the loss to the community from producing the most expensive unit is the amount which the factors of production there employed could produce elsewhere, it is this price which must be used in calculation; if average cost were charged, the community would get the last units at less than cost, and would be induced by the lower price to buy more of this good and therefore less of some other, which it would have preferred if the prices had been equal, and which could have been produced at the same expenditure of resources. The planning authority, then, should strive to adjust prices to marginal costs and to use the concept of rent for those resources which are more productive than the marginal. The method of marginal productivity, moreover, allows the comparison of similar resources used in different fields of production.¹⁶⁸

It is now possible to consider the specific costing of the factors of production to the plants or industries in which they are to be employed. In all cases, however, the costs of the factors, when added together, for each unit of product on the margin must be covered by the price of the product.

12. *Costing of land (rent).*—If goods are valued according to the cost of the marginal portion of the supply, then, a surplus would emerge which could be treated as rent. If, however, goods were valued according to their average cost of production, then rent will be absorbed in cost. The question whether or not rent should be reckoned as a separate entity is thus seen to be identical with the problem whether goods should be valued according to marginal or average cost of production.

Some have argued that it would be unnecessary to include rent (defined broadly to embrace what Hayek called quasi-rent of capital, or surplus value generally) in the category of costs which a planned economy needs to consider. Two consequences flow from not including the rent in the computation of cost: (a) If rent be excluded the true cost of increasing the supply of a good will be under-estimated if the good is produced under increasing cost conditions, as compared with goods produced under decreasing cost conditions; there will thus be an over-investment of the community's resources in the former as compared with the latter class. (b) But the most important reason why rent must be included is that it would be difficult to allot parcels of land of different quality to their most appropriate use in the absence of such a calculation. In order to calculate the maximum yield it is necessary to reduce the different physical yields of land to a common denominator—value. But unless the comparison were made on the basis of their marginal and not of their average returns, incorrect results would be obtained. Therefore, since marginal

¹⁶⁸Hayek (*Col. Econ. Planning*, pp. 226-29) in commenting on this problem points out that in economics, after all, "bygones are bygones."

returns must be determined, the use of rent as a device for ensuring the optimum use of scarce natural resources seems to be justified. Where the planning authority decided to permit a certain amount of autonomy to separate enterprises, economic rent would serve as a convenient device for allocating land and natural resources to their most productive use.¹⁶⁹

The likelihood that economic surplus would arise under a basis of marginal costing is apparent from the remarks in the preceding section (11). Whenever two plants with similar equipment show marked differences in their costs, this must be due either to differences in the ability of the managers or to differences in the qualities of the natural resources being used. In practice it should not be difficult to know which of these causes is operative in a particular case; presumably the planning authority would have an inspectorate of men accustomed to the industries with which they have to deal, so that it need not be haunted by the fear that it will condemn its managers for inefficiency when their apparent shortcomings are due to indifferent soil, narrow seams of coal, and so on. This problem is a question of practice.¹⁷⁰

The preliminary costing of land by grading it into a series of different valuations, based on the superiority or inferiority of the land, could be revised in the light of experience in such a way that the allocation would conform to the principle that it should be employed at its highest efficiency and that all the grades of land be employed at some work—omitting those inferior lands whose productivity is too low to warrant their use, such as desert lands.

13. *Costing of labor (wages).*—Like land and natural resources, the supply of labor is comparatively fixed. It would seem practicable, therefore, to determine the costs of labor in a way similar to the costs of different grades of land. These costs, of course, are to be chargeable to the industries employing the particular grade of labor in question. It may prove expedient to classify labor broadly into certain non-substitutable groups.¹⁷¹

Perhaps the ideal costing system for labor would be one in which all laborers were compared and each costed according to his specific capacities. But this seems impossible for practical reasons in any economic system; perhaps the rough grouping of the laborers into classes and the estimation of the average productive capacity of the members of each class would be satisfactory. It is clear from this arrangement, however, that the costs assigned to each group need not be the wages paid to any individual laborer in a particular class; a certain recognition of individual capacities, or applications, could very well be made without

¹⁶⁹Cf. Dickinson, pp. 77-78; Cassel, *op. cit.*, ch. 7, sec. 29, pp. 289 ff.

¹⁷⁰Cf. Hall, pp. 94-95.

¹⁷¹This method is proposed by Hall, pp. 82-87.

destroying the basic group.¹⁷² The costs assigned to each group are designed to ensure the full employment of that grade of labor; if the original estimates are too high, unemployment will result, and the costs should be revised until full employment is attained.

14. Surcharge for risk.—Dickinson has a suggestion that in addition to the costs of land, labor, and capital, a surcharge be placed on the price of goods which would cover the uninsurable risks with which any society is faced. By uninsurable risks, he means those risks associated with all production in anticipation of demand: the possibility of changes in the methods of production, and in wants. Since the degree of uncertainty will vary as between one branch of production and another, he reasons that “any economic choice will be a choice between economic alternatives involving uncertainties of different degrees. A rational calculus of economic costs must reflect this fact. This means that to the elements of cost already described—wages, rent, and interest—an additional charge must be made, adjusted according to the degree of economic uncertainty involved in the particular branch of production.”¹⁷³

To the objection that the greater part of economic uncertainty can be avoided by proper planning and that the residue should be shouldered by the socialist administration as part of the inevitable overhead of social economy, he replies:

But the fact that a certain amount of uncertainty is inevitable is no reason why it should be borne by the community without charge. If a consumer desires a particular commodity whose production involves uncertainty, whether due to technical change or to the fickleness of demand, there is no reason why he should not have it, but he should be made to contribute to the social costs incurred as the result of uncertainty.¹⁷⁴

The difficulty, however, is associated with the exact determination of the amount of the costs to be levied in any particular instance as a surcharge for risk. The best rule that could be adopted, perhaps, is one of a “rule-of-thumb” nature, based on actual experience in the past, information on which could be furnished by the managers of the industries. It may be further noted that the planning authority may, like modern insurance companies, balance the risks of one industry against those in another. In this case it would seem preferable to drop any such charge for risk separately from the regular costs. To society as a whole the unusual risks which arise from calamities of various sorts cannot be insured against, but since they are usually localized, a balancing process could take place. The type of risks here discussed should not be confused with the “insurable” variety, which would, of course, be charged to the cost of the particular commodity in question.

¹⁷²The actual wage payments are discussed in the following chapter.

¹⁷³Pp. 93 and 98.

¹⁷⁴P. 95.

In this connection it is apropos to consider again the idea that social costs could be given greater weight under a planned economy than under a competitive regime. Lerner employs the following terminology in one expression of his "marginal cost rule": "In general this principle can be put to the individual managers in the specialized form of instructing them to adjust their output to a level where price becomes equal to marginal social cost."¹⁷⁵ This expression of the rule is perhaps more what the proponents of planning have in mind than simply the expression that the price should equal marginal money costs, which would be determined on a basis of successive approximations for the factors. Lange claims as an advantage for a socialist system "the *comprehensiveness* of the items entering into the price system."¹⁷⁶

Pigou, to whom the concept of marginal social cost is credited, considered the claims of the socialists, and expressed his judgment:

A central planning authority would find it not more easy than the government of a capitalist state to obtain the data required for these calculations. Suppose it has successfully fitted supply to demand in some industry under the guidance of consumers' offers and its own private costs. It is then in exactly the same position as a capitalist state confronting an industry similarly adjusted. It is no worse, but equally it is not better, placed to improve on that adjustment. For what is needed, in order to improve on it, is not will, but knowledge. The relevant knowledge is of a sort that we do not at present possess, and the eventual winning of which is no more likely under the one system than under the other.¹⁷⁷

Perhaps it may be concluded with Pigou that in the absence of some tools for measurement and analysis, "there is serious doubt whether a planned economy could remedy these faults," any better than an "unplanned one."¹⁷⁸

15. *Costing of capital (interest).*—Perhaps the item that has received the most exhaustive treatment by writers on socialist calculation theory is capital, and it has been retained until the last. Both the short-run and the long-run supply of capital have been scrutinized carefully: the critics from Mises and Halm down to Hayek and Robbins have directed most of their attention to this problem. For convenience there will be assumed, first, a determinate supply of capital, and this short-run problem will be

¹⁷⁵"Theory and Practice in Socialist Economics," 6 *R.E.S.* 71 (1938).

¹⁷⁶Pp. 103-04. He points out, "Thus it would evaluate *all* the services rendered by production and take into the cost accounts *all* the alternative sacrifices; as a result it would also be able to convert its social overhead costs into prime costs." But Lange fails to show us how *all* the alternative sacrifices can, suddenly, be measured in terms of costs in a planned economy when they cannot be so measured now. If he has discovered a new instrument for measuring them, we are sure that economists throughout the world will be delighted to hear about it.

¹⁷⁷*Socialism versus Capitalism*, pp. 43-44. Pigou had examined the claims of Lange and others before writing this passage. Cf. the discussion on non-money costs and "imponderables" in chapter 2.

Dickinson (p. 100 and *passim*) suggests that social costs would be more accurately measured in a socialist community, but the reason he gives is that "Ignorance of economic opportunities would be eliminated by the publicity of a planned economic system." He seems not to realize the real nature of social costs. Ignorance of economic opportunities can only be one, and perhaps a minor one, of the imponderable and unmeasurable elements.

¹⁷⁸Wootton, ch. 3, devotes considerable attention to this point, and indicates that in her opinion a planned economy could effect a less divergence between social and individual marginal costs. It may be that Wootton, Lange, and Dickinson are applying Pigou's concept of social costs in a capitalist society to a planned society.

treated separately from the problems associated with its accumulation in the long-run.

As much as has been written on the nature and necessity of interest as a cost of production, there persists the "bearded argument" of the socialists that interest is but a fabrication of the bourgeois, leisured class, who exploit labor in order to enjoy this "unearned income." It is obvious that were interest not embraced in the costing process, there would be relative over-production of goods whose manufacture involves relatively more capital than the average. And in order to allocate the available capital between the various branches of production, a definite relation between the quantity of resources available and the rate of interest that just allocates them without deficit or excess would have to exist.¹⁷⁹

Given the quantity of capital available, how is the rate of interest to be costed to its users? In the case of a homogeneous factor as money capital there would be no difficulty: the rate of interest would be determined by the condition that the demand for capital is equal to the amount available. If the original rate were set too low, the banking system would be unable to meet the demand of industries for capital; when the interest rate is set too high there would be a surplus of capital available for investment. As in the case of land and labor, however, embodied capital (fixed or specialized) is not homogeneous. It might be possible in the case of fixed capital to neglect the value of it, or to assume some figure for it, the difficulty being that it is desirable to use it until it is worn out, even if it is not returning its assumed value.

To the suggestion that a fictitious rate of interest be applied in order to arrive at a correct rate later by the testing process of operation, Halm enters an objection. He states, "Now to use a fictitious rate of interest in order to calculate a value of capital-goods that may be taken as given in determining the rate of interest, is to argue in a circle."¹⁸⁰ He adds, "For, of course, the essential thing is the possibility of establishing a comparison between *known* commodity-prices and *known* costs of production."¹⁸¹ This argument seems to be Mises' thesis expressed in a slightly different way. It may be admitted that if the prices of the factors can neither be obtained by competitive bargaining nor deduced from the

¹⁷⁹See Dickinson, p. 80; Burrows, p. 50. See Barone's comments on the necessity of interest-cost (*Col. Econ. Planning*, Appendix, pp. 277-78); Cassel, Wieser, Böhm-Bawerk and other standard works on interest. So much has been written on the subject of the necessity for interest-cost that it is hoped the writer will be pardoned for not considering this literature here.

It is interesting to note that G. Morreau does not admit the propriety of including interest in the cost-reckoning of a socialist economy, but proposes to discriminate between different uses of capital resources according to the quantity of consumers' surpluses which they yield. See his "De Economische Structuur eener Socialistische Volkshuishouding," in *De Economist* (1931). This is a suggestion derived from Marshall, but it is open to the objection that no one has yet shown how to determine an objective measure of consumers' surplus. Cf. Dickinson, note, p. 81, from whom reference to Morreau is taken. Wootton, p. 25, seems to consider that interest is paid on the Senior thesis of abstinence; this argument does not detract appreciably from her otherwise interesting discussion, though it has long been discredited.

¹⁸⁰In *Collectivist Economic Planning*, p. 164.

¹⁸¹*Ibid.*, p. 163.

prices of the finished goods, then there seems no way of finding them out. But it may be asked how the competitive economy *knows* the prices of the factors; Mises and Halm will reply that it is the result of the meeting of supply and demand in the market. Now it is difficult to see what is behind the demand for the factors except the desire of the entrepreneurs to sell the products to the consumers at a profit. Unlike the demand for goods by the consumer, it is a derived demand: the known costs of production are known through the interplay of forces one of which is the prices of commodities. It follows, therefore, that the demand for capital, like that for land and labor, is derived from the demand for the finished goods; it is, therefore, *known* (in Halm's own terms). Now the rate of interest "the need for which is urgently dictated by economic considerations," but which Halm says, "cannot be adopted in the socialist economy,"¹⁸² may be determined in the short-run by simply combining the derived demand for capital with the available supply of it; in other words, all that is required is to *know* how scarce capital is.

The interest rate once determined in this way, the avenue is open for allotting the supply to those industries whose productivity is sufficiently high to warrant their receiving capital; as soon as the marginal costs in a given plant equal the selling price, the process is complete. The initial rate of interest might be selected at random or transferred from the rate obtaining under capitalism before the transition.

Besides investment capital, however, there may be other uses to which the supply may be put. The working capital requirements of industry could be met by some central banking apparatus, perhaps through the use of overdrafts as Dickinson suggests.¹⁸³ The bank could serve as a central organ of general accounting (as in Russia)—checking and controlling, keeping track of the progress of goods in process of manufacture through their various states, of quantities of goods in stock, etc.¹⁸⁴

In addition to the working capital and fixed capital requirements, consumption credit would constitute a drain upon the total available capital. The demand for consumption credit might be harmonized into the system by taking cognizance of it; loans might be granted upon the knowledge of the individual's income from the state. A charge for the additional risks and costs of administration could be added to the normal net interest rate.

With these three general forms of demand considered, the rate of interest could be determined so as just to balance the demand for and the supply of available capital. On the basis of this established rate of

¹⁸²*Ibid.*, p. 161.

¹⁸³*P.*, 91.

¹⁸⁴This seems the essential function of the Central Bank in Russia. Cf. A. Gourvitch, "The Problem of Prices and Valuation in the Soviet System," 26 *A.E.R. Supp.* 267 (1936); C. Hoover, *op. cit.*, and L. Hubbard, *op. cit.*

interest, the valuation of fixed capital, land, and intermediate goods could then be accomplished. The original estimates of cost may be inaccurate in detail because of ignorance, and probably in general in the sense that they may all be too high or too low because it is difficult to estimate exactly the average level of costs which will correspond to the amount of money which has been placed in circulation. The way is clear now for an adjustment of production; the stages of these adjustments, though taken simultaneously, may be enumerated for purposes of clarity:

1. By adjusting the prices of the ultimate factors until all are just fully used, the initial estimate of costs is derivable.

2. Those factors whose price has fallen will be substituted for those whose price has risen.

3. By applying the principle of cost to finished and intermediate goods, it will be seen that some have been priced above cost and others below cost. As the prices of the one are reduced and those of the other raised, factors of production will be absorbed into the making of the former goods and extruded from the making of the latter.

At the end of this process of adjustment, the planning authority will be selling all its products at their marginal costs, and thus conforming to the rule which has been derived from a more general theoretical reasoning.

Up to this point, however, it has been assumed that the quantities available are fixed; it is necessary to drop this assumption and consider the effects of an increase or decrease in the supply of capital. For all practical purposes the quantity of land and of labor may be considered as fixed, both in the long- and in the short-run; in the case of labor, population changes or movements may affect this proposition, but it would perhaps not be too far from reality to assume that these alterations in data would be slight. The change into what Lerner calls the "dynamics" of a planned economy comes, then, in the fact that the supply of capital can be increased or decreased. It is with the problem of the accumulation of capital that the following section will be devoted, together with a discussion of the long-run effects on the size of industries.

E. THE LONG-RUN PERIOD OF PRODUCTION

16. *Problems associated with capital accumulation.*—A decision as to the amount and rate of capital accumulation will determine, of course, the total quantity of capital available at any given time, its marginal productivity, and hence the rate of interest. Who is to determine this rate of interest, upon what principles may it be determined, how will the capital be accumulated, and in what manner will it be allocated among industry—these are four questions which seek an answer. The task of weaving into the logical presentation of these problems the contributions made by other writers assumes almost impossible proportions; the violent

disagreements among writers, the varying points of view and allegiances, the admixtures of economic theory and ethics—all these seem to make it imperative that this exposition must strike out on its own, reference being made to conflicting or opposite points of view as the discussion progresses.

The first question to be decided is, who shall decide on the rate of accumulation, and, as a corollary, is there any particular advantage in one method over another? The decision whether production goods or consumption goods shall be produced is essentially a matter to be settled by the community.

Lerner suggests that consumers be given the right to exercise a preference for future as compared with present goods; that the authorities could, if they wished, take as an index of the time-preference expressed by consumers the debits and credits of consumers with the state bank.¹⁸⁵ It is clear that Lerner implies that the planning authority ultimately determines the rate of accumulation; whether it would take cognizance of the consumers' preferences for the future as compared with the present as reflected in debits and credits, is a matter of discretion. Now there seem to be two fundamental reasons why this suggestion is neither practicable nor desirable. First, the debits and credits at the bank would represent, in all likelihood, hoarded or unspent margins from the current income; individuals may be saving for the purchase of an article, such as an automobile, which requires a considerable capital outlay, or they may have had to borrow for a similar reason. The time-preference indicated in the case of consumers' credit could scarcely be taken as an index for capital accumulation for industrial purposes. Lerner, of course, did not imply that these actual savings should be used as the source of capital for all purposes; such an implication would be almost absurd. This leads to the second objection. It is conceivable that the debits and credits would just balance, or even if they did not, the interests of society may not be promoted by restricting the saving to that indicated by private individuals' preferences. The very desideratum of placing the matter in the hands of a central authority seems to be in the possibility that accumulation could be adjusted in consonance with the desires of the poor as well as the rich.¹⁸⁶

If the decision must be made by the planning authority, it becomes a "welfare" problem. To Lange the fact that this decision must be arbitrary is a disadvantage of the socialist economy.¹⁸⁷ Since the decision is a political one, it is incorrect for one to say with Lange, "This would

¹⁸⁵"A Note on Socialist Economics," 4 *R.E.S.* pp. 72-73.

¹⁸⁶The distribution of income and wealth and the corporate structure of modern capitalist society determines to a large extent the rate of accumulation of capital, as has been pointed out many times. It is this very thing that seems to irk the socialist. It will be indicated below that there seems to be no proof that any better result may be obtained by giving the decision as to capital accumulation over to the state than by leaving it to the rich capitalist.

¹⁸⁷P. 108.

diminish social welfare," or that it is "irrational from the economist's point of view." There is no such thing as an "economist's point of view" in a welfare decision, other than that he is an individual possessed of certain prejudices and adheres to certain ethical doctrines. Barone pointed this fact out when he remarked, "The criterion is, and must be always the same: the greatest welfare of society."¹⁸⁸ What shall constitute the greatest welfare of society is a problematical matter. It seems almost superfluous for economists to argue about the "correctness" or the "rationality" of one rate as compared with another, unless it be understood that they are arguing on grounds other than economic; it cannot be shown *a priori* that one rate of accumulation is more desirable than another.

What, then, are the arguments and their implications for and against a high rate or a low rate of accumulation? It is at this juncture that recourse may be had to the concept of "foresight" in the theoretical concept of equilibrium. As has been pointed out, the condition of equilibrium under a competitive regime can exist only by assuming a certain amount of omniscience; just the degree and type of foresight which will enable entrepreneurs to make correct long-period adjustments and yet fail to appreciate the advantages of monopoly.¹⁸⁹ Such a proposition is purely formal: it simply states that if the conditions are such as to lead to the maintenance of equilibrium, equilibrium will be maintained.¹⁹⁰

When applied to a planned economy, the significance of this concept of omniscience assumes an important role. It reduces the objections to the "arbitrariness" of the authority's decision to their proper place. It demonstrates that the decision is not contestable on economic grounds, nor upon the grounds that it interferes with consumers' freedom of choice, but that it is a matter of practical policy. The argument has been advanced that the arbitrariness of this decision is incompatible with consumers' preference, and that it does not consider the difficulties which would be met with from the dynamic factors of uncertainty and imperfect foresight.¹⁹¹

Hutchison provides an answer to this objection in his distinction between two types of "consumers' freedom of choice": (1) choice between absolute certainties—between a piece of white bread and a piece of brown bread of a given quality, the utility of each of which can be

¹⁸⁸In *Col. Econ. Planning*, p. 278.

¹⁸⁹See E. Durbin, "The Social Significance of the Theory of Value," 45 *E.J.* 704-05 (1935). Lange's "parametric function" and the cobweb theorem state similar conclusions. Cf. also P. Sweezy, "Expectations and the Scope of Economics," 5 *R.E.S.* 234 (1937-38); and T. Hutchison, "Note on Uncertainty and Planning," 5 *R.E.S.* 72.

¹⁹⁰Cf. statement by Durbin, *ibid.*, p. 105; Sweezy, p. 235, concluded that since this proposition is purely formal, the scope of economics must be enlarged in order that expectations may be included among the variables of economic problems. Cf. also E. Lindahl, *Studies in the Theory of Money and Capital*, ch. 1.

¹⁹¹See Hayek, *Col. Econ. Plan.*, pp. 211 ff.

foreseen and compared by the prospective customer; and (2) choice between absolute uncertainties—choice of the number on which to make an isolated bet at a roulette table.¹⁹² “As regards the second kind of choice, apart from the pure pleasure of gambling for its own sake—which we leave out of account here—there is no advantage or significance at all in being free to make it oneself as against having it made for one. It would be quite reasonable to call ‘irrational’ anyone who, having an isolated bet to make on a roulette table, minded whether he chose his number himself or whether somebody chose it for him.”¹⁹³ It is at this point that the theory may be applied to the matter of who is to make the decision relative to capital accumulation.

The recognition of the fact that under a capitalist system omniscience is unattainable has given rise to the proposal that a greater approximation to it be undertaken by a planning authority. In this admission is an inherent implication that the exercise of foresight by capitalist investors vicariously for the consumers for whom they produce falls short of the “desired” optimum; *ergo* a more informed body should be given this power. But the shift in authority to decide upon the direction of investment from the capitalist to the planner changes the essence of the decision not a bit; both decisions partake of the nature of “overriding the consumer.” The failure to appreciate the passive role played by the consumer lies at the bottom of this confusion; the consumer does not exercise “sovereignty” over production, no more than he does over capital accumulation.¹⁹⁴ In this respect it must be conceded to Dobb that the decision relative to the speed of capital accumulation is essentially a curtailing of consumers’ “sovereignty” and is, therefore, a system of “rationing.” But critics must beware they do not make the same mistake about the capitalist system; “sovereignty” does not exist there either.

If the degree of foresight under capitalism be considered less than perfect, or perfect, in either case there would be room to argue that who made the choice would be a matter of indifference; as far as can be demonstrated, the nature of the choice on capital accumulation lies more near the extremity of Hutchison’s absolute uncertainty, than toward the other pole. It is possible, then, to conclude with Pigou that “It may be, no doubt, that a central planning authority would make *less* provision for investment than would be made through the private action of individuals

¹⁹²*Op. cit.*, p. 72. “Of course, all, or nearly all, actual choices are a mixture, somewhere in between these two extremes of absolute certainty and uncertainty, but this does not make the distinction any the less fundamental analytically.”

¹⁹³*Ibid.*, p. 72.

¹⁹⁴See discussion of consumers’ preferences in chapter 3. Halm (p. 169 of *Col. Econ. Plan.*) seems to bemoan the fact that consumers would in a socialist community have choice only in respect to goods already produced, and he insists that what is wanted is that demand should control the allocation, not merely of commodities but also of the means of production. This control which seems so important either does not exist now under capitalism, or if it does, it would not be changed under socialism; since he did not define “control” one must take either one case or the other, or both.

in a similarly placed capitalist society. But the Russian experiment suggests that it is *likely* to make *more* provision. There is certainly no ground for asserting *a priori* that in this field socialist central planning will produce situations less favourable to general well-being than capitalism would do."¹⁹⁵ In fact, Lange's concern that the arbitrariness of the decision would be a disadvantage may be unjustified. The political dangers, of course, are apparent. Mises fears "The door would therefore be open to demagogues. The opposition will always be ready to prove that more could be assigned to immediate satisfactions, and the government will not be disinclined to maintain itself longer in power by lavish spending."¹⁹⁶ Whether this be true or not will depend on the care exercised by the state and will be shown by experience alone.

It has been suggested that the planning authority in making decisions for the community as to the quantity of capital to be accumulated, should adopt certain guiding principles. It may be remarked, however, that whether one principle is preferable to another is a matter of conjecture; it will depend on the whole policy of the cultural unit. Two proposals have been made as to the total quantity of capital that should be amassed: (1) one proposal is based on the Casselian argument that the rate of interest should depend on the duration of human life; and (2) another group favors a supply of capital sufficient to reduce, or tend to reduce, the rate of interest to zero.

Cassel indicated that in an ideal individualist community accumulation would proceed, and the rate of interest should fall until the number of years' purchase of a perpetual income had risen to something short of the average duration of the adult portion of human life.¹⁹⁷ Dickinson and Burrows have suggested that the planning authority accumulate until the rate of interest falls to say 2 or 2½ per cent—representing approximately 50 years purchase, the duration of the average adult human life.¹⁹⁸

¹⁹⁵*Soc. v. Cap.*, p. 133-34. Hutchison, p. 72, remarks, "there is no factual basis for any sweeping conclusion that a planned economy would meet the difficulties arising from uncertainty and imperfect foresight any worse (or better) than an unplanned economy." Cf. Wootton, p. 324.

Wootton (pp. 99-100, note) confuses the issue when, in reply to Dickinson's proposal that a rate of interest be chosen arbitrarily, she says, "For it will still be impossible to determine whether the rate thus arrived at is, or is not, adequate to compensate those whose abstinence makes that given supply available." Of course, her statement is correct in a broader sense, but it is irrelevant when the state performs the actual saving. Her example of bread-baking and the construction of ovens, though sound in its reasoning, mistakes the essential nature of the decision in an unplanned economy; it implies that the laborers who construct the ovens actually decide as consumers of bread whether the ovens should be built in the first instance. This is a matter for the employer to decide, not the consumer; the latter may refuse to buy the bread produced in the ovens, but that seems to be the extent of "dictation" of production.

G. Meyer, "A Contribution to the Theory of Socialist Planning," 3 *Plan Age* 213 (1937), stands corrected in his prediction that in a socialist economy, a "long-range plan . . . minimizes by its very nature 'uncertainty' and risks of investments; it fixes (or rather, constitutes) 'anticipations' and changes surprises from immediately effective determinants of economic activities into rather harmless data for new plans." There is no factual proof that these "uncertainties" will be less under a planned than under an unplanned economy. In fact, Mises claims that the mistakes made in a capitalist economy can be confined to "certain narrow limits," whereas he argues that it would be a general catastrophe in a planned economy. Both views, it seems, are predicated on assumptions of equilibrium which imply perfection of foresight.

¹⁹⁶*Socialism*, p. 202. Cf. Pigou's view above and the usual reply given to such fearful predictions.

¹⁹⁷*Theory of Social Economy*, pp. 201-05; for interest rate in a socialist community, see pp. 248-50.

¹⁹⁸Dickinson, p. 84; Burrows, p. 51.

Lerner suggests that accumulation take place until the rate of interest drops to zero; and, in Cassel's terminology this would represent a perpetual income.¹⁹⁹ Lerner, following Keynes, expresses his belief that the rate may be maintained at zero, due to the reduction of the marginal productivity of investment capital to zero.²⁰⁰

The application of Cassel's argument to this proposal would seem to show that if one were to consider the rate of interest at zero, the tremendously augmented demand for capital would preclude its remaining there for long. This point of view is held by Halm, Dickinson, Lange, Wootton and others. Lange expresses the common belief of these writers as follows:

The Central Planning Board will probably aim at accumulating enough to make the marginal *net* productivity of capital zero, this aim being never attained because of technical progress (new labor-saving devices), increase of population, the discovery of new natural resources, and, possibly, because of the shift of demand toward commodities produced by more capital-intensive methods.²⁰¹

Perhaps it may be concluded that, though the rate may be lower than in an "unplanned" economy, no general statement seems possible.

The amount of capital to be accumulated once determined, the problem arises how best to raise the capital. Dobb has outlined some problems of capital accumulation, and he indicates that several methods may actually be pursued: (1) higher prices may be charged to consumers, and the profits (margin between the costs and selling prices of commodities) be appropriated by the state; (2) a general turnover tax be levied in order to curtail consumption; (3) or deductions for capital replacement and accumulation be made from the income derived from rent and interest payments, which would have been costed to the industries and made payable to the state as the sole owner.²⁰² Dobb's suggestions follow closely the practice in Russia where all three devices are employed in the attainment of the rapid industrialization of that country; the profits of one industry are appropriated for use in another, a heavy turnover tax has been levied to curtail consumption, and the "social dividend" to citizens has been entirely exhausted. Though this seems to be an unusually rapid rate of capital accumulation for most modern countries, the case of Russia is unique in that it is desirous of "catching up" with other more industrialized nations.²⁰³

¹⁹⁹See Lerner, "A Note on Socialist Economics," 4 *R.E.S.* 72. (1936-37).

²⁰⁰*Ibid.*, p. 72.

²⁰¹P. 85. Cf. Halm, p. 159, who says, "the supply of capital must always remain small in comparison with the enormous demand for it, and power of disposal over factors of production for the purpose of producing capital-goods will always have to be restricted." See also Dickinson, p. 85; Wootton, p. 216; Cassel, pp. 248-50.

²⁰²"A Note on Saving and Investment in a Socialist Economy," 49 *E.J.* 713 (1939). Since the distribution of income to laborers will depend on considerations other than ownership of the means of production, Dickinson suggested that all incomes from whatever source derived be assigned to a "Social Fund," from which would be made deductions for current replacements and new capital accumulation prior to the distribution of the balance, if any, of this fund in the form of money income to the citizens. See also Lange's suggestion, pp. 99-101.

²⁰³See Gourvitch, *op. cit.*, for a detailed examination of the methods of raising capital, including currency inflation; cf. Dobb, *Russian Economic Development Since the Revolution*.

The amount of capital to be accumulated, however determined and in what manner raised, must now be allocated to various industries (working capital and consumption credit were considered above under short-run conditions) in such a way as to permit them to expand, or to contract, in accordance with the principle that marginal productivity should be equalized in alternative uses.

17. *The size of industries.*—Some writers, impressed with the preponderating influence that the rate of interest has upon the direction of production, have concluded that the rule that price should equal marginal costs cannot be applied to a long-run situation in which the decision as to the amount of accumulation will be the determining factor. Dobb, Heimann, Mandelbaum, and Meyer seem to uphold this view. Dobb goes so far as to express a belief that the principles of marginal economics would not apply, therefore, to a socialist community. He states this view, common to the others (except for the latter assertion), as follows:

. . . in deciding *how much* of the community's resources to invest the planning authority would simultaneously decide (on the basis of data and advice provided by each industry) how and where investment should take place. . . . In taking such decisions the planning authority would apply the rule of the maximum directly, instead of through the mediation of an accounting-price for capital; i.e., it would direct each type of resources to that use where its productivity (at the margin) valued in terms of final output, was estimated to be a maximum.²⁰⁴

From this reasoning Dobb derives his "pursuit-curve," and he asserts that with increased foresight as to the future rate of interest, the authorities could "violate the principle of equimarginal returns and apply a *different* time-discount to different sections of an industry and of the economic system, investing part of the available capital resources in ways which yield, not the normal interest-rate of today, but what will be the normal rate, say ten or twenty years from now."²⁰⁵ Therefore, he believes that this may change the "whole future of economic theory."²⁰⁶ "Our conclusion, therefore, seems to be that the laws which will rule a socialist economy will be different in essential respects from those which rule a capitalist economy, for the reason that factors which are, *ex hypothesi*, unknown and unknowable to those who make the ruling decisions in the latter will be known in the former, and that part of what figured as dependent variables in the latter, and hence as actions and events determined by the given data, become subject to control and to conscious decision in the former, and hence are to be classed among the data of the problem."²⁰⁷

²⁰⁴"Note on Saving, etc.," p. 724.

²⁰⁵"Economic Theory and the Problems of a Socialist Economy," 43 *E.J.* 596-97 (1933).

²⁰⁶*Ibid.*, p. 598.

²⁰⁷*Political Economy and Capitalism*, pp. 317-18. The two quotations are linked together, though they come from two separate writings, because they express his basic conclusions tersely. Similar reasoning is given by E. Heimann, "Literature on the Theory of a Socialist Economy," 6 *Social Research* 99-100 (1939) and 113-14; K. Mandelbaum and G. Meyer, "Zur Theorie der Planwirtschaft," 3 *Zeitschrift für Sozialforschung* 228 (1934).

It may be conceded to Dobb that the arbitrariness of the decision on capital accumulation may determine in actual practice the exact quantitative allocation of capital among different employments, and by so doing, it may be desirable that since the original decision is centralized, the decision as to specific allocation may also be centralized. But the denial that the rule of marginalism applies is an obvious *non-sequitur* from his own argument. Lerner has stated the reply: "To say that there will be more foresight in a socialist economy does not mean that the economic principles are different. . . . If the rate of interest is five per cent for the next five years and three per cent thereafter, it will be possible to borrow for ten years at about four per cent."²⁰⁸ Dobb and his colleagues have confused the concept of consumers' "sovereignty" with "preferences" and have deduced therefrom a reasoning that since the consumers will be given what the authority deems advisable, through its decision as to capital accumulation, the old principles of equimarginal returns need not be followed by the authority. But it is clear that if the marginal productivity of different factors do not bear to each other the same ratio in the production of different commodities, it will be possible, by re-shuffling the factors to produce more of some or all of the commodities produced, without producing less of anything or applying more resources or energy to production.²⁰⁹

In fairness to Dobb's position, however, it should be admitted that the possibility of the exercise of a greater degree of foresight in a planned economy would permit of a *more rapid* expansion in the size of industries; those undertakings which could not afford to pay a rate of six per cent now might still be launched if the future rate were to be four per cent or less, which they could meet. Furthermore, investment could be planned perhaps more wisely and consistently through time if the whole matter were left to the planning authority, but it seems impossible to conclude therefrom that the authority would be omniscient without the data submitted by the industrial managers who would have more intimate knowledge of the productivity of capital in the industry under their supervision.

It seems possible to conclude, therefore, that the "future of economic theory" has not been upset by Dobb's "revolutionary proposal."²¹⁰ The suggestions made by Dobb, Heimann, Mandelbaum, and Meyer seem

²⁰⁸"Economic Theory and Socialist Economy," 2 *R.E.S.* 60 (1934-35). Lerner adds, "What has happened is that the economist in Mr. Dobb has seized hold of an inadequate formulation in Mr. Dickinson's scheme, and wishes to cry out 'Bad Economics,' but the bureaucratic censor mistranslated it 'Bourgeois Economics.'" The reference is to Dickinson's article in 1933.

²⁰⁹This principle would not be changed even if the values on commodities were determined by a dictator or the authority instead of consumers. Cf. Lerner, *ibid.*, p. 57.

²¹⁰In fact Dobb admits this in his recent article, "Note on Saving, etc.," p. 725. Only in the event that the interest rate were zero could the planning authority proceed, as Dobb at first suggested, to allocate capital on purely technical grounds. He retreats from this earlier position, but insists that an accounting-rate of capital cost need not be used, if a "priority ratio" be employed. It is difficult to see how such a priority-ratio could be determined, unless purely arbitrarily, except on the basis of accounting costs.

reducible, then, to the proposition that they have called specific attention to the essentially different degree of foresight which could obtain in a socialist society, and to the practical problem that it might be expedient to permit the centralization of all decisions relative to the quantity of capital to be accumulated and the direction of its employment.²¹¹

In applying the rule that marginal costs should not exceed the selling price, the planning authority may address this same rule to the managers of industries for both the short- and the long-run. Society's resources will best be utilized by this rule. If in the short-run, price goes above lowest average cost, this may indicate the need for enlarging the size of the plant, and the size of the new plant will depend on whether with its increased output price will just equal marginal costs incurred in additional production. Lerner and Dobb present U-shaped curves to illustrate the principle.²¹²

The size of the industries will be determined according to a similar rule. If the demand for a particular commodity increases, and the price rises, in the short-run the speed of operation of the industry should increase in such a way that the additional output occasioned by the price rise will just be covered; if the price remains at, or increases from the point established in this period, the industry should consider the advisability of enlarging its size. The size of the industry will depend on whether with the increased output that will be occasioned by an increase in size, price will still equal marginal costs incurred in additional production. Since, under real life conditions (the dynamical propositions of Lerner), marginal costs and average costs seldom tend to be equal, this rule seems most applicable. The situation is one of monopolistic competition, but one in which there is no attempt to maximize profits, unless the planning authority decides that profits should be utilized for capital-extension purposes. It is clear, however, that in most dynamic conditions, pure profits would arise under a planned economy, the same as they do in a competitive one, as a result of unforeseeable factors.

Before closing this discussion on the organization of production, it is well to consider briefly the idea that since marginal costs and average costs would not be equal (unless constant returns were assumed) in the long-run, it would be desirable for society to take the excess of the

²¹¹The writer is at a loss to conclude otherwise. Dobb's own writings display a strange mixture of Soviet policies and neo-classical economics. At one time he insists that consumers' preference need not be the guiding criterion for the direction of production; another place he concedes that a market might be the most "convenient" method of allocating consumption goods. His insistence that the theory of economics, the theory of equimarginal returns, must be discarded in a socialist economy is inconsistent with his utilization of that same theory in attempting to prove his own propositions.

²¹²Lerner, "Statics and Dynamics in Socialist Economics," 47 *E.J.* 253 (1937), and Dobb, "A Note on Saving, etc.," 49 *E.J.* 713 (1939). It has been considered inadvisable to attempt to reproduce these curves in view of the fact that they are generally understood by most economists, and the principles underlying them are essentially similar to the curves given by E. Chamberlin, *The Theory of Monopolistic Competition*, and J. Robinson, *The Economics of Imperfect Competition*.

marginal costs over the average costs in the case of an increasing cost industry, and employ it as a subsidy to the decreasing cost industry where marginal costs are lower than average costs. This suggestion was made by Marshall and Pigou in the case of a competitive economy, and it has been applied by Dickinson to the case of a planned economy.²¹³ This procedure does not seem applicable to a planned economy but rather to a competitive one. There may, indeed, be for any industry or firm a difference between the total revenue from sales and total outlay for factors, but as far as society is concerned it is a matter of taking the costs out of one pocket and putting them in another. Since society owns the means of production there seems no point in doing this. As Lerner comments, "anyone who wished could collect these figures and call them taxes and bounties. But there is no point in doing this that I can see."²¹⁴ It will be the aim of the authority to secure equal marginal costs everywhere, and these equal to the price of the goods; the existence of surpluses, due to difference in the better situated units (between marginal and average costs), must not be taken as indicating the need for expansion of the whole industry. The efficiency-rents could be earmarked and utilized for the expansion of the individual plant concerned, or perhaps employed as a method of raising capital for general use by the community.

F. SUMMARY

18. *Marginal economics and a planned economy.*—The findings of this chapter may be summarized conveniently as follows:

(1) In any society where the resources available are scarce in relation to all the wants that clamor for satisfaction, it is imperative that some sort of calculation be made. To calculate economically society must allocate these scarce resources in such a way that the intensities of urgency of these wants tend to be equalized, on the margin. The problem of economic calculation is common to capitalist and collectivist societies alike.

(2) The alleged impossibility of economical calculation in a planned economy was found to be without adequate proof. In a planned economy costing may be carried through on the basis of accounting-prices in the absence of an established market and private ownership of the means of production. By a process of successive approximation, true factor valuation-tables may be drawn up.

(3) The rule by which the planning authority should allocate the factors, both in the short-run and in the long-run, is that marginal costs

²¹³See Pigou, *Economics of Welfare*; Marshall, *Principles*. Dickinson, pp. 107-08, suggests an ingenious scheme to take care of this situation by the establishment of what he calls a "Marginal Cost Equalization Fund" into which would be paid all positive rents arising from increasing-cost goods and out of which would be paid subsidies to maintain the production of diminishing-cost goods.

²¹⁴"Statics and Dynamics, etc.," p. 270.

should be less than or equal to, but not in excess of, the selling price; of course, total costs should always be minimized.

(4) The problems associated with the accumulation of capital, like so many other problems of a planned economy, are arbitrary in nature, but carry with them obvious economic implications. There seems to be no *a priori* reason for economists condemning the arbitrariness of the decision relative to the rapidity of capital accumulation a planned economy might adopt; the decision must ultimately rest with the political authorities.

(5) Finally, the planned economy would necessarily economize resources in such a way that it would strive to allocate them among the different want-satisfying uses in accord with the principles of marginalism. For the principles of marginalism have been demonstrated to be the logical, mathematical, and hence universal, principles of economic calculation; i.e., of maximizing the return from any resources, used in accord with any technique, to secure any form of return. Moreover, the theoretical and practical validity of the principles would be unaffected by any difference in the degree to which, as compared with individualism, the collectivist economy allowed individuals to be the judges of their own wants and the means of satisfying them, or itself made these choices through some political agency.

CHAPTER V
DISTRIBUTION OF INCOME AND
ALLOCATION OF LABOR

A. GENERAL SCHEME OF DISTRIBUTION

1. *Introductory.*—It may be said with Mill that “The laws and conditions of the Production of wealth partake of the character of physical truths. . . . It is not so with the Distribution of wealth. That is a matter of human institution solely.”¹ In a planned economy there is no essential connection between the value of labor and the payment of a sum of money to a laborer; for purposes of accurate costing, it was found necessary to know the value imputed to human effort (according to certain broad classes) from the ultimate consumption goods in which it is embodied. But this might be used for accounting purposes only, each worker or grade being rated at a certain figure for the purposes of time-sheets and transfers from one job to another.²

As it was pointed out in chapter 2, the advocates of planning have adduced as one of their main tenets that greater equality of income might be effected through the introduction of economic planning. It may be noted that the mere abolition of “unearned incomes” will not, statistically, involve nearly as much a rise in the general level of labor income as the sanguine hopes of some socialists express. The income imputed to property is only about one-fourth of the total national income of the United States, of which amount governmental units now spend considerably over half.³

Theoretically, the upper limit to labor income under a planned economy where all non-labor income would flow to the state would be the total national income during a given period. Since it may be assumed that the total social “goods heap” must be allocated in some fashion, it could be distributed *in toto* to the individual citizens on the basis of need, per capita, or some other principle. Likewise, the lower limit would be

¹J. S. Mill, *Principles of Political Economy*, Bk. II, ch. 1, para. 1 (p. 199 of Ashley's edition).

²Cf. H. Dickinson, *Economics of Socialism*, pp. 98-100, 118-19; E. Durbin, “The Social Significance of the Theory of Value,” 45 *E.J.*, 700 (1935), note. Durbin states, “The principles concerning the distribution of income are independent of the way in which the recipients of income can effect the distribution of resources.” Perhaps the “principles” are different, but this seems an unguarded statement that does not mean the same thing as the distinction made above: i.e., that distribution of money income may have no direct relationship to the value of labor in production. Obviously, if one increased wages income, it is clear that the spending might result in a considerably different price, and hence a different actual allocation of resources. In fact, it may be said that one of the cardinal tenets of socialism is to alter the income and thus to effect a reallocation of productive resources. Durbin undoubtedly knows this and evidently did not mean just what he seems to have said.

³F. Knight, “The Place of Marginal Economics in a Collectivist System,” 26 *A.E.R. Supp.* 266 (1936). Knight offers no further proof of his statement, but it conforms with estimates gleaned from other sources.

the minimum of subsistence, or, perhaps in some cases, zero. It may conceivably be the policy of the state to discriminate against some of its citizens (or non-citizens) and literally starve them to death.⁴ For practical purposes it would seem reasonable to assume that this lower limit would tend never to go below the means of subsistence for the great majority of the population; to go further would be tantamount to national suicide.

2. *Sources of national income.*—The size of the total annual income of a planned economy, like that of any other society, would include the contributions made by the factors of production in the form of both goods and services, less the costs of renewal, replacement, depreciation, etc. It may be convenient to summarize the payments as follows:

- (a) The return from natural resources and land.
- (b) The interest on capital.
- (c) The charge made for other imponderable elements or social costs, if such were made.
- (d) The profits which might arise from the state operations (less the losses from the same source).
- (e) The proceeds of any taxation on labor income that may be levied.
- (f) The accounting costs of the services of labor.

It is from these payments that all deductions must be made. From these sources the planning authority may construct its financial budget and carry on production. The significant point to note is that the return from capital and land, net profits, any additional charges made on account of uncertainty, social costs, and taxation are payable not to private individuals but to the state.

It is observable that this discussion omits a detailed consideration of the possible sources of income or outgo resulting from international movements of capital and commodities. Perhaps some would say that the basis on which the theoretical reasoning has proceeded is not unlike Fichte's *geschlossene Händelstaat*. It was thought preferable to leave out of consideration this very important realm of theory and assume a more or less isolated state for purposes of convenience and delimitation.

The likelihood that relations with other states might upset the calculations of a planning authority who confined attention only to domestic problems is manifestly a real one. The political (and diplomatic) problems among planned and unplanned economies which would arise in the event of state trading under a national-monopolist situation are numerous and have received inadequate attention by planners. Perhaps in this field Edgeworth's monopoly analysis would be applicable. Besides the problems of state trading in commodities, there would be problems of international

⁴If one may judge from accounts that come from Soviet Russia and Germany, this very device has been adopted. It is abundantly clear that the control over the whole of production places in the hands of the governing group the control over life and death—in more ways than one. This fact alone may deter some persons from becoming so sanguine about socialism or a planned economy.

movements of capital, both short- and long-term, international movements of population, etc. The fact that these questions have been more or less arbitrarily ruled out of this study does not minimize their significance.⁵

3. *Distribution of national income.*—From the sources of income (expressed in terms of money) the state must make provision for the following items: (a) a reserve for capital accumulation; (b) the charges for items of “communal consumption”; (c) the wages of labor. The wages of labor are included as outgo, but only in the form of money which would have to be issued to labor as certificates of title to the commodities and services offered on the market. Since the services of labor to the state would be only accounting-costs, there would be no direct monetary transfer from individual laborers to their state employer. As it will be seen below, the accounting-costs attributed to labor as a factor of production (on the basis of nonsubstitutable groups) need bear no direct relationship to the monetary wages actually paid to labor. It would be possible, therefore, for the “payments” into the state from labor in the form of accounting-costs either to exceed or to be less than the wages distributed to labor. If the reserve for capital accumulation and the charges for items of communal consumption exactly consumed the sources of payments except that of labor, then labor would be paid its exact economic value.⁶

It has been indicated that the decision in respect to both capital accumulation and the extent of communal consumption is made by the planning authority; this opens the door to a similarly arbitrary decision as to the size of total wage payments. This fact places the whole discussion at once into the realm of practical judgment. In other words, upon what principles might it be found expedient to reward labor, and what would be the economic implications of the adoption of one rather than another of these rules?

B. ALLOCATION OF LABOR AMONG OCCUPATIONS

4. *Equalitarianism and freedom of occupational choice.*—The aim of the communists to secure distribution of income “according to needs” may be considered here in conjunction with the principle of distribution according to strict equality per capita. It has been intimated above (chapter 2) that the adoption of either of these principles of distribution may endanger other objectives of planning which individuals may hold equally dear. It is perhaps apparent that allocation according to need

⁵See L. Robbins, *Economic Planning and International Order*, for a detailed discussion of these problems.

⁶Dickinson, *op. cit.*, pp. 135-38, summarizes his scheme of distribution by calling the sources of income as payments into and out of the “Social Fund.” He does not include, however, the accounting-costs of labor as payment into the Social Fund, nor does he classify wage payments to labor as outgo.

may not be compatible with distribution on a basis of equality per capita; a man with a large family, for example, would require a greater share to meet his and his family's needs than a man with a small family, or an unmarried man. Moreover, strict equality without regard to the size of one's financial responsibilities would, in fact, create differences in income to which some persons would object. An unmarried man, for example, might receive the same money income as a married man with a family: on the basis of strict equality of money income this would be tantamount to paying the unmarried man more than the man with a family. The principle of distribution according to need seems more consonant with the desire to attain greater equality than does distribution according to strict equality per capita.

It is a mistake to assume that the present capitalist society does not attempt to recognize needs in its method of apportioning the national income. The utilization of heavy rates of taxation on the incomes of the wealthier members of society (e.g., the high surtaxes in the income, estate, and inheritance taxes) as a means to effect a redistribution of income may be taken as a partial recognition that the needs of individuals and families are different. The provision out of such revenues for poor relief, unemployment benefits, old-age pensions, national defense, police protection, health and sanitation, etc., illustrate this sector in capitalist societies for communal consumption. In a planned economy it has been suggested that perhaps the scope of this communal sector might be enlarged. The size of this allotment will depend on the decision taken regarding the amount of capital to be accumulated. It may be possible to conclude that to a limited extent (see the discussion of communal consumption in chapter 3) both the capitalist and planned societies may distribute part of the social income on the basis of needs. Actually the extent of this distribution is circumscribed by the fact that the determination of "needs" is a difficult task at best.⁷

The problems of wage payments to individual laborers arise, however, out of the peculiar function of wages. Income to labor serves a two-fold purpose in modern societies: (a) it serves, first, to place in the hands of individuals the certificates of title to a share in the total national product in order that, as a result of their labor, they may have means sufficient to enable them to live; and (b) wages act as inducement to laborers to perform their services efficiently—it serves to elicit the maximum degree of efficiency by rewarding laborers on the basis of productivity. The first function of wages might be effected by a simple distribution according to needs (the lower limit may be minimum of subsistence). It is with the second function that difficulties arise. Strict per

⁷It seems incorrect, therefore, to say with Mises (*Socialism*, pp. 152-55) that distribution according to needs cannot be adopted at all; perhaps he meant distribution of wages to labor, rather than the broader use of the expression made above.

capita equality and distribution according to need may not serve as sufficient incentives to laborers to induce them to produce at their maximum (or even near maximum) efficiency; not to do so is to diminish the total social dividend. Differences in abilities among different individuals may create a situation in which those of higher capacities may refuse in the absence of additional rewards to exercise their abilities for the attainment of enhanced productivity. Hence equality per capita or per family becomes incompatible with productivity.

This difficulty is, however, only one problem which would face the planning authority. As a corollary to the likelihood that individuals might refuse to put forth their best efforts wherever they were employed, is the much more compelling problem that once employed at a given task laborers might not change their occupations, and that they might go from an industry which is expanding to one that is contracting, or refuse to leave the latter to go to the former in accordance with the production plan. There must be, therefore, some methods of allocating labor among different occupations in order to realize success in planning production. No plan, however perfect on paper, could be successful in the absence of cooperation from the human factor.

It may be objected that under a new form of society, such as a planned economy, socialism, communism, or the German "New Order," once individuals were working for the state, they would actually contribute "according to their abilities." It is clear that if citizens agreed to become slaves to the planning bodies, a number of difficulties would disappear: and it might, of course, be possible so to plan a community in its social responsibilities as to inspire the members to obey orders enthusiastically for the common good, and to develop competitive emulation in so doing. It is fairly easy, even now, in times of actual war and of real or imaginary "emergencies" to do something like this. But this is the method of military organizations, and for ordinary times "it is too repugnant to the common man's sense of freedom to be practicable."⁸ Moreover, it is incapable of maintaining a steady rate of work, it breeds evasion and fraud, and it is of a "hit-and-miss" type where the possibility of comparing different workers' fitness is rarely available.⁹ In other words, man may be innately good, but he is not good enough. He may be capable of improvement, but the present must take him as it finds him.

Equalitarianism thus becomes incompatible with freedom of occupational choice, and coercion becomes necessary in order to allocate labor among different employments in accordance with the production plan. If

⁸Dickinson, *op. cit.*, p. 120.

⁹B. Brutzkus, *Economic Planning in Soviet Russia*, pp. 73 ff., gives a picture of how devastating coercion can be on the productive potentialities of a nation; of how revealing was the Russian attempt to determine the fitness of men for particular jobs by the military method in the Red Army—military or labor.

one may judge from the accounts of Russia, Germany, and Italy, the term "labor army" is not a misnomer. It is scarcely necessary today to prove that forced labor is less productive than free labor.

Wootton presents the Russian dilemma in forceful language:

They use differential wages, piece-work rates, special ration cards, but this comes in conflict with the idea of glorifying the proletariat—placing him in public esteem, as an honourable fellow.

In addition they use, of course, industrial conscription, the Red Army itself, and threats of violence.¹⁰

The Labor Front in Germany and the concentration camps have been employed to conscript labor for industrial purposes.¹¹

5. *Non-pecuniary incentives.*—As one way out of the difficulties it has been suggested that laborers do not require differential wages as an inducement to perform their best work, but that they would be satisfied with other rewards, or that they could be persuaded by other arguments to change their occupations and to work efficiently. The inducements through a system of holidays, special ration cards, black lists, honour lists, statues of workers, varying amounts of leisure, and other privileges have an appeal for some people, and it may be argued that only these are necessary.¹²

It may be true that organized social pressure and legal restraints are legitimate and practicable weapons to raise the lower fringe to the standard of performance of the responsible members of the community; but they seem to be misconceived in theory, and ineffective in practice, if they attempt more. Enthusiasm generated by moral suasion, or by a system of rewards of an "honor" nature, although it may suffice to tide the community over an emergency, soon cools off, and the efforts so evoked may quickly become as slack and intermittent as those provided under a system of compulsion. The Order of Lenin, or the Order of Labor, might provide some incentive to labor, but it may be more suitable to give such distinctions for distinguishing the best of a class than for spurring on the whole class together. It is with creative and original work that men are most likely to do their best irrespective of monetary reward, and to some extent these men work because they expect the appreciation of those engaged in similar work.¹³ The denial of the significance of altruistic motives in social life need not be implied when one says that non-pecuniary incentives by and large possess serious

¹⁰*Plan or No Plan*, p. 75 (see also pp. 79-80).

¹¹G. Reimann, *The Vampire Economy*, contains a critical description of this organization in Germany.

¹²Cf. Hoover, *Economic Life in Soviet Russia*, for a description of the Russian experiments. See also R. Hall, *The Economic System in a Socialist State*, pp. 158 ff., and Dickinson, *op. cit.*, pp. 120 ff.

¹³Cf. Hall, *ibid.*, pp. 156, 158-59; H. Ward, *In Place of Profit*, in which he treats of the Russian plans and argues for the institution of religious incentives of "brotherly love"; H. Speier, "Freedom and Social Planning," 42 *American Journal of Sociology* 463 (1937); A. Maurois, "Can Capitalism Be Saved," in *America Faces the Future* (C. Beard, ed.), pp. 91 ff.

limitations. As Maurois has remarked about the Russian "honor system," once success is attained, it fails; the mystic urge will weaken, and the desire on the part of the average man to build and create will no longer be gratified.¹⁴

Brutzkus has analyzed the psychological factors in these words:

And I shall not wound the religious susceptibilities of my readers if I say this: that the creator of the religion of love accepted the martyrdom of the cross for the sake of his teaching, but that if at any time he worked as a carpenter, he would have worked for payment—at least if the spirit of man was within him. If, in any work of economic construction, we do not proceed upon the basis of this fundamental economic principle, then we have utterly mistaken human nature.¹⁵

But if obedience to orders or the honor system cannot be altogether relied upon in the more normal and prosaic times, and for the great mass of laborers, it may be necessary to fall back upon the ordinary economic inducements, and in the main upon differential money rewards. Most socialists reject the rigid communistic element in planning income distribution and wish to retain a certain freedom in choice of occupation, though without running into the mistakes of the capitalist system. One of the chief aims of socialism, as was pointed out, has been less to standardize consumption than to level out gross inequalities of income, and in particular to abolish large "unearned incomes" from the ownership of capital instruments and land. This type of planning would proceed by distributing suitable money incomes to its labor force. In this way some freedom of occupational choice may be retained simultaneously with some reliance on moral suasion, non-pecuniary incentives, and perhaps even coercion in some cases. There seems no reason to believe that these same forces do not operate in a capitalist society; the desideratum of the socialists, and most planners, of attaining less inequalities of income might also be attained to the extent that the leveling process would not impair the essential motivating function of differential incomes.¹⁶

6. *Pecuniary incentives*.—One of the supports offered to the principle that pecuniary incentives be adopted as the normal method of allocating labor has been that coercion and non-pecuniary incentives, besides failing to effect a mobility of labor, creates a sort of "hidden unemployment," which, in the absence of some individual choice of occupation, could not be discovered readily by the planning authority. Humphrey has used the term "disguised unemployment" to designate the condition that whereas ostensibly the census taker may note that a man is employed at some sort of work, actually he may be employed in an occupation at an inferior position or at less than his normal ability.¹⁷ Goldschmidt, along similar

¹⁴*Ibid.*, p. 94.

¹⁵*Op. cit.*, p. 79.

¹⁶Dickinson, *op. cit.*, p. 122, suggests certain other minor methods of allocating labor, to which serious objections can be entered.

¹⁷D. Humphrey, "Disguised Unemployment in a Planned Economy," 4 *Plan Age* 115 (1938).

lines, points out that in such a regime as the Nazi or Fascist, "it is easy to diminish quantitative unemployment. But true employment means the use of the real labor force."¹⁸ As a result of this argument, pecuniary incentives seem even more desirable as a device to allocate labor.

The nature of monetary reward seems to have been confused by some persons. The fact that incentives to human agents are, by definition, psychological, makes it imperative that the subjective decision be taken by the individual himself, within the sphere of his social relationships—i.e., he may be influenced by other than monetary rewards, but short of coercion, he is granted the privilege of choice. In order for the employer of labor to discover whether a laborer is actually working at the job for which he seems most adapted, it is necessary that at least some reliance be placed on the laborer's own judgment as to his capabilities, and as to his preferences of jobs wherein he thinks he would be satisfied.

By placing reliance on individuals one is depending upon the individual to select that occupation at which he is relatively best suited and in which he will tend to perform his best work and be content. In order to induce him to apply himself or to offer himself for employment where, in accordance with the production plans, he is most needed, differential monetary rewards are utilized. Thus the second function of the wage becomes evident—it is a means of causing that thing to be done which is most needed.¹⁹

In this connection it is necessary to consider the confusion which exists between the "profit" incentive to labor, and the "profit" system, a term applied to capitalist enterprise. Most economists believe that Adam Smith laid his finger on a profound truth when he said that not benevolent feelings but rather self-interest actuated the butchers and bakers of this world; most of them believe, furthermore, that this self-interestedness requires an economy in which the egoistic nature of human beings be utilized wherever possible. But this profession of allegiance does not mean what Tugwell construed it to mean, when he says:

The truth is that profits persuade us to speculate; they induce us to allocate funds where we believe the future price situation will be favorable; they therefore have a considerable effect on the distribution of capital among various enterprises . . . ; but they have little effect in actually inducing or in supporting productive enterprises.²⁰

In another place, Tugwell continues: "If profits are really the actuating motive in modern enterprise, why is it that so great a proportion of them go to those who have no share in the control of operations; and why is it

¹⁸A. Goldschmidt, in *On Economic Planning* (M. van Kleeck and M. Fledderus, eds.), pp. 30-31. Goldschmidt is a communist in belief and much of what he says is biased by Marxian doctrines.

¹⁹See Wootton, *op. cit.*, p. 20.

²⁰R. Tugwell, "The Principle of Planning and the Institution of Laissez Faire," 22 *A.E.R. Supp.* 80-81 (1932). Almost the identical statement is made by Tugwell in *Socialist Planning and a Socialist Program* (H. Laidler, ed.), pp. 37-39.

that industry continues to run even when those who run it have no major stake in its gains?"²¹ It seems evident that the word "profits" has been used in two distinct respects.

It seems absurd to claim that a laborer, artist, doctor, or peasant farmer, in selling his services or products to somebody else, is making a "profit," nor does it seem reprehensible that in doing so, he should allocate his services or products in such a way as to realize the most favorable price. Clearly it is not the same thing to call this endeavor profit-making simply because it is a particular species of monetary gain—monetary gain secured in a particular way. In economical language, to make a profit implies performing a middleman's or an entrepreneur's function (under capitalism), hiring the services of other men or buying goods from other men, selling the product of the services or the goods and obtaining as a reward the difference between outlay and receipts. To abolish profits, as some suggest, is to abolish this, and, therewith, payment for it.

But instead of saying that planning differs from capitalism in excluding profit in the economic sense, popular writers (and Tugwell) often say that it differs from it in excluding the *profit motive*. Some contrast "production for profit," meaning for the sake of monetary gain, with "production for use." Such language at once introduces prejudice and entails confusion. If the "profit motive" is used to signify the motive of personal monetary gain, that motive need not rule when remuneration takes the form of profit; and it may rule when remuneration does not take that form, but appears, for example, as wages, salaries, fees. Pigou summarizes this argument when he says: "It is, therefore, correct to say, if profit is defined as I have defined it [as above], that to substitute socialism for capitalism would eliminate profit, but incorrect to say that it would eliminate the profit motive."²² Or in Wootton's words: "all of us get our incomes as the price of something we do or permit others to do, and the doing, or permitting of which to be done, is an integral part of the business of production; and the attitude of each of us to our own particular price is much of a muchness."²³

In this connection can be considered the problem of the incentives to the managers of industries in a planned economy. The second statement of Tugwell, given above, indicates the tenor of the argument. If it be admitted that profits to the managers (economic profits) are not the actuating motive in the operation of much of the large industries today, it seems to follow that their operation under a planned economy could be carried on with similar incentives to the salaried managers.

²¹*Ibid.*, p. 37 (H. Laidler, ed.).

²²*Socialism versus Capitalism*, p. 4.

²³*Op. cit.*, p. 45.

Mises and Brutzkus, however, maintain that the function of the entrepreneur is different from that of a salaried civil service official, and that under socialism the entrepreneurial function would collapse. Mises says:

The lack of free initiative in public business rests not on an absence of organization, it is inherent in the nature of the business itself. One cannot transfer free disposal of the factors of production to an employee, however high his rank, and this becomes even less possible, the more strongly he is materially interested in the successful performance of his duties; for in practice the propertyless manager can only be held morally responsible for losses incurred. And so ethical losses are juxtaposed with opportunities for material gain.²⁴

The gist of this argument seems to lie in the fact that lacking full financial responsibility for his decisions, the manager of a state industry would be indifferent to either success or failure. Unless all of Tugwell's writings and those of such men as Means, Berle, Dewing, and others, are incorrect in psychological conception, it seems unnecessary for the due performance of the entrepreneurial function that the entrepreneur himself bear the full brunt of the consequences of his decisions. Perhaps he did so in the last century; in these days of limited liability, loan capital, and subsidiary companies, the entrepreneur has more sense than to assume full liability. All that is necessary would be that the managers' personal earnings reflect to some extent the consequences of their decisions; how much responsibility they should assume is a problem of administrative technique rather than of economic theory, but it may be observed that quite a small pecuniary interest in a concern would give the manager an incentive to responsibility. The employment of the *profit motive* might still be effective.²⁵ There seems no *a priori* reason to condemn the economy on this score; only experience, again, will reveal the validity of the objections.

C. PRINCIPLES OF DISTRIBUTION OF INCOME TO LABOR

7. *Differential wages.*—If the profit motive be utilized as a method of allocating labor among different occupations, there remains to be discovered the principles on which the pecuniary incentives may be effectively directed. Unequal abilities among individuals and unwillingness to put forth the best effort without adequate monetary and/or social reward seem to justify the use of differential wages. Knight has observed that there is in human nature another motivating force which gives impetus to the proposal that differential wages be adopted:

Contrary to a common opinion, it seems to me that human beings are decidedly interested in the degree of inequality as such—in the extent to which they overtop and outshine their rivals, as well as in mere order of rank. Moreover, the losers

²⁴*Socialism*, pp. 121-22. Cf. Brutzkus, *op. cit.*, pp. 81-82.

²⁵Cf. Dickinson, *op. cit.*, pp. 214-18. It would be possible to establish fixed salaries, graduated according to magnitude of responsibility, with promotion from one post to another, and supplementary salaries or bonuses based on various indices of efficiency.

find a romantic glamour in the splendors (real and imaginary) of the aristocracy. It is doubtful whether there is in mankind at large a real love of equality.²⁶

If Knight's reasoning be carried through to its conclusion, it virtually claims vindication for social classes, the objection to which has been the keystone of socialist doctrines. Wootton seems distressed about the possibility that social castes may arise under a planned system as a result of differential incomes. She distinguishes between distinctions among individuals on the basis of specific ability or knowledge, and distinctions of class which represent a pretended grading of human beings as such. In spite of her insistence that "a human being is a human being," and that, therefore, it is unreasonable to establish class distinctions, she seems to agree with Knight when she says:

Yet this profound distinction between specific and general superiority is in practice all too easily blurred. . . . Most of us, alas! are prone to believe that it is ourselves and not our opportunities that make us the admirable persons that we so evidently are; and to demand respect, accordingly, for qualities which at best are the result of our exceptional good fortune. And the ease with which we impose this view on others suggests that the veneration of the have-nots for the haves is in tune with some profound instinctive trait in human character.²⁷

Perhaps the conclusion may be drawn that for good or evil, differential incomes and differential social standings are the necessary minimum to productive efficiency, if not to cultural progress itself.

But if it be asked, how much differential wage should be paid, a new problem arises. The amount necessary to persuade those with qualifications to offer themselves for the positions cannot be decided in advance, but it is probable that there will not need to be such differences in payments as correspond to the differences in productivity. For when most of the community are getting more or less the same amounts, comparatively small differences in income will be attractive. Experience in the public service seems to indicate that if the men in responsible positions are getting enough to mark them off from their subordinates, they will feel some duty to perform their functions conscientiously and will find their work interesting for its own sake. Perhaps Hobson's conclusion may be taken as a general principle:

Since it is not possible to measure with any true precision the proportionate size of my contribution and that of the economic society of which I am a member, substantial justice is done by allotting to me on the one hand, society upon the other, such payment as will sustain and evoke our maximum efficiency.²⁸

This, Hobson says, is the true distribution according to "costs," on the one hand, "needs" on the other. Though this is a slightly different inter-

²⁶*26 A.E.R. Supp.*, 262-63. This would seem to vitiate the ethical claim that equality is desirable. In the writer's opinion there is much to be said for Knight's point of view; but it may be indicated that the gross inequalities of income which exist today seem too great a differential to meet the psychological reasoning above. Cf. J. Hobson, *Incentives in the New Industrial Order*, for opinions along the lines submitted here.

²⁷*Op. cit.*, pp. 263-64.

²⁸*Poverty in Plenty*, p. 61. See Hall, *op. cit.*, pp. 160-61.

pretation of the notion of distribution according to "needs," it appeals to common sense.

It need not be the case that the remuneration offered to the worker correspond to the imputed economic value of his services—his marginal productivity. As far as the determination of the differentials in wage payments, the accounting-costs which had been drawn up for purposes of costing grades of labor in the production plan need have no direct relationship; this is a matter of discretion. It is clear, however, that in all likelihood the wage payments would have to be proportional to the productivity of different individuals, though not necessarily equal to it.²⁹ On the basis of the reasoning that only those wages should be utilized which would induce workers to offer themselves for the positions, it seems reasonable to suppose that those of higher abilities would be unwilling to work without greater remuneration than that given to others of lesser skill. But there seems no reason to believe that the high "surplus" incomes that go to owners of peculiar and rare abilities who demand rents of ability from society today, need accrue in a planned economy. It would seem unnecessary, furthermore, to propose, as Dickinson does, that these rents of ability be taxed heavily.³⁰ By assumption, only that remuneration will be given these individuals which will evoke their highest talents; to tax the remuneration would really dry up the supply of the services, since it would be tantamount to a subtraction from income. The analogy of Hobson's theory of surplus income in a capitalist society is not applicable; the very fact that these rare talents can demand a monopoly wage under capitalism is the reason for their being taxed, and taxed without drying up the supply of the services. It would seem rather a foolish waste of time and effort (if not in revenue) to pay the wage and then take the same back in the form of taxes.

There would be a possibility that all the income of the state would not be used up through deductions for capital accumulation, communal consumption, and the payments to individuals for labor performed. In this case there would exist a surplus which could be disposed of as the state saw fit: either as a social dividend to the citizens, or as an increase to savings, or to communal consumption.

Cole and Mossé suggest that this social dividend be distributed as income on the basis of "citizenship." Cole says: "The aim should be, as speedily as possible, to make the dividend large enough to cover the whole of the minimum needs of every citizen."³¹ The use of the word "citizenship" gives a clue to the manner in which the social dividend, if

²⁹Cf. Burrows, *The Problems and Practice of Economic Planning*, p. 54; H. Dickinson, "Problems of a Socialist Economy, A Rejoinder" (to Dobb), 44 *E.J.* 152 (1934).

³⁰*Economics of Socialism*, pp. 134-35. Future references are to this work unless otherwise specified.

³¹*Principles of Economic Planning*, p. 235. Cf. R. Mossé, "The Theory of Planned Economy," 56 *I.L.R.* 371 (1937), pp. 389 ff.

any, should be distributed: namely, on the basis of per capita equality or need. Lange suggested that it be distributed as a percentage of the wage rate, but this would be tantamount to an increase in wages and may interfere with the ideal distribution of labor between different occupations.³² It may be noted, finally, that the social dividend must be distinguished from communal consumption: the former is payments made to individuals in the form of money which may be allocated in any way on purchases that the recipients see fit; the area of communal consumption, though a deduction from social income, represents payments "in kind" or in actual goods and services directly to individuals.

8. *Money incomes and real incomes.*—The problem of how much income or wage to pay cannot be dissolved by considering money income alone (assuming, of course, a certain total national production), since money income does not represent the real income of the individual, nor the other circumstances which attend the receipt of the income: differences in prices due to transportation costs, or different costs of living; advantages of certain localities, large cities to small, rural to urban; advantages or attractiveness of certain employments, etc. Lange has suggested that the distribution of labor between the different occupations should be made in such a manner as to lead to that apportionment which would make the differences of the value of the marginal product of labor in the various occupations equal to the differences in the marginal "disutility" involved in their pursuit. By putting leisure, safety, agreeableness of work, etc., into the utility scales of the individuals, he says, "The disutility of any occupation can be represented as opportunity cost."³³

This proposal comes substantially to an equality of "net advantages" in Marshall's terminology, and the neo-classical treatment of employment. It seems, therefore, that equality of net advantages is more likely to be sought than equality of money incomes. Now it is abundantly evident from the previous discussion that the net advantages, except those dependent on differences in purchasing power, cannot be discovered independently of the opinions of the community, since it is upon these that they depend. We are faced with the same problem as that of discovering what to produce (consumers' sovereignty), how much capital to accumulate, the extent of communal consumption, and we must give the same answer. In so far as individuals give weight to these factors in their decision to offer themselves for one occupation rather than for another (given the

³²Cf. A. Lerner, "A Note on Socialist Economics," 4 *R.E.S.* 73; he points out this objection to Lange's original articles in 4 *R.E.S.* pp. 53 and 123, and reprinted in *On the Economic Theory of Socialism* (Lippincott, ed.). In its revised book form, Lange has applied Lerner's rule and abandoned his own point.

³³*Ibid.*, pp. 100-01. Lange further suggests attaching a price on the particular pursuit individuals prefer, and pay all an equal money income (p. 102). This would accomplish the same thing as differential wages, but it may be doubted whether it possesses any appreciable advantage, unless one assumes that a price tag would cause persons to evaluate more carefully the "disutility" of the job than in the opposite case.

wage which they will receive in each case), some recognition may be given the problems in the market for labor. But for the decision as to more leisure and less work, or vice versa, the individual members of a society can decide only through their political machinery. Today it is a matter more or less of conventionality, or institutional arrangement; perhaps labor unions secure an eight- as compared with a ten-hour day, but the attainment of more leisure is a relatively long-run process. As Dickinson has observed:

A few people—free-lance professional workers such as journalists and examination coaches, piece-workers in a few industries, casual workers such as dockers—can please themselves as to what portion of their time they will devote to recreation; but the great majority of workers must adapt themselves to the discipline of the social labour process. They must clock in and clock out of factory, mine, school, or office.³⁴

It must be noted, therefore, that the decision would have to be, in the majority of cases, not an individual and particular decision, but a collective and general one. From the point of view expressed previously in this study, the decision is a matter of the value judgments for which society desires to plan.

9. *Problems of unemployment.*—Planners have claimed that through economic planning they could to a large extent abolish “enforced idleness.” The experiments in Russia, Germany, and Italy reveal that quantitatively unemployment may be reduced through effective interventions by the state; but the mere fact that all the able-bodied workers are employed at some task or other does not indicate whether they are actually “employed” in tasks which they are suited for, physically or mentally. It is dangerous, indeed, to conclude that the Red Army, the Labor Front, or for that matter the W.P.A. in the United States, represents a solution to the unemployment problem. There seems some room to claim that in an “unplanned” economy, those who are employed, if actually performing tasks to which they are best adapted, might be more productive than those workers who are placed in any job desired by the planners, even though they are ill-adapted for that work. On the basis of economic efficiency, in other words, the “unplanned” economy may stand up pretty well in comparison with the sanguine expectations of the planners.

On the other hand, when we are merely digging holes and filling them up again, and the ancient truth that something is better than nothing be recognized, there appear very good grounds for reckoning the superior ability of a planned economy to eliminate prolonged and general unemployment as a big item to its credit in contrast with the capitalist system. The possibilities of shifting labor from one occupation to another through

³⁴*Op. cit.*, p. 209.

the manipulation of the attractiveness of the job portends of a greater flexibility and of a greater mobility of labor in a planned economy.³⁵

In the short-run period it seems that some temporary unemployment must be a necessary concomitant of technological progress, as well as unemployment of the "frictional" type. Changes in consumers' demand and improvements in technology affect the demand for labor in given industries. The immediate effect is, partly, a fall in the marginal productivity of labor, and, if wages are proportional to productivity, so of wages; and, partly, actual unemployment. The number of workers originally employed could be offered work at a sufficiently reduced wage, but this is objectionable on both social and economic grounds. On social grounds, because a lowering of wages causes discontent, since wages would be the sole source of income unless some additional social dividend were being paid; on economic grounds, because it perpetuates an uneconomic allocation of labor, and may result in less efficiency as a consequence of decreased monetary incentives. The solution seems to lie in an outflow of workers from the affected trade until the economic return of labor of that grade is once more equal in all occupations; or, short of this, increased leisure may be granted as a result of increased technical efficiency.

In the transfer of workers from one job to another, the old principle of "the right to work" seems operative. The state is under some sort of obligation to provide the means of subsistence to labor, and hence it must effect a transfer in a systematic manner. The opportunities for increasing the mobility of labor may be seized by the planning authority by establishment of labor exchanges, the inauguration of training schools for workers, and similar devices. Since the central authorities would possess knowledge of the industries where additional labor is required, they could effect transfers with a minimum of friction and delay. By lowering the remuneration offered in one occupation and increasing it in another, laborers might be induced to make the transfer without assistance; the state would probably provide transport and rehousing of the transferred workers, and it could arrange for their retraining.³⁶

In actual practice, of course, the extent of sudden and drastic changes between occupations are unlikely unless technological improvements are introduced at a very rapid rate. It would be necessary for the authorities to weigh the advantages of economic security with the advantages of greater production—output and economic security (chapter 2).

³⁵Cf. Pigou, *op. cit.*, and Wootton, *op. cit.*, pp. 195-209, in which both indicate the conclusions above.

³⁶The establishment of labor exchanges in this country indicates the possibilities of effecting a rapid and less frictional transfer of workers; ignorance on the part of laborers often is a cause for their refusal to alter their present occupation. However, inertia, the unwillingness to leave family and friends, and such other social factors are important. It may be necessary to minimize the number of changes and thus attain that degree of security for which many persons are desirous. Cf. Dickinson, *op. cit.*, pp. 131-32.

The unemployment problem is intimately associated with the ups and downs of the business cycle, and it would be perhaps more appropriate to discuss how a planned economy could level out or avoid these cyclical fluctuations. Planners have been almost unanimous in claiming that the elimination of the business cycle would be one of the cardinal merits of their system; the critics have, with equal vehemence, asserted that planners did not understand the real nature of the business cycle and that the inauguration of planning would not obviate these cycles. Unemployment is, of course, but one feature of the business cycle—though perhaps its most devastating. Specific attention was called to the unemployment problem rather than to the broader movement of which it seems a part, largely because the theories of the business cycle are so multitudinous and unsatisfactory to many economists that an adequate discussion of this material would expand the limits of this study.

According to which theory of the business cycle a writer adheres largely shapes his opinion as to whether planning could minimize or avoid these "lapses of the capitalist system." It has been pointed out that through Russia's policy of rapid industrialization she seems to have avoided to a large extent the precipitous drop in production, employment, prices, etc., during the past several years; it is impossible, however, from available data to conclude that such would be the case with a planned economy. The rate of capital formation (as distinguished from the rate and volume of savings) in a capitalist regime has an important bearing on the subject, as theorists have pointed out,³⁷ but undoubtedly other factors are of importance. Perhaps the possibility of foreseeing many of the danger signals through planning would tend to minimize fluctuations, but there seems no adequate proof that such would be the case any more for a planned than for a capitalist economy.

Perhaps the best that can be said at present is that experience alone will reveal whether a planned economy could minimize, if not avoid, the business cycle; some believe that it could, others say that it could not do so.³⁸

D. SUMMARY

10. *Distributional advantages of a planned economy.*—Since distribution is a matter of human policy, different methods and principles might be adopted by a given society on the basis of which it may allocate the national product among its members. It seems possible to conclude that the "profit motive" or the egoistic nature of human beings will have to be recognized, at least in the immediate stages of operation, and pecuniary incentives will take their place as the general means of effecting the

³⁷See J. M. Keynes, *The General Theory of Employment, Interest and Money*; J. Schumpeter, *Business Cycles*, and other works on this subject.

³⁸Cf. Lange, *op. cit.*, Wootton, *op. cit.*, Pigou, *op. cit.*

allocation of labor among different employments. Equalitarianism of a strict nature implies coercion and therefore the destruction of that modicum of liberty which many persons hold dear. By the judicious use of differential wages, labor may be induced to perform its work efficiently and to offer its services in those directions where it is most needed for the success of the production plan.

The decision as to the amount of leisure and other "net advantages" to be permitted is a practical decision to be made by the government and the individuals themselves. The amount of the social dividend is, likewise, a decision which depends on the rate of capital accumulation and the area of communal consumption, and the amount of current income allocated contemporaneously to labor. The general principles that any arbitral organ may apply in problems of wage determination may be summarized as follows:

1. A shortage of labor in any particular job affords a *prima-facie* case for raising the standard wage;
2. Unemployment in any particular job affords a *prima-facie* case for lowering the standard wage;
3. The "net advantages" (wages, hours, holidays, public esteem, etc.) of any occupation should be as near as possible the same as those in other occupations calling for the same degree of hardship, skill, and responsibility;
4. Differences in hardship, skill, and responsibility should correspond to differences in net advantages.³⁹

³⁹Cf. Dickinson's proposals, *op. cit.*, pp. 126-27; Hall, *op. cit.*, ch. 4.

CHAPTER VI

CONCLUSIONS

1. *Introductory.*—At the end of each chapter a summary of the findings of that chapter was given. It is not the intention of this final appraisal to restate the earlier conclusions except in so far as they may have relevance for the present discussion.

2. *Some current misconceptions about economic planning.*—A few misconceptions about the nature and the implications of economic planning perhaps should be dissipated before attention is called to some unsettled problems. One fallacy that seems to have pervaded the thinking on the subject of planning is the nature of planning itself. It is generally agreed that to plan is to be purposive, to posit a goal toward which one shall progress; but this broad meaning is scarcely useful for a discussion of less philosophical nature than the metaphysics of being. If the adjective “economic” be prefixed to planning, something more amenable for our purposes appears. To plan economically is to use the available resources in such a way as to equalize the marginal intensities of wants in all directions; or, the scarce supply of resources must be allocated among alternative uses so as to equalize marginal productivity. It is apparent, however, that for different individuals or societies, or at different times for the same individual or society, the scale of wants is or may be different.

One may well ask, do not individuals, firms, and whole industries plan economically according to this definition? The answer is that they do to the best of their ability and opportunities. Yet there is no indication that it is not the state which is generally contemplated as the agency to perform the planning duties. When the state is introduced as the agency to plan, economic planning becomes national planning of all the economic resources (and perhaps social relations) under the jurisdictional disposal of the state. Some persons are wont to call any state interference with the market mechanism in the interests of one group or another “economic planning.” This is a mistake. At best such interferences may be called interventionisms; but they fall short of planning economically, for they fail to place the responsibility for such planning on the shoulders of the authority which undertakes it.¹ The conclusion is that in order for a state to plan economically—and this seems the desideratum of planning proposals—it must have the power of disposal over all the resources

¹The boundary between interventionism and economic planning as defined is often difficult to draw in particular circumstances. Nazi economics, Soviet communism, and perhaps even the N.R.A., tend in varying degrees to approach true economic planning.

to be planned. It is a matter of indifference whether the state nominally declares that legal ownership shall remain with private individuals, as long as it actually disposes of the resources through some agency, such as a planning authority; this is *de facto* ownership. It seems an unnecessary concession to private individuals, furthermore, to permit them to hold in form but not in substance the productive property of society, except their own labor power. If planning is to be successful, it must receive the support in one way or another of these same individuals. Planning then seems to imply government ownership as well as government operation—if such a distinction can be made in fact, as it is in law.

A second fallacy is that once the state begins to plan, all economic ills will somehow be remedied; that our present problems are largely a result of poor capitalistic management, self-interestedness, monopoly, and the rest. Just permit the omnipotent state to take over, and the so-called “paradox of poverty in plenty” will miraculously disappear.

Now there seem to be two subsidiary confusions inherent in this line of reasoning. First, to some persons collectivist planning implies authoritarianism—dictatorship. To these persons the economic, as well as the social, problems associated with our current system would be automatically decided by the dictator without regard to such niceties as “equalizing marginal productivities” or “giving the people what they think they want,” and so on; through the employment of the omnipotent power of sovereignty by an unscrupulous leader, such inconsistencies that arise today could be abolished with that degree of rapidity which characterizes modern dictatorships. A second subsidiary idea is that which claims that though dictatorship need not be the necessary implication of planning, even libertarian planning could greatly minimize, if not abolish, the evils of the present system, and that the age of plenty would supersede the economy of scarcity. In short, the millennial era of “superabundance” (the technocratic era) could be effected, in which only the engineer need be consulted, and the economist would be banished from the face of the earth along with other “parasites.”

It matters little whether we have a dictatorship or a democracy to carry on the planning in so far as the problem of economizing our resources is concerned—though it would make a considerable difference in other respects. Unfortunately, there seems no indication at present nor in the immediately foreseeable future that we shall have attained a satiation of all the wants that human beings are capable of possessing; and if there does not exist enough land, labor, capital, and management whereby all these multiplying wants may be *completely* satisfied, as much as one may dislike the idea, the economist must still be called upon as an advisor on matters of getting the most out of the least expenditure of those resources. To economize means exactly that: allocating scarce resources

to satisfy conflicting wants in such a way that those wants of highest intensity will be satisfied before those of lesser intensity.

It is necessary, moreover, even for a dictator or a democratic planning board to construct a scale of wants—ranging from those of highest to those of lowest intensity; for it is scarcely conceivable that all the wants, even of these groups, could be completely satisfied with the limited amount of resources available.

This problem of allocation has been called the problem of economic calculation. In order to render this process of calculation feasible under any system—capitalist, socialist, communist, or planned economy—money seems essential as a simplifying device whereby dissimilar commodities may be compared and reduced to a common denominator of value.

From the necessity for economic calculation follows the further corollary, that the "orthodox" categories of rent, interest, wages, and perhaps profits, will reappear as costs of production in a planned economy. As long as it is necessary to economize, the costs of producing one commodity must be compared, in terms of money, with the price placed on that commodity in order that for the whole community the price of the good will reflect the costs which society had to forego in not producing other goods with the same resources.

It has been asserted by some writers that the problem of economic calculation is insoluble under a planned economy. Though it is the writer's opinion that this too is a misconception, its importance warrants separate consideration.

3. *The alleged impossibility of economic calculation in a planned economy.*—In chapter 4 a review of the debate waged around the problem of economic calculation was given; it is not the intention to restate the case here, except to call attention to the objection that the process of successive approximation would not work in all likelihood in a planned system, because the authority might choose to disregard the fact that resources were not fully employed, or that the state, entrenched in a monopolistic position, could flagrantly disregard the principles which have been outlined. To this objection can only be interposed that since no planned economy has yet existed, neither the protagonist nor antagonist has proved or perhaps can prove his case beyond question of a doubt. The experience which would be derived from actual operation may be taken as the only criterion whereby one is able to judge.

There seems, however, no justification in the statement that the planners could completely disregard the significance of costs and prices. If by costs and prices are meant money costs and money prices based on an institutional market, the statement is valid, of course, but it does not mean anything. Wicksteed long ago pointed out that the true nature of price (costs) is simply the "terms on which alternatives are offered."

All costs are, therefore, the value of the resources which are devoted to the production of one commodity measured in terms of the values foregone by not producing other commodities. The concept of alternative costs is more appropriate here than costs determined in a particular way—on a competitive market. Once the true nature of costs is understood, it becomes rather impractical to assume that a dictator, for example, could ignore the essential fact that if he wanted more airplanes and bombs rather than more loaves of bread, he would not have to charge against the former the resources that flowed into their production (measured in terms of the latter and all other goods which could have been produced with the same resources).

The conclusion on the matter of economic calculation may be stated as follows: A planned economy would necessarily economize resources in satisfying wants; and this necessarily means that it would strive, consciously or unconsciously, to allocate its resources in accordance with the principles of marginalism. For the principles of marginalism are the logical, mathematical, and universal principles of economy. These principles will maximize the return from any resources, used in accord with any technique, to secure any form of return; where there are different alternative modes of using resources, each conforming to the principle of diminishing returns, so that a greater total return is secured by apportioning the resources among the different alternatives than by devoting them exclusively to one, the theory of marginalism describes the correct apportionment. And this fundamental general condition would in no wise be changed by the replacement of individual market competition by collectivism, or by changing the form of economic organization in any way whatever. Moreover, the theoretical and perhaps practical validity of the principles would be unaffected by any difference in the degree to which, as compared with capitalism, the planned economy allowed individuals to be the judges of their own wants and the means of satisfying them, or itself made those choices through some political agency. It has been the attempt in the preceding chapters to demonstrate the theoretical possibility of rational calculation in a planned economy.

It seemed that Mises and his followers were attempting by purely theoretical arguments to prove some "impossibility" or "inner contradiction" in a planned economy—and their methodological views would apparently support the feasibility of such an attempt. It is seen that on closer examination the issue remains the same as that of the pre-war capitalism-versus-socialism debate, of the incentives to efficiency, the dangers of bureaucracy, and suchlike problems. It is the writer's conclusion that economic theory as such offers no stumbling block to the attainment of a planned system, but that it is to the ethical and political implications of economic planning that attention should be directed.

4. *The arbitrary elements in a planned economy.*—There seems to have been surprisingly little attention paid to the objectives of planning, though much has been written on the “necessity” for it. It appears reasonable for the critic and adherent alike to ask for what are we planning. If not just for planning’s sake, are we desirous of planning for more output, more leisure, greater equality, military preparedness, or what?

In the system of more or less libertarian planning, there are a certain number of arbitrary elements—arbitrary in the sense that they do not depend on the freely expressed preferences of individual economic subjects. The decisions relative to these elements must, in the nature of things, be taken by the state vicariously, through its governmental machinery. The most important of these elements which pertain directly to the economical direction of the productive machine are: (1) the allocation of resources between communal and individual consumption; (2) the allocation of resources between present and future consumption; (3) the choice between work and leisure; (4) the weight to be given extra-monetary elements—social costs; (5) the decision as to what to produce in the first instance, together with the rapidity of technological innovations.

Individual preferences seem an unreliable, if not impossible, guide for the determination of the amount of the community’s resources to be devoted to the production of goods and services that may be occasionally consumed—education, health, defense, etc. In this realm there is something to be said, it seems, for dictating to the people that they should send their children to school, that they should protect one another from disease, and so on. These items are apt to be neglected if left to individuals to make the decision, since the original neglect may seem insignificant to individuals, but highly important to the community as a whole.

The decision as to the amount of capital to be accumulated for the advance of society is, likewise, placed in the hands of the state when ownership of capital goods (and savings) is vested in the state. Should the amount of accumulation be large or small, should it be great enough to reduce the net productivity of capital to zero and the rate of interest, therefore, to zero? This question remains unanswered and unanswerable at the present moment. Soviet Russia seems to have emphasized capital accumulation as a means of industrializing the nation; whether a technically efficient country like the United States need adopt such a rapid rate of accumulation is open to doubt. Ultimately the authority in charge of production, influenced by the policy as laid down by the governing bodies, must make the decision, which from an individual point of view will be arbitrary.

The choice between more work and less leisure, or more leisure and less work, is a similar case. By and large most individuals in any society have that decision made for them; most of us still work by the time clock. It is conceivable, however, that if productivity increased as a result of planning, there would be some justification for diminishing the amount of time spent at work and increasing the amount of time which could be devoted to the pursuit of other activities.

To what extent the social costs may be given weight in any society depends on some judgment based on experience and observation—some rule-of-thumb. At present there seems no tool available for reducing such imponderables to monetary terms and thus expressing them in price; this would be true for a planned economy.

A curious misconception about the nature of the productive process seems to have arisen in respect of whether, in a planned economy, consumers would "dictate" what is to be produced. It is submitted that consumers exercise by and large only a negative vote on such matters; they express their preferences among the goods already produced, but because of their essentially passive nature, consumers seldom exercise much influence on what will be produced and offered them in the first instance. The decision as to whether new inventions shall be utilized immediately or postponed, whether products will be altered in an attempt to adapt them to the requirements of various bodies of consumers in different localities, etc., is, after all, a matter for the producers to work out in any society.

It appears that the decisions in question are partly at all events of the same kind as those already taken arbitrarily under capitalist individualism. In the case of social costs very little attention has hitherto been given them except by the interventionisms of the state. They refer to fields of choice, moreover, where individual decisions can never be more than very rough-and-ready and are notoriously inadequate, and where little loss of welfare seems to result from drawing the line a little above or a little below some posited ideal point. Perhaps one could balance against these elements the greater gain which could result from greater equality in income, prestige, and power.

5. *Social welfare and economic planning.*—It is abundantly apparent that any of the above-mentioned five decisions impinge on the notion of general welfare: i.e., will a decision one way or the other increase or decrease the general welfare? What appears as contributing to the general welfare to some persons may seem diametrically opposed to it to others.

Economic planning clearly involves something more than the mere adjustment of means to ends; it involves also the conscious choice of ends. When the end is given and precisely known, the task of finding the best

means towards it, though it may be practically difficult, is at least clear-cut. If society chooses one end, be it national power, greater wealth, equality, or what-have-you, there may arise serious problems. It seems possible to weigh the advantages of pursuing one end as compared with another, and to follow a number of objectives simultaneously; the danger is that society may become lopsided by its emphasis on one end to the omission of other ends equally desirable to many persons. Until some sort of answer is given and accepted, however, the advocates of planning are building castles of words.

To those who speak optimistically of the vast and apparently painless potentialities of planning in the social realm, it may be less pleasant to realize that the eradication of any social evil must be paid for, and that, if we dislike the price of change, we must put up with the ills we have. Ultimately the extent to which individuals are willing to pursue one objective rather than another may be measured by asking them to pay the price for their choice by foregoing the other goals. The purpose here is to indicate that there is a choice, and that the road upon which we may venture permits of grave dangers which may imperil some things we hold dear. If society in general realizes the implications of the choice, however, there is nothing more to be said. The danger seems to lie in the fact that too few persons realize the implications of their espousing one cause which may lead to an incompatibility with other ends considered equally desirable (see chapter 2).

It is a misconception which has pervaded socialist literature that human beings will be different, will have more altruistic motives, will be willing to work for the social good without stint, once the new regime is inaugurated. Clearly one cannot make a prediction on this matter, but there seems to be grave doubt that we should permit ourselves the pleasant delusion that human beings, creatures of habit, emotions, egoistic impulses, will suddenly change their nature overnight or within the near future. Though it is a practical problem, it would seem more in consonance with reality to take man as he is—good and bad—and envisage the problems that may arise from his seemingly “social unsociableness.” On this basis it may be affirmed that the shibboleth of the class conflict of Marxian doctrines may be shown up as the delusion it is; that the communist doctrine “from each according to his ability, to each according to his needs,” can be adopted only within very narrow limits; and that, finally, the “profit motive,” the egoistic psychology of most human beings, must be utilized in order to induce them to perform their best services and to offer themselves for employment in those places where they are most needed. This statement, however, is not to deny the possibility of a greater equality in income than exists today; but differential wages seem the necessary minimum for the successful planning of production, short

of coercing labor by dictatorial decree into those occupations where the state considers he would be most useful—to the state. Would-be dictators may be well-advised to consider the practical desirability of capitalizing on their laborers' egoistic motives by proffering them jobs on a more or less free basis and of rewarding them on the basis of services rendered, rather than on some other basis which may entail coercion, accompanied with its inevitably diminished productivity.

Unless we desire to see every individual placed on an equally moronic level, individual differences will arise, and with them the necessity for differences in social rewards—either in the form of non-pecuniary rewards or monetary wages, or both. Some have gone so far as to say that human beings are very much interested in the differences which exist between different individuals and groups of individuals; that competition among individuals is an essential ingredient to living.

Liberty, that ingredient in life which most of us cherish beyond our desires for more wealth, or greater equality, is endangered when planners propose absolute equality, or emphasize productivity to the exclusion of all other objectives. This is not to say, of course, that greater equality than today might well be accomplished without endangering freedom of action. Further, there seems no reason to agree with critics that society must choose only one socially comprehensive goal, that it could not pursue several ends simultaneously. Heterogeneity of ends is equally possible for society as it is for individuals; the advantages of a little more output and a little less leisure, a greater degree of national defense and a little less of other things, can be weighed in the balance and some value judgment arrived at. The conclusion is simply that these arrangements in any society are never absolutely fixed; they may be changed by either the conscious or unconscious choices of society, or by influences from outside society which may suggest or even compel changes.

6. *Democracy and planning.*—To Americans the preservation of our democratic institutions in this chaotic world of today may appear significant enough to forego the advantages of greater equality, greater production, and the rest of the more or less desirable things which have been promised. If planning meant the destruction of democracy, in all likelihood the decision would be fairly simple for many persons. Certainly democracy is a costly way of running a country, and there is much to be said for dictatorship or authoritarianism generally. No one would deny the possibility that a dictator could, given the resources of the United States and its fairly skilled labor force, construct a highly efficient productive machine, or that he could create a powerful military state, armed to the teeth. Perhaps he could with equal dispatch level incomes and produce greater equality among individuals. But if the price of dictatorship, or rather the loss of running our country for ourselves—

in which are included all the civil liberties of speech, press, religion—had to be paid, it is suggested that a good many persons would be willing to forego the desirable objectives of greater wealth, equality, political power.

There are those who see in planning the road to dictatorship. Robbins remarked that if “you scratch a would-be planner you will find a would-be dictator.” It is submitted that this need not be the case. Like any other decision on the institutional arrangements of a society, democracy may be preserved as one of a heterogeneity of ends. But society must be willing to pay the price for organizing itself in a certain way. It must be content to see the productive machinery produce a little less in order that laborers may choose their own occupations, it must be patient at the delays in Congressional debates on policy, it may have to endure some apparently unfair differences in wealth and income.

Those who believe that merely by asserting that planning may be carried on under a democracy they have established a case would be well-advised to scrutinize their earlier sanguine assumptions. The dangers to the political heritage of this country by the introduction of economic planning are too often minimized by planners. On a critical examination, there is little evidence that large masses of men act together more harmoniously in any other field or under any other form of organization—be it work or play or the pursuit of intellectual or religious values—than they do in what is called business. Once we admit this fact, the danger is apparent that one group may seize control of the political machinery of the state and wield it against other groups. The price for retaining a fairly workable democratic system is eternal vigilance.

It is certain that the advocates of planning have been quite naïve in their arguments as to the results which would follow from merely changing the form of economic organization in a society. On the one hand, they have greatly exaggerated the significance of economic interests in comparison with other motives and values, and on the other, in the economic sphere itself, they have attributed to the system of organization much which is really due to the vast scale of social relations connected with modern technology. They forget that any large-scale organization necessarily becomes impersonal, that in this regard political process resting on campaigning and voting is fully as bad as market relations reflected in the price quotations on a board of trade or stock exchange. Planners and socialists alike have failed to comprehend the complexity of the economic system itself, much less its implications in the social realm.

They have failed to envision adequately the dangers which a transformation in the economic sphere may have on such institutions as the family and religious institutions and on art, literature, and cultural progress in general. The Marxian materialistic interpretation of history

is not a satisfactory appraisal of the historical development of mankind, and fortunately so.

But to the critics must be replied that they have fallen into the same trap, by and large, by insisting that these material alterations in institutional arrangements are not only *prima-facie* evidence that the whole of society will be changed, but also absolute proof that planning contains inherent contradictions which will inevitably bring about its decay, that state ownership always implies the destruction of liberty, democracy, and other cultural values.

It may well be that the road to dictatorship will be paved with the good intentions of economic planners; their appalling shortsightedness is extremely intriguing material for a would-be dictator. But it is the writer's opinion that if all the problems were realized, in practical life this need not be the case.

Moreover, it may be admitted that no serious thinker can study our social system without becoming aware of its defects, and that a recognition of these may make so deep an impression upon him that he may begin to have doubts as to whether the existing social structure can or should last. If in addition he believes wholeheartedly in the progress of human nature, in the evolution of altruistic motives, then he may eventually reach the point of predicting that these motives will one day become dominant; and to this he may perhaps subjoin a second prediction which says that a renewal of the social order will one day follow of its own accord. Perhaps the conclusion on such projected proposals as planning and socialism is always determined by the allegiance of an individual to the pessimistic, optimistic, or skeptical schools of thought. As yet there seems to be an inadequate appreciation of all the problems involved when one begins to discuss a way of life and not just a change in institutional arrangements.

The chief criticism that may be offered on both sides is that too many have exaggerated the effects which institutions have on man's inner nature. Socialism, and planning as well, has emphasized the external of man's life almost to the utter exclusion of his internal nature. But it is the *esprit de corps*, it is the internal nature of human beings, with which we are ultimately concerned even when we propose planning as a way to modify or completely alter that nature. It seems highly improbable that simply changing man's external environment will effect any revolutionary change in his internal nature.

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ABBREVIATIONS

- A.E.R.* = *American Economic Review*.
Annals = *Annals of the American Academy of Political and Social Science*.
Archiv f. Sozpolitik. = *Archiv für Sozialwissenschaft und Sozialpolitik*.
E.J. = *Economic Journal*.
I.L.R. = *International Labour Review*.
J.P.E. = *Journal of Political Economy*.
Q.J.E. = *Quarterly Journal of Economics*.
R.E.S. = *Review of Economic Studies*.
So. Afr. J.E. = *South African Journal of Economics*.
So. E.J. = *Southern Economic Journal*.

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THE OTTOMAN EMPIRE
FROM 1720 TO 1734
AS REVEALED IN DESPATCHES
OF THE VENETIAN *BAILI*

A

BY
MARY LUCILLE SHAY

Price \$1.50



THE UNIVERSITY OF ILLINOIS PRESS
URBANA, ILLINOIS
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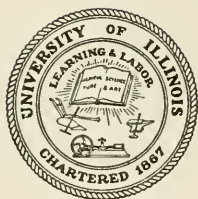
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THE OTTOMAN EMPIRE
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AS REVEALED IN DESPATCHES
OF THE VENETIAN *BAILI*

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MARY LUCILLE SHAY

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TO THE MEMORY OF
THOMAS SHAY
AND
MARY J. DICKSON SHAY

PREFACE

IN 1923 the University of Illinois purchased sixty Venetian manuscripts from Karl W. Hiersemann of Leipzig. Among these were copies of the despatches of Giovanni and Angelo Emo from Constantinople. Those of Angelo Emo I used for a doctoral dissertation. Since then I have spent one entire summer and a few weeks of another in the *R. Archivio di Stato di Venezia*, so that the present study includes also the despatches of his predecessors, Giovanni Emo, Francesco Gritti, and Daniele Dolfin.

The assistance I have received has been most generously and kindly given. I wish to acknowledge the services of the Cleveland Public Library, the Newberry Library, and the New York Public Library; the libraries of the University of Chicago, Harvard University, the University of Michigan, and the University of Minnesota; the Library of Congress; *Biblioteca Marciana* in Venice; *Biblioteca Vaticana* and *Biblioteca Nazionale Vittorio Emanuele* in Rome; and lastly the University of Illinois Library. In the Venetian Archives the courtesy shown me by Professore Giovanni Orlandini and his assistants, Signor Giovanni Modica and Signor Carlo Accattatis, could not have been greater. I am grateful to Herr Karl W. Hiersemann, Mr. T. Fitzroy Fenwick of Cheltenham, and Conte N. H. Alvise Emo of Padua for their assistance. My colleagues have also been most helpful. To Professors T. C. Pease, W. S. Robertson, J. W. Swain, C. A. Berdahl, J. A. Fairlie, and Simon Litman I am indebted for suggestions, and I am especially grateful to Professors F. C. Dietz and A. H. Lybyer, who read the manuscript and gave many suggestions. No one except myself is responsible for the errors.

Urbana, Illinois

MARY LUCILLE SHAY

CONTENTS

I. INTRODUCTION	11
The Despatches	11
The Hiersemann Manuscripts	14
Editorial Method	15
II. POLITICAL AND SOCIAL CONDITIONS IN THE OTTOMAN EMPIRE	17
The Vizierate of Damad Ibrahim	17
The Revolution of 1730	27
Revolutionary Plots and Discontent	30
Social Conditions	38
III. THE RELATIONS OF THE OTTOMAN EMPIRE WITH THE REPUBLIC OF VENICE	41
The Formal Entrance and the Audiences of a <i>Bailo</i>	41
The Presentation of Gifts	45
Disputes between Turkish and Venetian Subjects	56
Venetian Commerce	62
The Attacks of Corsairs	70
Two Challenges to Angelo Emo's Diplomacy	72
The Turkish Navy	73
The Liberation of Enslaved Venetians	83
Summary	84
IV. RUSSIAN-TURKISH INTEREST IN PERSIA AND ITS EFFECT ON THE PORTE'S FOREIGN POLICY	85
The Porte's Conciliatory and Cautious Policy	85
Peter the Great's Advance on the Caspian Sea	92
Mahmud's Usurpation of the Persian Throne	97
The Russian-Persian Treaty	112
The Russian-Turkish Treaty	115
Ashraf's Rebellion against Mahmud	122
Shah Tahmasp's Aggressiveness	130
Tahmasp Kuli Khan	134
The War of the Polish Succession	147
Summary	151
GLOSSARY	153
BIBLIOGRAPHY	155
INDEX	161

CHAPTER I

INTRODUCTION

If, at this epoch, Venice was playing only a secondary role in the Orient, her diplomats had not lost entirely the capacity for observation and the flair which had made them renowned; they can and ought to be examined as witnesses.—ALBERT VANDAL, *Une Ambassade Française en Orient sous Louis XV*, p. xiv.

THE DESPATCHES

VENETIAN pens and brushes have left some remarkable portraits for posterity. The *baili* of 1720-1734 did not have a Tudor or a famous Turk to describe, for Achmet III and Mahmud I were neither Henry VIII nor Mohammed II; nevertheless, all the praise given by historians to the representatives of Venice in more glorious years may be applied to the four who served in Constantinople during this period. Whether they were describing the Turkish government or foreign relations, they showed diplomacy, shrewdness, vigilance, persistence, independence, firmness, graciousness, and humor. They referred to their poor talents and used almost countless religious phrases, yet their patriotism and practicality overshadowed any piety.

A study based on the facts, observations, and conclusions reported by these *baili* is not a revolutionary one. The despatches amplify, confirm, or modify rather than alter the accepted accounts of the Ottoman Empire. To be sure, there are some details which differ, but the general picture is the same. This study may be justified, nevertheless, because of the many other details which substantiate the conclusions of historians, and inasmuch as it is only in the present decade that the Venetian *relazioni* of the eighteenth century are being published. These despatches modify the view of the historians of Persia who have assumed that the Turks were pleased or determined to take advantage of the revolution in Persia.¹ The Turks did wage war against the Persians, but reluctantly, and only after Peter the Great had turned again to the south, and even then with half-hearted efforts for nearly ten years, 1722-1731.² The love of riches, flowers, and festivals did not permit the aggressive program required for an early and successful conclusion of the war. The *baili* were grateful when the czar's advance and the revolution in Persia distracted the Turks from a war in Europe; consequently, if the Venetians were doing only wishful thinking, they would have minimized the Turks' hesitancy in acting. The *baili* were more shrewd than that.

¹Sir Clements Markham, cited in *The Encyclopedia Britannica*, eleventh edition, Cambridge, 1910-11, XXI, p. 233; Sir Percy Sykes, *A History of Persia*, London, 1921, II, pp. 237-238; Laurence Lockhart, *Nadir Shah*, London, 1938, p. 5.

²See *post* pp. 90, 94, *et seq.*

The chief value in these despatches comes from the quantity of information given. When such items appear as the number of grains of opium consumed by the *reis effendi*, the vizier's fall from a horse, the arrival of thirty thousand bulbs on a ship from Marseilles, the tendency is to think a *bailo* told everything. The despatches alone, however, cannot be taken as the last word. It is clear in several parts of this study that regardless of their efforts, the *baili* did not obtain complete information; for example, about the dismissal of the *bostanji-bashi*, the mission of Mehemet Effendi to France, and the vizier's giving his palace to the sultan.³ There was probably no formal presentation of the palace; property became the sultan's if he failed to say as he left, "I give this to you." If the Turkish ministers maintained that they had received no information, their statements cannot be unreservedly accepted.⁴ Occasionally one must look elsewhere for the complete work of a *bailo*. Dolfin, for example, wrote a despatch on the same day as his reply to the Inquisitors of State who had condemned Bonneval to death and had instructed Dolfin to use "a discreet poison or the blow of an anonymous sword."⁵ Dolfin made no remarks in his despatch about this duty. A *bailo*, moreover, was not always an eyewitness. He gathered all kinds of information, from conversations with fellow ambassadors, with paid informers, and about the streets; consequently the details were not all of equal rank. He reported rumors, which sometimes were later contradicted. He made many interesting comments about the ways and means of gathering information. There was some limitation to a *bailo's* procuring of copies—a matter of time, not of patience or of honor. Dolfin was unable to obtain copies of Ashraf's letters because they were in the sultan's cabinet, but by paying ten *reali* he obtained copies of two letters to Ashraf.⁶ Six weeks later, Brutti, his dragoman, obtained a copy of Ashraf's letter for twelve *reali*.⁷ There were occasional gaps in the information, especially during the embassy of Daniele Dolfin, who wrote far less frequently than Giovanni Emo, Francesco Gritti, and Angelo Emo.⁸ The *baili* were also inclined to use only titles of officials in place of their names. In spite of such incom-

³See *post* pp. 19-20 and 151, note 330.

⁴See *post* p. 126.

⁵Armand Baschet, *Les Archives de Venise*, Paris, 1870, pp. 648-649; Albert Vandal, *Une Ambassade Française en Orient sous Louis XV*, Paris, 1887, pp. 138-140 and note on p. 140; Daniele Dolfin, *Dispacci, R. Archivio di Stato di Venezia* (hereafter referred to as A.S.V.), *Filza* 181, D. 81, 13 September, 1729.

⁶Dolfin, *op. cit.*, D. 30, 23 August, 1727, enclosure No. 1, and another not numbered.

⁷*Ibid.*, D. 31, 4 October, 1727, and enclosure.

⁸The totals for each of the *baili* are as follows: Giovanni Emo, 177 numbered despatches plus four without numbers, from May 6, 1720, to June 2, 1724, A.S.V. *Filze* 174-176; Francesco Gritti, 206 plus one, from May 26, 1723, to March 23, 1727, *Filze* 177-180; Daniele Dolfin, 81 plus one, from June 3, 1726, to September 13, 1729, *Filza* 181; Orazio Bartolini, Dolfin's secretary who maintained the embassy after Dolfin's death, 25 plus two, from September 25, 1729, to January 12, 1731, *Filza* 182; Angelo Emo, 244 plus one, from May 27, 1730, to March 23, 1735, *Filze* 183-185. In addition to the despatches there were many enclosures, copies of letters, treaties, etc.; for example, there were twenty enclosures with Gritti's Despatch 149 and nineteen with Dolfin's Despatch 40.

pletteness the despatches presented an excellent picture of diplomacy and politics in Constantinople.

There are many statements about subjects which do not fall within the scope of this study. Such topics are only enumerated to support some generalizations about the *baili* or to indicate the value of the despatches for other research: the courier system of carrying the packets; the two copies sent separately to Venice, usually via Cattaro and Vienna; the details about the manner of writing—why a postscript was added or another despatch written; the promises of vigilance; the acknowledgment of letters from the Senate; the rental and repair of the embassy; the expenses of the embassy; the management and progress of the *giovani di lingua* and dragomans; praise for other Venetians; and the calls of national representatives upon one another which revealed the relation between their states.

The sending of information was only one phase of a *bailo's* duties. The writing of the despatches was an equally important one. There was a certain amount of sameness about them in accordance with regulations, yet they were so well written and contain such effective phrases, excellent descriptions, and flashes of humor that they are by no means dull. Figures of speech aided the clarity and the attractiveness of description. The revolution of 1730 was "a great fire"; its leader, Ali Patrona, the "first spark."⁹ The Porte sought to smother the fire during the succeeding winter months, but it lay smoldering, and in the spring it broke forth again.¹⁰ Constantinople in January, 1731, was "this grand Theatre," on whose stage "new actors" entered with the change of the vizier.¹¹ In September of that year another vizier meant a "new scene."¹² The Ottoman Empire was a "vast sea," but Topal Osman, the vizier, knew how to conduct "his navigation."¹³ Bonneval, the French adventurer, was "sailing on a dangerous sea," and "the wind might carry him farther than he thought."¹⁴

The appointment of a *bailo* had been important for several centuries. Only a patrician who was a trained diplomat or an official with an earlier important career was selected. The period after the defeat of Venice in 1718 was of special significance, and the *baili* from 1720 to 1734 were men mature in years and by experience. Giovanni Emo was one of the most important men of his time. He was sent as representative to France in 1711, to England in 1715, and at the age of fifty to Constantinople

⁹Angelo Emo, *Dispacci*, A.S.V., *Filza* 183, D. 18, 11 October, 1730, Hiersemann MS., I, f. 44v. See *post* p. 18, note 2, and p. 23, note 30.

¹⁰*Ibid.*, D. 46, 3 April, 1731, f. 220r.

¹¹*Ibid.*, D. 34, 25 January, 1731, f. 145r.

¹²*Ibid.*, D. 78, 14 September, 1731, II, f. 83r.

¹³*Ibid.*, D. 66, 20 December, 1731, ff. 182v-183r.

¹⁴*Ibid.*, D. 104, 3 February, 1732, f. 243v.

in 1720. He left the last post in 1724, having been elected procurator of St. Mark's.¹⁵ When Cardinal de Bernis, the French ambassador to Venice, arrived there in 1752, he asked who was the most influential man, and the reply was "the procurator Emo." The cardinal found the experience and sagacity of the procurator such that he could be regarded the first man of the Republic; the cardinal also observed that in spite of the great age of Giovanni Emo, he was among those senators who knew the most about public affairs.¹⁶ His successor in Constantinople, Francesco Gritti, had an active career for at least sixteen years before he became *bailo*.¹⁷ Daniele Dolfin served as ambassador to Austria and to Poland before he went to Constantinople at the age of seventy-two. He died there.¹⁸ In Angelo Emo's speech to the Full College in 1735, upon his return from Constantinople, he said his vow of obedience to the Republic was his first act after attaining the age of reason.¹⁹ His service began at an early age; at eighteen he was a volunteer in the war against Turkey for the Morea, and at nineteen he was provveditor of Zara. After other military service and a number of civil offices, he was elected *bailo* and also had the title of ambassador extraordinary to the Porte.²⁰ The family names of these *baili* have remained in Venice until today in place and palace names.²¹

THE HIERSEMANN MANUSCRIPTS

THE University of Illinois in 1923 purchased from Karl W. Hiersemann, of Leipzig, a manuscript copy of Giovanni Emo's despatches and two manuscript copies of Angelo Emo's despatches from Constantinople. They had been purchased by Herr Hiersemann in 1913 from Sotheby, Wilkinson, and Hodge in London at one of the sales of the Sir Thomas Phillipps collection.²² Sir Thomas had obtained them in 1830 from Lord Guilford's collection. Lord Guilford traveled in the Ionian Archipelago between 1788 and 1792, was in Italy in 1810, and resided later in Corfu, where he was Chancellor of the Ionian University. Upon his return to England in 1827 he brought these Italian manuscripts with him.²³ A letter from Conte N. H. Alvise Emo stated that any "documents" of these ancestors which may have been in the family archives were lost or dispersed

¹⁵Sebastiano Rumor, *Storia Breve degli Emo*, Vicenza, 1910, pp. 98-99.

¹⁶Cardinal François Joachim de Pierre de Bernis, *Mémoires et Lettres*, Paris, 1878, I, p. 184 and note on p. 421.

¹⁷Girolamo Alessandro Cappellari, *Fasti dell'Illustre Famiglia Gritti*, Venice, 1878, p. 20.

¹⁸Bortolo Giovanni Dolfin, *I Dolfin*, Milan, 1924, pp. 179-180.

¹⁹Emo, *op. cit.*, H. MS. [found only in Hiersemann], IV, f. 425r.-v.

²⁰Rumor, *op. cit.*, pp. 95-96; Giacomo Diedo, *Storia della Repubblica di Venezia*, Venice, 1751, IV, pp. 67-68; Emo, *op. cit.*, D. 104, 3 February, 1732, H. MS., II, ff. 237v.-238r.

²¹Hugh A. Douglas, *Venice on Foot*, New York, 1907, pp. 40, 66-67, 104, *et al.*; Giuseppe Tassini, *Curiosità Veneziane*, Venice, 1933, pp. 28, 218, 222, *et al.*

²²Letter from Herr Hiersemann, December 24, 1929; letter from Mr. T. Fitzroy Fenwick, the grandson of Sir Thomas Phillipps, March 2, 1930.

²³*The Dictionary of National Biography*, New York, 1885-1901, XLI, pp. 164-165; XLV, pp. 192-193; letter of Mr. T. Fitzroy Fenwick.

when the family moved to Padua. A bookplate of Bernardo Nani, whose family was related to the Emo family, appears in both of the four-volume sets of Angelo and Giovanni Emo. These two copies may have been obtained from the Emo family by Bernardo Nani, and from him by Lord Guilford, or they may have been obtained by Lord Guilford directly from the Emo family.

The six-volume set, referred to hereinafter as the Small Set, of Angelo Emo's despatches is marked *Registri* on the covers; consequently, it is identified as the copy in which the original despatches had been "transcribed or calendared by secretaries."²⁴ Moreover, photostats of several pages of this copy compared with some of the pages in the *filze* of the Archives in Venice showed that the same secretary of the Venetian government made this copy who had made some of the decipherments of the despatches from Constantinople. This hand appears also a number of times in the *filze* of despatches from Giovanni Emo, Gritti, Dolfin, and Bartolini.

The origin of the copy of Giovanni Emo's and of the four-volume set of Angelo's despatches, designated hereinafter as the Large Set, has not been exactly determined. They were, however, contemporary copies, because four of the various watermarks in the archive pages appear in the Hiersemann manuscripts.²⁵ It was customary for the *bailis'* families to preserve copies of the despatches and of the *relazioni*, and even to sell them. These copies were probably made for the Emo family, inasmuch as Volume I of Giovanni Emo's despatches contains copies of family letters, and his picture appears in Volumes II-IV. It is probable that they were made by less experienced secretaries than the one who copied the Small Set, because of the greater number of errors. Sand still remains between the leaves.

Both the archive *filze* and the Hiersemann sets abound and differ in abbreviations. Although the Hiersemann copies have some words, phrases, and short paragraphs omitted, they are excellent copies. An important difference between the Hiersemann and the archive copies is that the former contain comparatively few enclosures.

EDITORIAL METHOD

INASMUCH as the secretaries in Constantinople and the copyists in Venice were inconsistent in spelling titles and names of persons, I have in most

²⁴Rawdon Brown, *Calendar of State Papers and Manuscripts*, London, 1864, I, p. v.

²⁵One watermark appears in all volumes of the Large Set of the Angelo Emo copy, in volumes I, III, IV, and V of the Small Set, in volumes III and IV of the Giovanni Emo copy of the Hiersemann MSS., and in *Filza* 174 in the archives. Another watermark is found in volume III of the Large Set, in volumes III and IV of the Giovanni Emo copy, and in *Filze* 175 and 176 in the archives. A third watermark in volume III of the Large Set is the same as in *Filze* 174 and 175 in the archives. The fourth watermark in volumes I, II, and III in the Giovanni Emo copy is the same as in *Filze* 175, 176, and 183 in Venice.

places adopted the forms for names of persons and places as given in the eleventh edition of *The Encyclopedia Britannica*, *The Cambridge Modern History*, or Hammer; for the titles of Turkish officials I have followed Lybyer. Since the *baili* often used "Damad Ibrahim" and invariably used "Babylonia" for Bagdad and the "White Sea" for the Aegean or Mediterranean Sea, I have followed the usage in the despatches for these names even when I was not quoting. Capitalization in direct quotations follows the despatches, but otherwise the usage is according to the works cited above. The many abbreviations in the despatches are not used, but are spelled out even in direct quotations.

Sometimes dates were not given for the enclosures, and sometimes dates, words, or phrases were not legible. I have wherever possible supplied all such dates by the usual process of internal evidence, and especially by the endorsements on the originals in the archives. Illegible words were compared with the corresponding text of other despatches or printed accounts. Where there has been no reasonable doubt of my additions, I have enclosed them in brackets. In the places where a question mark appears in parenthesis, I was somewhat less certain of my analysis.

CHAPTER II

POLITICAL AND SOCIAL CONDITIONS IN THE OTTOMAN EMPIRE

There is no door that the key of gold will not open when it is guarded by a vile and venal people.—DANIELE DOLFIN, Despatch 31.

THE VIZIERATE OF DAMAD IBRAHIM

HISTORIANS have characterized the sultans of the seventeenth and eighteenth centuries as mediocre and unimportant rulers. Achmet III was no exception during the last ten years of his reign, according to the despatches of the *baili*. He was a do-nothing sovereign, letting the affairs of state be managed by his vizier and son-in-law, Ibrahim. Although during these years the Turks acquired provinces in Persia, because of the weakness of Shah Husain and his inability to cope with rebellion, they showed a remarkable lack of aggressiveness toward Peter the Great from 1720 to 1725. Achmet III and his ministers had become far more interested in living pleasantly and amassing riches than in extending the boundaries of the empire.¹ *non palatine*

Damad Ibrahim exercised extraordinary power. He did not dictate; he diverted Achmet III's attention and lulled him into inactivity. Ibrahim's methods were not simple, direct, and consistent; they were a combination of contrasting characteristics. At times he showed tremendous energy, holding official conferences and secret consultations with a few, convening divans, ordering preparations for war, visiting the arsenal, launching ships, supervising the construction of buildings, planning amusements; then if the occasion warranted procrastination, he became as passive as he had been active and appeared interested only in diversions. He assumed a *suave* or a severe, a cordial or an indifferent manner, catered to or neglected a diplomat, announced or withheld news from the public, as he saw fit. He could be outwardly gracious, though he maintained independence. He used rumors, secrecy, dissimulation, artifices, and intrigue, playing the Persians against the Russians and Persians against Persians; yet he practised watchful waiting, caution, and prudence. A lover of power and wealth, he brooked no rivals and collected

¹Achmet III ascended the throne in 1703 after a revolt which deposed Mustapha II. In the first part of his reign the Turks displayed renewed energy. They recovered Azov from Russia, recaptured the Morea, and introduced an important change in the government of Moldavia and Wallachia. The voivodes of these provinces had been selected from the local nobility, but they betrayed Turkish interests and aided Russia in 1711. From that year until 1821, Greeks of Constantinople were appointed as viceroys of the two provinces. Certain weaknesses appeared, however. Defeated by Austria, the Porte ceded Temesvar and Belgrade. For a favorable picture of Achmet III, see Joseph von Hammer, *Geschichte des Osmanischen Reiches*, Pest, 1827-35, VII, p. 390.

a huge fortune; without doubt these factors influenced his adoption of a peace policy and made him unwilling to give up the known for the unknown. With more than average astuteness he knew when to dismiss a council to avoid a hasty decision, and when to substitute generosity for his more natural avarice. For twelve years he ruled, then led by his past successes to try again the method of deception, he fatally misjudged his power and helped to provoke the revolt of 1730 which cost him his life and Achmet III his throne.

For the events and the policies which revealed these characteristics, let us turn to the despatches. In Giovanni Emo's third despatch from Constantinople, October 14, 1720, he commented about the money thrown to the people when the sultan's sons moved from the old to the great seraglio. It was more than had customarily been given by Ottoman monarchs; this generosity was believed to have been suggested by the ministry in order to moderate the aversion which had increased after the Peace of Passarowitz. Achmet III seemed, moreover, desirous of diverting the expectations of the people from his nephew [Mahmud I] to his own son.²

The following spring Damad Ibrahim revealed his power in getting rid of rivals or opponents when he dismissed Ady Mustapha and the *bostanji-bashi*. Two months before their discharge Emo had reported how much the *kiaya*, the *reis effendi*, and the vizier disliked Ady Mustapha,³ but Damad Ibrahim waited for an opportune moment. First he sent Ady Mustapha to assist at the restoration of a mosque in Jerusalem, a task for a little *kazi* rather than for him. A few hours later the *bostanji-bashi*, "the most intimate favorite" of the sultan, was deprived of his office, and imprisoned in a house, then exiled to the outlying districts of Asia.

. . . Every one agreed, including Ghika, . . . that the Bostanji had looked longingly at the Vizierate and calumniated . . . the ministry; he conferred secretly with Ady Mustapha. . . . The first Vizier's suspicions increasing, he sought to clear the skies.

He called the Bostanji for a secret conference, and said that tired and old as he was, he did not feel sufficiently strong to continue his arduous task. . . . Now, with one so high in the favors of the King and joined to him by so many ties, the time seemed mature for the Bostanji to be soon promoted as Vizier of three Tails and then to take his place in the supreme Command.

Not less than the artifice of the first Vizier was the credulity of the Bostanji, who confident of fortune . . . promised gratitude and loyalty to his Benefactor. So prompt a confession decided the first Vizier . . . who had some Men of Anatolia appear in the Divan to cry out against the Pasha, Brother of the Bostanji, because he had had them beaten. Distrusting his own favor in comparison with that of the Bostanji, the first Vizier asked his Wife to appeal to her Father. . . . The case was left in the hands of the first Vizier. He was praised for his rare moderation . . . in having the Bostanji and his two brothers merely removed.

²Giovanni Emo, *Dispacci*, A.S.V., *Filza* 174, D. 9, 14 October, 1720, H. MS., I, ff. 37v.-38v. The volume and page references are for the Hiersemann MS., at the University of Illinois.

³*Ibid.*, D. 24, 1 March, 1721, ff. 136v.-137r.

Evidently Emo's first information was not correct. Four months later it was said that the *bostanji-bashi* had been only imprisoned and his brother exiled to Asia.⁴

When Damad Ibrahim forced these dismissals, Achmet was visiting him. The latter part of May the sultan returned to the Palace of Mirrors after an absence of more than a month in the vizier's house. "It is not easy to find an Example of a Sultan's being away from the royal Palaces for so long a time." The vizier, "the soul of this Empire," wished to keep him diverted and to prevent his being aroused by the successes of the rebels in Cairo.⁵ Judging his house no longer private after so long a royal stay, Ibrahim soon presented it as a gift to Achmet and hurriedly erected another for himself, no less magnificent.⁶

Damad Ibrahim, however, was not the sole ruler. The *kiaya* and *reis effendi* assisted him in making decisions in special and secret consultations and not in the divan; consequently, Emo could not easily discover the truth.⁷ Ibrahim had revived the custom by which all the ministers dined with the *agha* of the Janissaries in Eyub as Bairam closed. That had not been done for many years because of the nearness of the sultan, but Ibrahim did not think so much caution was necessary from a man in his secure position, and made the occasion more festive and splendid than ever. The grand signor looked on from the window of his palace.⁸

Although malcontents were not lacking, after a residence of fourteen months in Constantinople, Emo described Damad Ibrahim as follows:

. . . the Vizier probably will not undertake doubtful enterprises. He has the capacity to make use of an opportunity. . . . From the once ferocious attitude of the Sultan he has the art and industry necessary to defend himself. He is also most attentive to cater to the humor of the populace by freeing himself from the discontented without a spectacle of blood, by permitting all that was formerly forbidden, and by scattering beneficences with liberality

Although he may be better established in the grace of the King than any other Vizier, he found himself very near to dismissal because of the deposed Bostanji-bashi . . . who might be reinstated; consequently, the Vizier sent a Kapuji to the Castle . . . to behead him. The Bostanji-bashi had fortunately fled, . . . [and] was believed to be in Pera. . . . The Vizier was disturbed, although he sought to conceal his feeling.⁹

In January, 1722, Emo reported the rumors about the *bostanji-bashi*, one of which said that he was in Constantinople and communicating

⁴*Ibid.*, D. 31, 9 May, 1721, ff. 173r-175r; D. 50, 28 September, 1721, II, f. 139v. Emo did not state in D. 24 or D. 31 why Ady Mustapha was disliked. In a later despatch Emo stated that Ady Mustapha advocated an aggressive policy toward Europe, which was contrary to the attitude of the ministry: *ibid.*, D. 34, 26 May, 1721, I, ff. 199v-200r. Emo also did not state the office held by Ady Mustapha, who was a *defterdar*: Hammer, *op. cit.*, pp. 260-263. Ady Mustapha was recalled in September, 1722: Emo, *op. cit.*, *Filza* 175, D. 106, 25 September, 1722, III, f. 129r. See *post* p. 106.

⁵*Ibid.*, *Filza* 174, D. 34, 26 May, 1721, I, ff. 198v-199v. For Palace of Mirrors, see Barnette Miller, *Beyond the Sublime Porte*, New Haven, 1931, p. 120.

⁶Emo, *op. cit.*, D. 42, 1 August, 1721, II, ff. 49v-50r.

⁷*Ibid.*, D. 36, 19 June, 1721, f. 21v.

⁸*Ibid.*, D. 42, 1 August, 1721, f. 49r-v.

⁹*Ibid.*, D. 51, 19 October, 1721, f. 157v.; *Filza* 175, D. 55, 14 November, 1721, ff. 188r-189r.

secretly with the palace and another that he had been killed by the vizier, who almost met dismissal, so great was Achmet's resentment.¹⁰ About a year later the *bostanji-bashi* was deported with his wives to Nicosia in Cyprus.¹¹

The gaiety and idleness of 1722 began with Achmet's spending four nights in Damad Ibrahim's palace. Emo commented about the unusual practice for a sultan to visit a vizier in the city, although it had been customary for a ruler to go to the gardens or house "on the canal."¹² The *bailo* was convinced that the vizier, the *kiaya*, and the *reis effendi* were united not so much for the public cause as for their own interests.¹³ The Turkish government was one in which policies did not live longer than ministers, whose lives did not last like those of other men.¹⁴ Achmet's third sojourn with the vizier occurred for more than a week in April, in the house on the canal, and was accompanied by a variety of diversions. Among the perpetual amusements were some maritime combats and fireworks. Huge expenditures and rich gifts made the visit an impressive one.¹⁵ Later in the month there were daily combats between boats or little spectacles of illuminating the flowers; thus the vizier grew more in favor each day and changed Achmet, who by disposition was cruel and asocial, into a pleasing individual.¹⁶

Nothing succeeded more in holding his interest than the construction of buildings on the shore of the Sweet Waters. Mehemet Effendi had brought designs from France, among which one of Fontainebleau inspired Ibrahim to erect a kiosk "equal to the Sultan's dignity" and a large palace. The ancient "tower of dogs," on the Asiatic shore, provided blocks of fine marble, for the wall along the water, and columns to sustain a portion of the roof of the kiosk. Other columns were collected elsewhere. "All this, one can say, was designed in a few minutes and executed." The foreign representatives, including Emo, had gone to see this "place of recreation now every day for the Sultan." It had been named *Chiaiascavà*, that is, built from the quarry, but that was not a suitable

¹⁰*Ibid.*, D. 63, 7 January, 1722, f. 234r. The dating of the *bailo*, 7 January, 1721 M.V., has been discarded here and in all the following citations for January and February.

¹¹*Ibid.*, P.S. of D. 120, 23 January, 1723, III, ff. 220v.-221r.

¹²Both Emo and Dolfin (see *post* p. 23) commented about these sojourns of Achmet III's at Ibrahim's. The visits were less unusual than they would have been if Ibrahim had not been the sultan's son-in-law. Bonnac, the French ambassador, wrote, January 22, 1724, to Morville, the minister of foreign affairs, that the sultan went regularly to Ibrahim's house each Friday: Charles Schefer, *Mémoire Historique sur l'Ambassade de France à Constantinople*, Paris, 1894, p. 231.

¹³Emo, *op. cit.*, D. 63, 7 January, 1722, II, ff. 233v.-234r., 235r. One of the "interests" of the *reis effendi* was an immoderate use of opium; he ate as much as 200 grains a day: *ibid.*, D. 75, 1 April, 1722, f. 296r.-v.

¹⁴*Ibid.*, D. 72, 19 March, 1722, ff. 277v.-278r. The instructions of the Marquis de Villeneuve in 1728 reminded him that "the sultan's throne was more fragile than any other and that precipices surrounded the vizier's office on all sides": Albert Vandal, *Une Ambassade Française en Orient sous Louis XV*, Paris, 1887, p. 74.

¹⁵Emo, *op. cit.*, D. 77, 9 April, 1722, f. 304r.; D. 78, 18 April, 1722, f. 311v.

¹⁶*Ibid.*, D. 80, 29 April, 1722, f. 319r.; D. 81, 30 April, 1722, f. 325r.; D. 90, 5 June, 1722, III, f. 35r.

name for royalty, and it was renamed Saadabad. The vizier had paid for it with his own money and with contributions from the other ministers.¹⁷

In October, 1722, Emo recognized the possibility of a revolt as a result of the Russian and Persian relations, but he praised the vizier's "rare art and industry. . . . With various demonstrations he satisfies, deadens, and holds in check public opinion. . . . He maintains himself in the Sultan's graces."¹⁸ News of Peter the Great's advance on the Caspian Sea caused some unrest, which "might increase so that the Sultan would have to offer a victim. I have some information about the Vizier's knowing his peril, and in order to avoid an opportunity [for a demonstration] he had postponed the departure from the seraglio and the marriage of the Selicter with a princess; yet proceeded calmly, mixing secret executions with public blandishments."¹⁹ He had two men appear at an opportune moment to tell about a defeat of the Russians. Later it was learned that they had arrived the day before. Even though the sultan seemed favorably disposed toward the grand *emir-al-akhor*, Ibrahim succeeded in removing him from office because of his close relationship with the *selicter*. It was also believed that the vizier had not wept true tears at the death of Mochetulglu [Martuloglu] in Arabia, who because of his valor and Achmet's esteem might have become a vizier.²⁰

Such expert managing of the government and the war in Persia led Emo to write:

Considering all the circumstances, one cannot admire sufficiently the good fortune of this Empire. It was about to be implicated in a bitter war or at least in perpetual jealousy, then that possibility vanished, and without shedding a useless drop of blood, it added the Provinces which were acquired by Sultan Selim II (*sic*), Sultan Soliman, and Murad IV and later ceded to Persia. . . .

Two points may be noted in the Vizier's procedure regarding Asia: . . . (1) He is not inclined to act until he believes the occasion is well matured; (2) His course in resisting the irritation of the populace, the Influential, and even the Sultan is a mixture of illusions, severity, and blandishments.²¹

In February, 1723, the birth of Achmet's fifth son was celebrated. The event could not have come at a more opportune time, since it interrupted the political colloquies which had some sinister aspects. The vizier notified the ambassadors and asked them to restrain their nationals and not to permit the transporting of wine. Ibrahim's wife was about to give birth to a child; consequently, the sultan ordered the festival to be prolonged and the birth of the vizier's son was also celebrated. All this snowed "the grace with which he maintains himself." Achmet delighted

¹⁷*Ibid.*, D. 102, 2 September, 1722, ff. 102v.-104r. See Hammer, *op. cit.*, pp. 280-281; Miller, *op. cit.*, pp. 120-122.

¹⁸Emo, *op. cit.*, D. 108, 22 October, 1722, f. 143r.

¹⁹*Ibid.*, D. 110, 24 October, 1722, f. 149r.-v.

²⁰*Ibid.*, D. 113, 2 (?) December, 1722, ff. 172r.-173v., 176r.-v.

²¹*Ibid.*, D. 117, [22] January, 1723, ff. 197v., 199r.

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in flowers, gardens, and everything in imitation of the designs from France. Many thousands of trees had been planted in one part adjoining Cladabut.²² The other part had been divided among the ministers; each one, commencing with the vizier, had constructed kiosks, which were decorated with different colors and had trees and vines at the sides. "If Mehemet Effendi had brought nothing else from France, Christianity would have no cause to grieve!" exclaimed the suspicious *bailo*.²³

In spite of the Persian relations, Ibrahim continued to increase the gardens and houses of pleasure at Saadabad and to scatter money. Emo found it difficult to draw conclusions.²⁴ The vizier's use of rumors about Persia, especially pleasant announcements, and variety of interests continued.²⁵ During the summer of 1723 a large palace was erected for the marriageable daughter of the sultan. Buildings and gardens still were his chief delights, and the vizier took care to please him in those respects.²⁶

Damad Ibrahim, however, had another rival, the *selictor*, and their dispute over the latter's marriage with a princess provoked rumors of changes. Very few of the people indicated that they supported the vizier. Even the sultan bitterly imputed to him the advance of Russia. A party within the palace also opposed the ministers. The rumor circulated that Achmet was determined to dismiss General Ibrahim and to send an order for his beheading, but Damad Ibrahim won in regard to the marriage and the conduct of the war, and in every other question used to his advantage the instability of the sultan.²⁷ He advanced his family to a degree incomparably beyond that of any of his predecessors. He married his son to the second princess and his nephew to the first princess; thus in his family three of Achmet's daughters were wives.²⁸

It seemed to be easier to win the sultan's daughters than his money. When Damad Ibrahim showed his sovereign the rings which the bridegrooms were considering as gifts for their brides, Achmet disdainfully said that he had a better selection. Such liberality surprised the vizier and every one. The sultan soon enlightened them. He intended to sell the rings to the bridegrooms. Emo observed: "One hopes that this was the first time the Ruler of so great an Empire has modestly represented a simple Jewelry Merchant."²⁹ Another example of Achmet's love for gold was reported by *Bailo* Dolfin in 1729. One of the princes gave his father a jeweled belt, which was graciously accepted. A few days later

²²Evidently the same as Chosrewabad or Chosroenbau: Hammer, *op. cit.*, p. 280.

²³Emo, *op. cit.*, D. 125, 20 February, 1723, ff. 249r.-250r. See p. 151, note 330.

²⁴*Ibid.*, *Filza* 176, D. 130, 23 March, 1723, f. 280v.

²⁵*Ibid.*, D. 134, 29 March, 1723, f. 300r.-v.; D. 136, 24 April, 1723, IV, f. 2r.

²⁶*Ibid.*, D. 148, 28 July, 1723, IV, f. 68r.

²⁷*Ibid.*, D. 154, 30 August, 1723, ff. 99v.-102r.; D. 164, 165 (*sic*), 28 November, 1723, ff. 157v.-158r.

²⁸*Ibid.*, D. 169, 17 January, 1724, ff. 173v.-174r. "The favor of the grand vizier increases every day," Bonnac's despatch to Morville, 14 January, 1724: Schefer, *op. cit.*, p. 223.

²⁹Emo, *op. cit.*, D. 173, 19 February, 1724, f. 193r.-v.

an appraiser was asked the price. When the sultan heard it cost four purses³⁰ and three hundred *reali*, his avidity overcame his paternal affections, and the belt was returned to the jeweler and the cash taken.³¹

All the foregoing characteristics continued to be in evidence during the missions of Gritti and Dolfin. During Gritti's embassy Damad Ibrahim desired to avoid war; studied to hide the bad conditions in the empire from his father-in-law and to divert the latter's mind; celebrated Bairam with festivals, music, and the throwing of money to the crowds. He also attempted to conceal all the news from Asia.³² In foreign affairs his position was not most happy; in Constantinople, however, he was better established than ever.³³ The erection of many palaces did not solve the labor problem. The people murmured about the scarcity of money, unemployment, higher prices, and the vizier's keeping the frequent messengers from Persia like prisoners. Even Achmet III showed some impatience. Ibrahim accordingly diverted the people with gifts and the sultan by amusements.³⁴

Dolfin condemned the government for sending troops to Persia without showing any real interest in the foreign situation.³⁵ What could be expected from "a Sultan lost in the idleness of the Palaces, a Vizier who has not seen the face of War, a Capitan Pasha who has never left the Castles . . . ? It is still possible to reverse the situation by a new Monarch and Vizier. The Empire lacks the head, not the arm."³⁶ A year later, however, Dolfin praised the vizier. He gave three hundred *braccia* of brocaded velvet with a gold background to Ibrahim with the hope of winning one

. . . who understands finesse, rules with despotic authority and, as nearly as one can foretell, will continue to govern, as long as he lives, because he rules with intelligence, justice, and gentleness, without interest, and possesses the entire affection of the Sultan, who gave proof of that by visiting him last month for fifteen days, an unusual example.³⁷

Neither the past nor future events substantiated Dolfin's phrase "gentleness, without interest." When Damad Ibrahim sent Gritti, as a farewell gift, two little pieces of brocaded cloth, which were inferior to Gritti's merit, Dolfin commented about that as being the best one could

³⁰A purse consisted of 500 piasters: Angelo Emo, *Dispacci*, A.S.V., *Filza* 185, D. 221, 28 May, 1734, H. MS., IV, f. 327v. The references from the Hiersemann MSS. are given only from the complete set of despatches unless there is a discrepancy.

³¹Daniele Dolfin, *Dispacci*, A.S.V., *Filza* 181, D. 71, 20 April, 1729. There are no copies of the despatches from Gritti, Dolfin, and Bartolini in the Hiersemann MSS.; therefore, no page numbers are given; they are resumed again for other references from Giovanni and Angelo Emo. Regarding Achmet's avarice, see Schefer, *op. cit.*, pp. xxviii-xxix, 153.

³²Francesco Gritti, *Dispacci*, A.S.V., *Filza* 177, D. 14, 18 January, 1724; D. 45, 17 July, 1724; *Filza* 179, D. 92, 12 March, 1725; D. 107, 18 June, 1725.

³³*Ibid.*, *Filza* 178, D. 71, 25 November, 1724.

³⁴*Ibid.*, *Filza* 180, D. 163, 25 March, 1726; D. 178, 16 June, 1726.

³⁵See *post* p. 124.

³⁶Dolfin, *op. cit.*, D. 19, 22 March, 1727.

³⁷*Ibid.*, D. 40, 12 February, 1728. Bonnac wrote, 19 April, 1724, to Morville about another visit for fifteen days: Schefer, *op. cit.*, p. 251.

expect from a Turk, who was disposed to open rather than press a hand.³⁸ To counteract the groans of oppression caused by the avarice of Achmet, Ibrahim used suave expressions, removed the disturbers, and satisfied the militia. After a revolt in Smyrna he did not permit the exposure of Janissaries' heads from there in order to prevent complaints and irritation. In other years the militia would not have seen the blood of their companions shed in such profusion, but now the corps was reduced to such weakness of number and quality that the soldiers were content with their pay and thought more of their living than of the sword.³⁹ Once when the vizier was returning from inspecting the building of a palace in Scutari, the people appealed to him. He promised prompt aid, and the next morning not only were shops provided for, but bread was distributed without charge at the mosques. "Thus the tumult is converted into applause of the mind that reigns."⁴⁰

In two topics which the *baili* reported, the rebellions in Cairo and the treatment of Janum Khoja, may be seen other glimpses of weaknesses within the empire and of the vizier's methods. In December, 1720, the ministers appeared much perturbed over the news of a revolt in Cairo, and they recalled the pasha. His successor sent to Constantinople the heads of the three men most tainted with rebellion. The spoils confiscated from them were exceedingly rich; from only one the amount was between six and seven million *reali*.⁴¹ In February, 1721, the possibility of Egypt's separating from the empire aroused the ministers, who held frequent conferences.⁴² In about a month, according to the account, the roots of the trouble had been almost entirely destroyed, yet in another month or six weeks the pasha was forced to resign and envoys came to state their demands. They received kind treatment in Constantinople and a third governor was appointed.⁴³ Disturbances occurred again in September and December, 1721.⁴⁴

In May, 1724, the Porte sought to conceal the reports of more disorder. After a conference of the vizier with the *mufti* in the presence of the sultan, a *kapuji* of repute was despatched with a following of thirty. Care, Gritti commented, was both reasonable and necessary to prevent the spread of rebellion in the empire.⁴⁵ The ministry repressed the bad reports as much as possible.⁴⁶ Although conflicting stories circu-

³⁸Dolfin, *op. cit.*, D. 42, 14 February, 1728.

³⁹*Ibid.*, D. 45, 12 April, 1728.

⁴⁰*Ibid.*, D. 69, 25 March, 1729.

⁴¹Giovanni Emo, *op. cit.*, *Filza* 174, D. 16, 29 December, 1720, I, ff. 78v.-79v.

⁴²*Ibid.*, D. 21, 8 February, 1721, ff. 112v.-113v., and enclosure No. 5, f. 203r. *et seq.*

⁴³*Ibid.*, D. 26, [18] March, 1721, f. 146r., and enclosure, f. 205v. *et seq.*; D. 31, 9 May, 1721, f. 181r.-v.

⁴⁴*Ibid.*, D. 50, 28 September, 1721, II, f. 139v.; *Filza* 175, D. 60, 29 December, 1721, f. 216r.

⁴⁵Gritti, *op. cit.*, *Filza* 177, D. 34, 16 May, 1724.

⁴⁶*Ibid.*, D. 35, 19 May, 1724.

lated about the state of affairs in Cairo, evidently it was serious, because thirty-five hundred soldiers had been sent.⁴⁷

In October, 1725, Tscherkes led the most powerful faction, and the ministers were disturbed by such news.⁴⁸ In March, 1726, the heads of two rebels arrived.⁴⁹ The following year the discovery of a plot for another revolt and the capture of some of the rebels occurred.⁵⁰ In February, 1728, tranquillity prevailed in Cairo but not in Smyrna.⁵¹ By April, the trouble in Smyrna had been subdued.⁵² In February, 1729, there was a rumor of a new outbreak in Cairo.⁵³ Such recurrences showed the decline of the Ottoman Empire. Villeneuve told Dolfin that the investigations of French consuls revealed "a weakness which he would never have conceived at a distance: desolate provinces, a discontented people, an insufficient, undisciplined militia which lacked leaders."⁵⁴

In September, 1729, Cairo was reported as being restless.⁵⁵ When Tscherkes, with forty thousand Arabs, started to revolt, the Turks apparently decided to use art rather than force.⁵⁶ Art proved in vain, and the Porte resolved to send fifteen thousand cavalrymen and five thousand foot soldiers.⁵⁷ They seemed to have been somewhat effective by March, and Tscherkes had shown veneration for the sultan.⁵⁸ The exposure of his head with four of his accomplices' heads occurred in June.⁵⁹

A striking case of the variability or uncertainty in the government and the attitude of Damad Ibrahim was that of Janum Khoja. In December, 1720, he was attempting to unite the cantons of Tripoli, to make them more powerful on the sea and less dependent on the Turks.⁶⁰ One account said he had become master of Tripoli; another said he was about to throw himself desperately among the Arabs or to go into exile in a Christian country.⁶¹ In March, 1721, he was maintaining himself at Derna with a not-to-be-despised following.⁶² Two months later there was a report that he was a fugitive; another report came to the effect that the Arabs had taken Derna and killed all his adherents there.⁶³ He

⁴⁷*Ibid.*, D. 40, 10 June, 1724.

⁴⁸*Ibid.*, *Filza* 179, D. 126, 4 October, 1725.

⁴⁹*Ibid.*, *Filza* 180, D. 159, 18 March, 1726.

⁵⁰Dolfin, *op. cit.*, enclosure No. 3, August, 1727, with D. 35.

⁵¹*Ibid.*, D. 44, 20 February, 1728.

⁵²*Ibid.*, D. 45, 12 April, 1728.

⁵³*Ibid.*, D. 65, 17 February, 1729.

⁵⁴*Ibid.*, D. 73, 1 June, 1729.

⁵⁵*Ibid.*, D. 81, 13 September, 1729.

⁵⁶Orazio Bartolini, *Dispacci*, A.S.V., *Filza* 182, D. 6, 29 October, 1729; D. 7, 5 December, 1729.

⁵⁷*Ibid.*, D. 10, 18 February, 1730.

⁵⁸*Ibid.*, D. 14, 23 March, 1730.

⁵⁹*Ibid.*, D. 19, 8 June, 1730.

⁶⁰Giovanni Emo, *op. cit.*, D. 15, 29 December, 1720, I, ff. 73v.-74r.

⁶¹*Ibid.*, D. 21, 8 February, 1721, f. 113v.

⁶²*Ibid.*, D. 26, [18] March, 1721, f. 147r.

⁶³*Ibid.*, D. 32, 24 May, 1721, f. 185v., and enclosure No. 2, a copy of a letter, from the capitan pasha's dragoman to Rinaldo Carli, Venetian dragoman, with D. 41.

supposedly was leaving Tripoli to find a secure place.⁶⁴ Then rumor said he would be recalled from Algeria.⁶⁵ In January, 1722, an *agha* left with a royal pardon and invitation for him to return to Constantinople.⁶⁶ His approaching re-instatement was twice mentioned.⁶⁷ Finally in May, 1722, he was welcomed in Constantinople as if he had come from a glorious enterprise. Even after the vizier, *kiaya*, and *reis effendi* received him, many did not believe he was safe in a group where short friendships and long, lasting hatred prevailed.⁶⁸ After a forced idleness of three months, he was appointed superintendent of the arsenal with the promise of being capitan pasha.⁶⁹ Five months passed, however, with only the vizier's instruction to the capitan pasha not to change a thing at the arsenal without Janum Khoja's consent.⁷⁰ Janum Khoja sent word to Emo that he would certainly be the director of the squadron in the White Sea.⁷¹ After he received a commission to construct two large ships at Sinope, or elsewhere, his supporters believed he would have charge of the fleet in the Black Sea in case of war with Russia.⁷² Nine months later that continued to be the view.⁷³ Although his shipbuilding received praise, he was really in honorable exile.⁷⁴ When he asked to be allowed to bring the ships, Ibrahim commended his work without saying who should conduct them to Constantinople.⁷⁵ Then he was instructed to launch one promptly, but was not permitted to bring it to Constantinople. Gritti could not find out why the other was not also included.⁷⁶ Fearful of Janum Khoja, the vizier was determined to keep him at a distance.⁷⁷ Then the vizier commanded him to come promptly.⁷⁸ Again rumors circulated. One story said that the sultan had him hidden in Scutari; another that his ship was wrecked.⁷⁹ When he actually arrived, the capitan pasha received him rather coldly and there were many rumors about his destiny.⁸⁰ Although ordered to return to Sinope, he was rewarded with gifts, and in an audience Achmet gave him fifty-six purses.⁸¹ Finally he was permitted to bring his ships, which received the applause of all, and his promotion was mentioned.⁸² In the end the vizier triumphed. First

⁶⁴*Ibid.*, D. 42, 1 August, 1721, II, f. 51v.

⁶⁵*Ibid.*, *Filza* 175, D. 55, 14 November, 1721, f. 189r.

⁶⁶*Ibid.*, D. 64, 29 January, 1722, f. 241v.

⁶⁷*Ibid.*, D. 78, 18 April, 1722, f. 307r.-v.; P.S. of D. 81, 30 April, 1722, f. 328r.

⁶⁸*Ibid.*, D. 96, 28 [July], 1722, III, ff. 63v.-64r.

⁶⁹*Ibid.*, D. 100, 29 August, 1722, f. 91v.

⁷⁰*Ibid.*, D. 117, [22] January, 1723, f. 197r.

⁷¹*Ibid.*, D. 123, 7 February, 1723, f. 240r.

⁷²*Ibid.*, *Filza* 176, D. 130, 23 March, 1723, f. 283v.; D. 134, 29 March, 1723, f. 299v.

⁷³*Ibid.*, D. 164, 165 (*sic*), 28 November, 1723, IV, f. 157r.-v.

⁷⁴Gritti, *op. cit.*, *Filza* 177, D. 39, 5 June, 1724.

⁷⁵*Ibid.*, D. 47, 17 July, 1724.

⁷⁶*Ibid.*, *Filza* 178, D. 52, 8 August, 1724.

⁷⁷*Ibid.*, D. 55, 12 August, 1724; D. 78, 16 December, 1724.

⁷⁸*Ibid.*, *Filza* 179, P.S. of D. 90, 3 March, 1725.

⁷⁹*Ibid.*, P.S. of D. 94, 15 April, 1725.

⁸⁰*Ibid.*, D. 99, 26 April, 1725.

⁸¹*Ibid.*, D. 100, 25 May, 1725.

⁸²*Ibid.*, D. 121, 2 September, 1725.

Janum Khoja was sent to Nauplia as pasha, then exiled to Retimo. So jealous of him was the ministry that he would not be able to rise without a total change in it, Dolfin predicted.⁸³

That change came the following year with the revolution which replaced Achmet III by Mahmud I. It was provoked by the ruse of Achmet III and the ministers in departing from the city in splendid array on August 3, 1730, as if to wage war against Persia.⁸⁴ They remained in Scutari and continued to negotiate for peace. Finally the deception became known. The luxury-loving court had no intention of defending the national honor, and the excessive taxes had been levied for a war which would not take place.⁸⁵ This was not the first time that the government and the vizier had deceived the people. As shown in the foregoing pages, he had kept discontent from breaking forth and had changed Achmet III into a puppet.

THE REVOLUTION OF 1730

IN September, 1730, the time for a revolt was propitious, while the officials were on the Asiatic shore of the Bosphorus. The revolt had been planned by an apparently insignificant leader, Ali Patrona, an Albanian Janissary who had served in the navy and was a secondhand clothes dealer. He had a following of only twelve men, including his assistants, Muslu and Emir-Ali. On September 28, they seized a torn banner in the bazaar, ran through the streets calling to all true Moslems and lovers of their country for support, and established themselves in the square of the Atmeidan.

The capitan pasha, the *kaimakam*, and the *agha* of the Janissaries carried the news to Achmet III. The sultan and the officials returned to Constantinople during the following night. It was believed that the rebels would be dispersed on the twenty-ninth, and Angelo Emo stated that they might have been if the right moment had been seized while they were unorganized and uncertain about the next step. The moment was soon gone. The rebels organized, took an oath of obedience to "a certain old man, who had been dismissed from every office but still remained in esteem," and then established order among themselves. Janissaries began to join the group. During the day the prisons were opened and the slaves of five galleys released from their chains. Then began the demands for

⁸³*Ibid.*, D. 130, 24 October, 1725; Dolfin, *op. cit.*, D. 76, 12 July, 1729. See *post* pp. 79-83 for further ups and downs in his career during Mahmud's reign.

⁸⁴Bartolini, *op. cit.*, D. 22, 4 August, 1730 (see *post* p. 134); Angelo Emo, *op. cit.*, *Filza* 183, D. 18, 11 October, 1730, I, f. 45r-v. See also *Ordre et Marche du Grand Seigneur de Constantinople à Scutari, aux archives des affaires étrangères, Turquie, 1730*: Vandal, *op. cit.*, note on p. 151.

⁸⁵Vandal, *op. cit.*, pp. 148-151. There was a gap in the despatches, because of the coming of the new *baïlo*, Angelo Emo, who arrived on September 27. Bartolini's last despatch from Constantinople was dated September 10, 1730.

the lives of five ministers: the vizier, the capitan pasha, the *kiaya*, the *mufti*, and the *reis effendi*. These demands continued during the following day. To save himself, the sultan was willing to sacrifice three of the men who had served him, his son-in-law and vizier, the *kiaya*, and the capitan pasha. He showed some mercy by delivering them strangled.

"The Sultan believed perhaps that there had been sufficient sacrifice for his safety, but the thirst of a people in revolt is never satisfied with a little blood," philosophized Emo. They began calling for the abdication of Achmet III. He surrendered and exchanged places in the cafes with his nephew, who now became Mahmud I. The revolt had started on Thursday, the new reign began on Sunday.⁸⁶ The statement made in 1768 by Zegelin, the Prussian resident at Constantinople, was applicable to the revolt of 1730: "Though the form of government [Turkish] is despotic, it is such that when the people is enraged, the Government is no longer master and must yield to the torrent."⁸⁷

In addition to the foreign policy, another cause for the revolt was the avarice of Achmet III and his ministers. Damad Ibrahim succeeded well in collecting money for himself and for his sovereign. Money belonging to the vizier was found buried in his garden. Well might Emo comment: "Not every one could raise such radishes!" The *kiaya* was reported to have collected six million piasters. Achmet left for his successor "immense treasures."⁸⁸

Mahmud I made a favorable impression when he appeared at a grated window to satisfy the mob and when the *agha* of the Janissaries and other military officials interviewed him. This effect was no doubt aided

⁸⁶Emo, *op. cit.*, D. 17, 2 October, 1730, ff. 37v.-41v. The following writers agree with Emo in stating the date of the revolt as September 28: Hammer, *op. cit.*, p. 381; Jonas Hanway, *An Historical Account of the British Trade over the Caspian Sea*, London, 1753, IV, p. 44; Vandal, *op. cit.*, p. 152; Johann Wilhelm Zinkeisen, *Geschichte des Osmanischen Reiches in Europa*, Hamburg, 1840-63, V, pp. 626-627. The date of the revolt, September 20, in Creasy is evidently incorrect: Sir Edward Shepherd Creasy, *History of the Ottoman Turks*, London, 1877, p. 349.

Some accounts differ from that of Emo as follows: (1) the news was carried by the *mufti*, *kaimakam*, and *kiaya*: Hanway, *op. cit.*, p. 45; (2) the life of the *kaimakam* was demanded instead of that of the *reis effendi*: *ibid.*, p. 47; Zinkeisen, *op. cit.*, p. 627; (3) the life of the *kaimakam* was demanded instead of that of the capitan pasha: Alfio Grassi, *Charte Turque*, Paris, 1825, II, p. 272; (4) the life of the *reis effendi* was not demanded: Hammer, *op. cit.*, p. 383; (5) the *kaimakam* lost his life instead of the capitan pasha: Hanway, *op. cit.*, p. 48; Zinkeisen, *op. cit.*, p. 628; Desroches, cited by Louis André de la Mamie de Clairac, *Histoire de Perse*, Paris, 1750, III, pp. 139-140.

In agreement with Emo regarding the ministers who suffered death are: Hammer, *op. cit.*, p. 383; Giacomo Diedo, *Storia della Repubblica di Venezia*, Venice, 1751, IV, pp. 234-236. Diedo was a contemporary of Angelo Emo. On August 19, 1750, the Council of Ten gave permission for the publication of his history. His being a senator and his very close reproduction of Emo's account warrant the assumption that he used the despatches. In fact, exact reproductions of phrases of eight and nine words appear, but without any indication that he was quoting.

⁸⁷Albert Sorel, *The Eastern Question in the Eighteenth Century*, London, 1898, p. 26.

⁸⁸Emo, *op. cit.*, D. 21, 15 October, 1730, f. 58r.-v.; D. 22, 1 November, 1730, f. 65r.-v.; D. 28, 17 December, 1730, f. 108r. Each of three chests in the vizier's garden contained 18 bags, in each of which were sixty thousand sequins. One of the vizier's servants confessed that this money came partly from the sale of justice. Precious stones and other costly objects that the vizier had collected were found in a fourth chest: Clairac, *op. cit.*, p. 154; Hanway, *op. cit.*, p. 48; Zinkeisen, *op. cit.*, p. 630 and note. The *kiaya's* wealth, according to the Earl of Sandwich, was mainly accumulated from the silver mines in Ahatolia, which were legally granted to him by Achmet III: John Montague, *A Voyage performed by the Late Earl of Sandwich*, London, 1799, pp. 266-268.

by the customary gift from a new sultan of twenty-five piasters to each soldier.⁸⁹ A better view of Mahmud was obtained as he rode to and from the mosque of Eyub, where the ceremony of girding a ruler with the sword of Othman took place; he left "in every one an agreeable idea of his royal appearance and propitious predictions for the future."⁹⁰

Even so, conditions remained unsettled. Mahmud dared not assert himself immediately. Ali Patrona's control continued for nearly two months. It was believed that his influence had caused the change in the number of Janissaries from forty to seventy thousand. The *Spahis* and the *Topjis* also were increased, the latter from twelve to twenty thousand. Ali Patrona wished nothing for himself, he refused offices, and he still wore torn clothes.⁹¹ Even when he put on a new uniform, it was said that he wore his beloved rags beneath. Every day he appeared at court and the sultan misled him by attentions.

The liberality of Mahmud continued. Money poured from the well-filled treasury to be distributed among the old and the recently enrolled troops. Shops which had been closed for two weeks were opened. The rebels encamped in the Atmeidan began to disperse.⁹² The former *reis effendi*, who had escaped, was discovered in his hiding place and brought to the palace to give his successor the benefit of his experience, but this step was not tolerated by the rebels. They procured his exile to Nicosia.⁹³

Meantime the policy of Ali Patrona had begun to change. The booty obtained from the pillaging of the deposed ministers' possessions, and the money distributed by Mahmud⁹⁴ probably created in him a thirst. Pride and insolence replaced his modesty. About November 12, he asked that Yanaki, a butcher who had lent him money during the three days of insurrection, be made hospodar of Moldavia. The request surprised the vizier, but he granted it in spite of the fact that Gregory Ghika had secured reappointment for the second triennium from the preceding government. Mahmud, however, had succeeded in winning over some of the officers of the Janissaries.⁹⁵ The many purses produced by the Ghika brothers were also effective. Yanaki never served as hospodar, and it was significant that even Ali Patrona abandoned him. Ali Patrona also obtained the important post of *kulkiaya* for Muslu.⁹⁶ Mahmud plotted against Ali Patrona with the khan of the Tartars, Dagmasade Effendi,

⁸⁹Emo, *op. cit.*, D. 17, 2 October, 1730, ff. 40v., 41r.

⁹⁰*Ibid.*, D. 18, 11 October, 1730, ff. 43v.-44r. Emo gave the date of this ceremony as October 6, f. 43v.; Zinkeisen, October 7, *op. cit.*, p. 630. According to Emo's earlier statements, in D. 17, about arriving on Wednesday, September 27, the revolt on Thursday, and in D. 18 the girding on Friday, his date, October 6, is correct. Hammer accepted this date also: *op. cit.*, p. 302.

⁹¹Emo, *op. cit.*, D. 18, 11 October, 1730, f. 44r.-v. Probably this reported increase in the number of Janissaries was from general information, which was inexact.

⁹²*Ibid.*, D. 21, 15 October, 1730, ff. 58r.-59r.

⁹³*Ibid.*, D. 22, 1 November, 1730, f. 62r.

⁹⁴*Ibid.*, D. 18, 11 October, 1730, f. 47r.

⁹⁵*Ibid.*, first D. 24, 12 November, 1730, ff. 72r.-74r.

⁹⁶*Ibid.*, second D. 24, 28 November, 1730, ff. 80v., 81v.

Janum Khoja, and Abdullah Pasha. A council was called November 25, according to the announcement, to declare war against Persia and to bestow on Ali Patrona the honor of being made pasha of three tails with a post in Sofia. The night before Janum Khoja had hidden four hundred well-armed soldiers in the palace. When he gave a signal, about thirty soldiers entered promptly, killed Ali Patrona and his assistants, and then killed about twenty-six followers who had accompanied them to the palace. A reign of terror followed, which included the strangling of some Janisseries, the imprisoning of others, and the seeking for malcontents in the other army divisions.⁹⁷ To the people an old clothes dealer, a fruit vendor, and a coffee seller had been only the means to an end.

REVOLUTIONARY PLOTS AND DISCONTENT

THE revolt had revealed the instability of the government, and there were other evidences of this condition. In spite of the agreeable impression made by Mahmud at first, he did not prove to be a man of firmness, initiative, or independence. His mother and the *kizlar aghasi* were his most influential advisers, although he often consulted his deposed uncle.⁹⁸ The repeated changes of viziers during the reign were attributed to the advice of the *kizlar aghasi*. Having seen the revolutions of 1703 and 1730, he, according to Sir James Porter, ascribed their cause to the long terms, unusual power, and ambition of the viziers for glory and conquest; consequently the *kizlar aghasi* advised Mahmud to change them frequently, not permitting any to remain in office more than three years.⁹⁹ Hanway gave Achmet III credit for this advice and reported his saying to Mahmud:

Remember that your father lost the place in which you are now seated, by his blind complaisance for his mufti Feizoullah Effendi; and that I lose it myself, by having trusted too much to my vizir Ibrahim Basha. Learn from our examples not to confide in your ministers without due circumspection. If I had always followed my old maxims, I should never have left mine so long in place, or omitted to have demanded frequent and regular accounts of the affairs of the empire. Perhaps I might have then finished my reign as gloriously as I began it. . . .¹⁰⁰

Whoever gave the advice might have been both flattered and surprised at the many changes. During the four years and four months which Emo spent in Constantinople, there were four viziers and a provisional one

⁹⁷*Ibid.*, D. 26, 30 November, 1730, ff. 91v-95r.; D. 28, 17 December, 1730, f. 107r. One of the best descriptions of these months, September to November, 1730, was given by the Earl of Sandwich: Montague, *op. cit.*, pp. 225-284.

⁹⁸Emo, *op. cit.*, D. 73, 14 August, 1731, II, f. 50r.; D. 74, 15 August, 1731, f. 55r.-v.; first D. 24, 12 November, 1730, I, ff. 75v-76r.

⁹⁹[Sir James Porter] *Observations on the Religion, Law, Government, and Manners, of the Turks*, London, 1768, I, p. 91. This statement about conquest by Sir James seems too general and not exact for the policy of the ministry in 1730. Vandal and Emo's predecessors stated the policy of the ministry in 1730 to have been one of peace (see *ante* pp. 23, 27).

¹⁰⁰Hanway, *op. cit.*, p. 51. Almost an exact quotation of the speech by Achmet given in Clairac, *op. cit.*, p. 147. A similar speech may be found in Grassi, *op. cit.*, p. 278, and in Vincent Mignot, *The History of the Turkish, or Ottoman Empire*, London, 1787, IV, p. 324.

who served until Ali Pasha arrived from Asia.¹⁰¹ There were eight changes in the office of capitan pasha,¹⁰² frequent dismissals of other officials,¹⁰³ and many rumors of others.¹⁰⁴ These dismissals were made because of the opposition of the people, the wishes of the queen mother and the *kizlar aghasi*, or the antagonism of the officials for one another.

Mahmud's first vizier was Mehemet Pasha, who served from October 1, 1730, to January 22, 1731.¹⁰⁵ In less than a month after his appointment there were rumors about his being dismissed because of his inexperience and his earlier relations with the deposed sultan and with Damad Ibrahim.¹⁰⁶ He in turn hated his critics, the rebels, but he was too timid to oppose them.¹⁰⁷ The dissatisfaction and rumors continued until he was finally replaced by Ibrahim Pasha, who was well received. The latter's training under the Kuprulis and his military experience in Hungary made him acceptable.¹⁰⁸ He worked studiously to dispel dissatisfaction, spending hours in the divan, where he patiently heard petitions, and visiting the food shops in order to reduce the high prices. In spite of these efforts and the attempt to get rid of suspicious persons by executing or exiling them, prices continued high and the people were restless.¹⁰⁹

Another revolt occurred in March, 1731. It was said that for two months Kara Ali the Arnaut, or the Albanian, had been preparing his followers. He considered an opportune time to be during a night of Ramazan when people frequented the streets and could gather in groups without being observed. The revolt started early in the morning of March 26, with an attack on the shops which sold arms. The rebels established

¹⁰¹Mehemet Pasha, October, 1730, to January, 1731: Emo, *op. cit.*, D. 17, 2 October, 1730, f. 41r.; D. 34, 25 January, 1731, f. 145v. Ibrahim Pasha, January to September, 1731: D. 78, 14 September, 1731, II, ff. 81v.-82v. Topal Osman, September, 1731, to March, 1732: D. 79, 27 September, 1731, f. 86r.-v.; *Filza* 184, D. 111, 29 March, 1732, ff. 285v.-286v. *Defterdar* Ali Pasha, provisional. Ali Pasha, May, 1732, to July, 1735: D. 119, 15 May, 1732, III, f. 26v.

¹⁰²Abdi, October to November, 1730: Emo, *op. cit.*, *Filza* 183, D. 17, 2 October, 1730, I, f. 41v.; first D. 24, 12 November, 1730, f. 71v. Ali, November, 1730: first D. 24, Janum Khoja, November, 1730, to May, 1731: second D. 24, 28 November, 1730, f. 81r.; second P.S. of D. 57, 18 May, 1731, ff. 272v.-273r. Marabuto provisional until Abdi could come; Abdi again, July to September, 1731: D. 66, 3 July, 1731, II, f. 16r.; D. 80, 29 September, 1731, f. 90v. Saim Mehemet, September to November, 1731: D. 80; D. 94, 30 November, 1731, f. 173r. Marabuto provisional, November to January: D. 94; then active, January to June, 1732, D. 101, 18 January, 1732, f. 213v.; *Filza* 184, D. 125, 14 June, 1732, III, f. 67r. Bechir, June, 1732, to May, 1733: D. 125; *Filza* 185, D. 168, 28 May, 1733, f. 344r. Janum Khoja again, May, 1733, and during remainder of Emo's term: D. 168.

¹⁰³*Ibid.*, *Filza* 183, D. 86, 30 October, 1731, II, f. 130r.-v.; *Filza* 184, D. 134, 30 July, 1732, III, ff. 122v.-123r.; D. 135, 18 August, 1732, f. 129v.; *Filza* 185, D. 233, 19 August, 1734, IV, f. 376v.; *ct. al.*

¹⁰⁴*Ibid.*, *Filza* 183, D. 22, 1 November, 1730, I, ff. 61r.-62v.; first D. 24, 12 November, 1730, ff. 71v.-72r.; second D. 24, 28 November, 1730, f. 80r.-v.; D. 28, 17 December, 1730, f. 104r.; D. 32, 18 January, 1731, f. 134v.; second P.S. of D. 57, 18 May, 1731, f. 273r.; P.S. of D. 70, 28 July, 1731, II, f. 36r.-v.; D. 78, 14 September, 1731, f. 83r.-v.; D. 91, 16 November, 1731, f. 157v.; D. 99, 28 December, 1731, f. 201r.; *Filza* 184, D. 110, 7 March, 1732, f. 281v.; D. 123, 4 June, 1732, III, ff. 52v.-53r.; *Filza* 185, D. 171, 1 June, 1733, IV, f. 24v.

¹⁰⁵*Ibid.*, *Filza* 183, D. 17, 2 October, 1730, I, f. 41r.; D. 34, 25 January, 1731, f. 145v.

¹⁰⁶*Ibid.*, D. 22, 1 November, 1730, f. 61r.-v.

¹⁰⁷*Ibid.*, first D. 24, 12 November, 1730, f. 73r.

¹⁰⁸*Ibid.*, D. 29, 1 January, 1731, f. 109r.; D. 32, 18 January, 1731, f. 134v.; D. 34, 25 January, 1731, ff. 145v.-146r.

¹⁰⁹*Ibid.*, D. 36, 22 February, 1731, ff. 163r.-164r.; D. 38, 24 February, 1731, f. 174r.; D. 40, 9 March, 1731, ff. 184v.-185v.; D. 43, 17 March, 1731, ff. 205v.-206r.

themselves in the Atmeidan. Then they ransacked the house of the *agha* of the Janissaries. He escaped with a slight wound, and his troops refused to assist the rebels. Other persons, however, joined the group until there were about two thousand. After a council in the palace, a militia was immediately formed of *kapujis*, *bostanjis*, and Levantines. A report said that Mahmud wished to accompany them but the council did not approve of such action. The Prophet's standard was placed outside the main entrance of the palace. The troops marched out with the vizier, the capitan pasha, and the *agha* at their head. They soon dispersed the rebels, three or four hundred being killed. The vizier then sent a number of detachments through the city to search for the leaders. By noon quiet was restored, and the vizier with his troops had returned to the palace. Soon after the grand signor sent them gifts and a *hatti-sherif* praising their fidelity.¹¹⁰

This revolt was a minor one in comparison with the duration of time and results of that of the preceding September. The two resembled each other in that the instigators and the majority of the groups were Albanians. An antagonistic feeling toward this people resulted, and a *hatti-sherif* banished them from Constantinople. Another group of malcontents discriminated against were the Lazes of Asia.¹¹¹ Within the palace, Fatima, the daughter of Achmet III and the widow of Damad Ibrahim, led the irreconcilables who wished to restore the deposed sultan. She was imprisoned and three thousand of the most contumacious Janissaries were sent to the Persian frontiers. Mahmud had tried to divide the troops after the first outburst, but his plan had met with objections. After this revolt he was permitted to carry out his plan. Other precautionary measures included the closing of the coffee shops and baths and the careful guarding of the ministers' houses. In order to pursue a mixed policy of repression and graciousness to the army, to which the *agha*, Abdullah Pasha, was not agreeable, he was replaced by Saim Mehemet Pasha.¹¹² The executions were continued in Constantinople and surrounding territory at such a rate that on the eleventh day after the revolt Emo recorded that more than ten thousand heads had been sacrificed.¹¹³ This number might have been exaggerated in order to terrorize the people, but there is no doubt that many were killed.

Circumspection, precautions, and executions became the chief policy of the vizier, Ibrahim Pasha. Exactly one month after the revolt the usual audiences at the divan had not been resumed, and the coffee shops, the gathering places for idlers, remained closed. "Sad it is to see the aspect

¹¹⁰*Ibid.*, D. 44, 27 March, 1731, ff. 207v.-214r.; D. 45, 28 March, 1731, ff. 214v.-215v. There is a discrepancy in the dating of the revolt. Emo gave March 26; Hammer, March 24: *op. cit.*, p. 400; Hanway and Zinkeisen, March 25: Hanway, *op. cit.*, pp. 61-62; Zinkeisen, *op. cit.*, p. 636.

¹¹¹Emo, *op. cit.*, D. 45, f. 215r.-v.

¹¹²*Ibid.*, D. 46, 3 April, 1731, ff. 220r.-223v.

¹¹³*Ibid.*, D. 48, 5 April, 1731, ff. 229v.-230r.

of this city," Emo wrote. Even at Bairam, when generally freedom and festivity prevailed, the ministers exercised extreme vigilance. Instead of the sultan's going to the mosque of Mehemet for the religious ceremonies, as customary, Mahmud went to Santa Sophia, which was closer to the palace. His cortege consisted of Janissaries, many persons from the palace, and Levantines. These last two groups were unusual on such occasions. While he was away from the palace, the city gates were closed, and guards stationed about the city in the squares, in places frequented, and near the arsenal. No disturbances occurred, and conditions seemed promising. The divan was opened.¹¹⁴ Soon Mahmud began to visit again his various palaces, the arsenal, and Top Khaneh.¹¹⁵

Although Constantinople seemed to regain tranquillity, the ministry continued to be apprehensive. Albanians and Lazes were pursued during May, June, July, and August.¹¹⁶ In connection with this policy, the name of Topal Osman became prominent because of his thorough search for smouldering embers which might still burst into flame. As proof of his vigilance, he sent from Albania early in July twelve heads, later in the month forty-five, and in August fifteen.¹¹⁷ The scarcity of food and high prices still existed. The vizier went about the city to investigate the economic situation. Although he improved conditions, his policy remained "to silence the complaints with the blood of many."¹¹⁸ After four months of extermination the end sought had not been attained. Rebellion persisted in the hearts of the people and fear in those of the ministers, as shown in connection with a fire which occurred during the night of July 21. It was customary for the sultan and the ministers to go to a fire, or to go early in the morning if it had occurred during the night. "High was the sun" when Mahmud appeared, and then he remained in a near-by kiosk. He neither mixed with the crowd nor sought to animate the workers, as a sultan usually did at a fire. The vizier and other officials came, gave orders, but threw no money as reward. When the Janissaries drank the wine found in some of the houses, the ministers foresaw that insolent words might be followed by a revolt and withdrew. It was believed that if the wine had not diverted the Janissaries, a revolt would have occurred. Ibrahim had a hundred of the most disagreeable ones arrested. There were murmurs against his remaining in office.¹¹⁹ According to rumors, he was paying a high price to the queen mother and the *kizlar aghasi* for their support.¹²⁰

¹¹⁴*Ibid.*, D. 50, 26 April, 1731, ff. 237r.-238v.

¹¹⁵*Ibid.*, D. 55, 4 May, 1731, f. 262r.

¹¹⁶*Ibid.*, D. 55, ff. 261v.-262r.; D. 56, 18 May, 1731, ff. 262v.-263r.; D. 62, 14 June, 1731, f. 298r.; D. 66, 3 July, 1731, II, f. 17r.-v.; D. 74, 15 August, 1731, f. 55v.

¹¹⁷*Ibid.*, D. 56, 18 May, 1731, I, f. 263r.-v.; D. 66, 3 July, 1731, II, f. 19r.-v.; P.S. of D. 70, 28 July, 1731, f. 36r.; D. 75, 18 August, 1731, f. 60r.

¹¹⁸*Ibid.*, D. 62, 14 June, 1731, I, f. 298r.

¹¹⁹*Ibid.*, D. 70, 28 July, 1731, II, ff. 30r.-31v., 34r.-v.

¹²⁰*Ibid.*, D. 73, 14 August, 1731, ff. 49v.-50r.

About the middle of September, 1731, the discovery of a plot for another revolt led to an investigation. Small groups with arms and banners were found about the city. They admitted that they were plotting against the vizier and the *agha* of the Janissaries. Some of the accused were strangled and their bodies exposed. Then the *kizlar aghasi*, *sultana valideh*, *defterdar*, and *mufti* forced the vizier to resign. Emo summarized his term: "Cruelty and avarice were his vices; strong will, mental capacity, and practical knowledge his virtues; and if virtue were governed by dissimulation, sagacity, and industry, he could take a place among the expert and reputable ministers."¹²¹

The heads of Albanians had won for Topal Osman the governorship of Rumelia; his zeal and fervor were rewarded by his being appointed vizier.¹²² He made a favorable impression by announcing his plan of separating the guilty from the innocent and by reopening the shops.¹²³ In contrast to the cruelty and avarice of his predecessor, he was clement and liberal.¹²⁴ He had not, however, been in power two months when he began to show intolerance and resentment toward the *kizlar aghasi*, *mufti*, and *defterdar*.¹²⁵

As described by Hanway, the Marquis de Villeneuve, Jean Nicodeme, and at first Emo, Topal Osman was brave, generous, and grateful.¹²⁶ Later Emo saw another Topal Osman as an administrator: a man who "punished every light transgression of the law with death, who covered his cruelty with the mantle of justice," who taxed every kind of food, who was feared more than any of his predecessors, and who was violent, jealous, "impetuous and irascible."¹²⁷ The following incidents revealed his choleric temper. When the intimacy of Ventura, a Turkish dragoman, with Neptyneff, the Russian resident, was discovered, Topal Osman had Ventura beheaded. He summoned all the dragomans and prohibited them in the harshest of tones from going anywhere except to their respective embassies and the palace. A violation of these orders was to be punished by death.¹²⁸ A month later the ambassadors had to obtain permission for their dragomans to present the usual compliments to the newly appointed

¹²¹*Ibid.*, D. 78, 14 September, 1731, ff. 79r-83r.

¹²²*Ibid.*, D. 72, 14 August, 1731, f. 44v.; D. 79, 27 September, 1731, f. 86r-v.

¹²³*Ibid.*, D. 82, 5 October, 1731, ff. 101v.-102v.

¹²⁴*Ibid.*, D. 85, 29 October, 1731, f. 117r.

¹²⁵*Ibid.*, D. 91, 16 November, 1731, f. 157v.

¹²⁶Hanway, *op. cit.*, pp. 100-108; Vandal, *op. cit.*, pp. 168-169, 178-179. From a letter written by Jean Nicodeme, the French physician attending Topal Osman on the campaign of 1733 in Persia, to the Marquis de Villeneuve. Topal requested that copies of this letter be made for his son and a friend; naturally it recorded only commendable characteristics: Hammer, *op. cit.*, pp. 600-608.

¹²⁷Emo, *op. cit.*, D. 95, 20 December, 1731, f. 180r.; D. 96, 20 December, 1731, ff. 182v.-185r.; D. 101, 18 January, 1732, f. 213v.; D. 102, 18 January, 1732, ff. 218v.-219r.; D. 103, 3 February, 1732, f. 228r.; *Filza* 184, D. 113, 31 March, 1732, f. 303r.

¹²⁸*Ibid.*, *Filza* 183, D. 95, 20 December, 1731, ff. 176v.-178v. See *post* p. 88, note 12, and p. 139.

capitan pasha.¹²⁹ The other incident had even less to commend it. While Kinnoull, the English ambassador, was spending a day and an evening on board an English vessel, guns were fired for amusement and their sound was interpreted in the palace as the beginning of another revolt. When the real state of affairs was known, the sultan reproved the vizier for permitting such freedom. Again Topal Osman summoned all the dragomans, and Kinnoull was brought unceremoniously to the palace. While he waited in an outer room, he heard the angry voice of the vizier declaring he was not to be admitted. His dragoman was told there was no longer an ambassador of England in Constantinople. Two English merchants were arrested in place of the captain of the ship, who could not be found.¹³⁰

There might have been more such outbursts if the *reis effendi* had not been just the opposite in disposition. He sought to moderate the intense ardor of Topal Osman, but his loyalty to his superior was not felt by all the officials. The vizier had an enemy in the *defterdar*, Ali Pasha, who eventually brought about Topal's dismissal because of his policy of being most friendly to France out of gratitude to the Frenchman who had ransomed him from slavery.¹³¹ His experience in the army and in the pursuit of rebels had no doubt aided in the development of his ruthless, commanding character. His militaristic nature desired a war, but he was not interested in the war then going on with Persia. He showed his inclination to a European conflict by listening to Bonneval, the French adventurer who had been trying to obtain a hearing at the Porte. Topal had him brought to Constantinople, frequently consulted him, and examined his maps of Belgrade and Temesvar. The vizier also went often to the arsenal. In order to attack Austria, peace was made with Persia, and as a consequence the *mufti* and Topal Osman were dismissed, the former because he advised peace, the latter because he approved it.¹³²

The first three viziers of Mahmud had short terms: Mehemet Pasha, almost four months; Ibrahim Pasha, about nine; and Topal Osman, about six. The term of the fourth vizier, Ali Pasha, was a much longer one. He remained in office for seven months beyond the termination of

¹²⁹*Ibid.*, D. 101, 18 January, 1732, f. 214r.

¹³⁰*Ibid.*, *Filza* 184, D. 112, 29 March, 1732, f. 292r. *et seq.*

¹³¹*Ibid.*, *Filza* 183, D. 102, 18 January, 1732, f. 224r.; D. 106, 17 February, 1732, f. 255v.; *Filza* 184, D. 111, 29 March, 1732, ff. 285v.-286v.; D. 112, 29 March, 1732, f. 297r. "You can write to the King that even if the Grand Signor had chosen a vizier from the center of France, he would not have a heart more French than mine," he said to the Marquis de Villeneuve. He showed his pro-French feeling by restoring French religious privileges in the Ottoman possessions: Vandal, *op. cit.*, pp. 170-173. Such favoritism was unpopular: Mignet, *op. cit.*, p. 347. See *post* pp. 139-140.

¹³²Emo, *op. cit.*, *Filza* 183, D. 104, 3 February, 1732, ff. 241v.-243v.; D. 105, 6 February, 1732, f. 248v.; D. 106, 17 February, 1732, f. 256r.-v.; *Filza* 184, D. 111, 29 March, 1732, ff. 289v., 290v.-291v.

Emo's stay in Constantinople, serving from May, 1732, to July, 1735. He received the appointment after serving as general of the army against Shah Tahmasp of Persia.¹³³

During the interval of six weeks while Ali made the journey from the Asiatic frontiers, *Defterdar* Ali Pasha acted as provisional vizier. Expressions of dissatisfaction were heard again. In March the vicegerent arrested a number of persons, and executions followed without delay.¹³⁴ There were complaints about Mahmud's being ruled by palace favorites, the queen mother and the *kizlar aghasi*. The silence of the Porte about the peace made with Persia also aroused rebellious feeling.¹³⁵

Although reports about the new vizier were unfavorable, he created a good impression when he arrived in May, 1732. Rebellion seemed less evident.¹³⁶ This impression was substantially strengthened among the foreign representatives by his promptness in granting their audiences. The Marquis de Villeneuve requested an audience and was received the following day. This was indeed a novelty. There had been usually an interval of two weeks or more between a request and an audience. The other ambassadors and ministers were received soon after, so that within three weeks Ali Pasha had had five audiences.¹³⁷

In contrast with the septuagenarian Topal Osman with his face which changed in expression from austere to serene, his untrimmed beard, his fervid temperament, and his direct and ready speech, Ali Pasha was slightly more than forty, with a serious, melancholic face, with a better kept beard, which was rumored to be dyed, and with little to say.¹³⁸ The treatment of public questions by the two men contrasted also. After the negotiations between Emo and Ali Pasha over some unpleasant problems, Emo commented that Topal Osman would not have been so discreet as Ali Pasha.¹³⁹

The new vizier scattered gold most liberally at two fires, at the arsenal, and in other places, but the first impression gradually declined. Before he had been in Constantinople two months there were murmurs against him. He studiously attempted to attach himself to those who were powerful, the *kizlar aghasi*, the *defterdar*, the *mufti*, and the *sultana valideh*. This lack of independence was not well received. Again small groups appeared about the city. Although meetings in coffee shops were prohibited and suspicious persons thrown into the sea,¹⁴⁰ rebellion was not so easily

¹³³*Ibid.*, D. 111, 29 March, 1732, ff. 288v.-289r.

¹³⁴*Ibid.*, D. 113, 31 March, 1732, f. 303v.

¹³⁵*Ibid.*, D. 116, 22 April, 1732, III, f. 111r.-v.

¹³⁶*Ibid.*, D. 116, f. 13v.; D. 119, 15 May, 1732, ff. 26v.-27r., 28v.

¹³⁷*Ibid.*, D. 121, 21 May, 1732, ff. 40v.-41r.; D. 122, 4 June, 1732, ff. 45v.-46r.

¹³⁸*Ibid.*, *Filza* 183, D. 84, 29 October, 1731, II, ff. 114v.-115r.; *Filza* 184, D. 121, 21 May, 1732, III, ff. 42v., 43v.

¹³⁹*Ibid.*, D. 128, 30 June, 1732, III, f. 89v.

¹⁴⁰*Ibid.*, D. 121, 21 May, 1732, f. 44r.; D. 129, 30 June, 1732, f. 96r.-v.; D. 130, 11 July, 1732, ff. 99v.-100r.

crushed. Fires in various parts of the city, combustible material in a number of places, and cards denouncing the dependence of the sultan upon his favorites found in the mosques and at the doors of the palace and the *mufti's* house showed the feeling beneath the surface. It was even believed that on a Wednesday in July Achmet III would be restored to the throne. The vigilance and caution of the ministry, however, prevented any outbreak. The people were surprised; then they began to give the vizier credit for keeping the city under control.¹⁴¹ His cautious, deliberate methods improved his reputation. Moderation seemed to be his governing principle.¹⁴² The result was that internal conditions became more settled than they had been for two years. The finding of rebellious groups, the rumors of a new vizier, and the scarcity of food were less common during the remainder of 1733. As conditions mended, Ali Pasha showed more authority and independence. He replaced the influential *defterdar*, the *mufti*, and other officials with his favorites.¹⁴³

Ali Pasha was also a competent diplomat. Though he was more friendly to France than to Austria and Russia as regards the question of succession to the Polish throne, he misled all by flattering the Marquis de Villeneuve and by not displeasing Talman and Neplyneff.¹⁴⁴ He adopted and maintained a course which was rather mysterious to all the ambassadors.¹⁴⁵ There was, however, evidence of an increasing antagonism toward Austria and Russia. He consulted Bonneval as had his predecessor. These conferences, which began early in 1734, were long and frequent during the succeeding months.¹⁴⁶

"And so the military and political wheel of this Empire is perpetually turning," Emo wrote in 1732, two months after Ali Pasha came to power.¹⁴⁷ It might be said that political events and conditions in the Ottoman Empire from September, 1730, to December, 1734, occurred rhythmically. A new vizier was greeted as one who would improve conditions. A short period of tranquillity ensued. Then came dismissal of minor officials, unfavorable rumors, outspoken opposition, the dismissal of the vizier, and finally the resumption of the cycle. Yet there were special characteristics which qualify such a generalization. The internal affairs were the foremost problem of the first two viziers, Mehemet and Ibrahim.

¹⁴¹*Ibid.*, D. 133, 20 July, 1732, ff. 116r.-117r.

¹⁴²*Ibid.*, D. 139, 28 August, 1732, f. 151r.-v.; D. 140, 20 September, 1732, ff. 156v.-157r.; *Filza* 185, D. 157, 11 February, 1733, ff. 261v.-262v.

¹⁴³*Ibid.*, D. 160, 20 March, 1733, f. 283v.; D. 191, 27 October, 1733, IV, f. 150r.; D. 233, 19 August, 1734, ff. 376r.-377r.

¹⁴⁴*Ibid.*, D. 194, 14 November, 1733, ff. 160v.-161r.; D. 199, 9 December, 1733, f. 187v.; Vandal, *op. cit.*, pp. 180-181.

¹⁴⁵Emo, *op. cit.*, D. 206, 19 January, 1734, f. 231v.; D. 224, 19 June, 1734, f. 339r.; D. 241, 17 November, 1734, f. 414r.

¹⁴⁶*Ibid.*, D. 209, 26 February, 1734, f. 244r.; D. 230, 24 July, 1734, f. 365r.-v.; D. 233, 19 August, 1734, f. 375v.; D. 234, 1 September, 1734, f. 380r.; Vandal, *op. cit.*, pp. 228-229. See *post* p. 151.

¹⁴⁷Emo, *op. cit.*, *Filza* 184, D. 134, 30 July, 1732, III, f. 122v.

These men were less capable and made a less positive impression than Topal Osman and Ali Pasha. Domestic affairs were more settled during the terms of the last two, and especially during Ali's leadership. Because of this improvement, both of these ministers could show more interest in foreign relations than Mehemet and Ibrahim. Even so, they were all rather unimportant during this period, when the real influence lay in the hands of a group within the palace, the *sultana valideh*, the *kizlar aghasi*, and the *defterdar*, who forced Ibrahim and Topal Osman to resign.¹⁴⁸ Ali Pasha showed some power in dismissing the *defterdar* and others, but the *kizlar aghasi* forced Ali Pasha to resign in 1735 "in spite of so mild, wise, and salutary a rule."¹⁴⁹

SOCIAL CONDITIONS

THE *baili* of course paid much more attention to the political status than to social conditions, yet they did not ignore the latter. Of the evils in the proverb, "*In Pera sono tre malanni: Peste, fuoco, dragomanni*," the *baili* generally mentioned fires only as they reflected the policy of the vizier.¹⁵⁰ The one exception was the fire described by Dolfin in July, 1729. "Greater than any other seen within the memory of men or described in the registers," it was believed that a half century would not be sufficient to repair the damage. In addition to about 40,000 houses, 130 mosques were destroyed, none of which was a famous one. Many of the poor lay beneath the ruins. Some said 10,000 had perished, others 200. Dolfin thought neither figure correct, but one about half-way between them. The sultan ordered the poor to be housed in the Palace of Mirrors.¹⁵¹ It is only by reading between the lines that one obtains the picture of the dragomans in action: being busybodies, seeking the copy of a treaty or a letter, gathering information, giving or receiving hints. Such activities the *baili* naturally considered necessary.

In contrast the reporting of epidemics was direct. One in 1720 killed in a few days more than thirty galley slaves.¹⁵² Another started in July, 1721, in Pera among the Christians, spread into every street and continued for four months.¹⁵³ Even after it seemed to be decreasing, it broke forth from time to time.¹⁵⁴ The third epidemic was even more violent.

¹⁴⁸*Ibid.*, *Filza* 183, D. 58, 30 May, 1731, I, f. 275v.; *Filza* 184, D. 151, 24 December, 1732, III, ff. 224v.-225r.; *Filza* 185, D. 184, 21 August, 1733, IV, f. 106v.; D. 188, 19 September, 1733, f. 134r.; D. 210, 27 February, 1734, f. 253r.-v.; D. 216, 13 April, 1734, f. 300r.

¹⁴⁹Hammer, *op. cit.*, p. 437.

¹⁵⁰See *ante* pp. 33, 36. A common saying was that Constantinople was burnt over three times in a century.

¹⁵¹Dolfin, *op. cit.*, D. 77, 13 August, 1729.

¹⁵²Giovanni Emo, *op. cit.*, *Filza* 174, D. 7, 1 September, 1720, I, f. 26r.-v. Since this statement was made as an excuse for not furnishing a second galley, it need not be taken too seriously. See *post* p. 41.

¹⁵³*Ibid.*, D. 42, 1 August, 1721, II, f. 53v.; D. 45, 18 August, 1721, f. 82v.; D. 50, 28 September, 1721, f. 140r.; D. 52, 28 October, 1721, f. 168r.-v.

¹⁵⁴*Ibid.*, *Filza* 175, D. 55, 14 November, 1721, f. 189r.; D. 57, 27 November, 1721, f. 199r.

It appeared more at first in Galata and Pera than among the Turks. The Polish envoy lost two young relatives, who were nobles, and fourteen domestics. He had his audience of congé with the vizier, but caution postponed one with the sultan. Was it not Venetian pride for Emo to write about the Russian resident's having fled to the vicinity of Belgrade, while he stayed in order not to lose any opportunity to complete some negotiations?¹⁵⁵ The contagion spread even to Belgrade into the house of the English ambassador, and a new case in the Polish embassy made the envoy depart without the usual visits of foreign representatives.¹⁵⁶ After the deaths of a Venetian courier and an interpreter, Emo sent his secretary with the state papers and another of his suite with the most important part of the *racionateria* to the monastery of the Fathers of the Holy Land, and other Venetians were lodged in various places.¹⁵⁷ By December they were together again in the embassy, although the sickness still existed among the Turks.¹⁵⁸ Each year such contagions decimated the people in Constantinople.¹⁵⁹

Another outbreak occurred in July, 1726, and began moderating in October.¹⁶⁰ By April 17, 1727, it had entirely disappeared.¹⁶¹ In 1728 there were several waves of one epidemic or frequent epidemics.¹⁶² Another started in June, 1729.¹⁶³ During that of the summer of 1730 four Venetians died, and in August the number of cases was increasing.¹⁶⁴ This outbreak had finally moderated by February, 1731.¹⁶⁵ Another started in July, 1732, and took the same length of time to run its course, ending in February, 1733, but its toll was the greatest of the four during Angelo Emo's term. The vizier lost about three hundred of his court, among whom were a son, brother, and nephew.¹⁶⁶ The ambassadors of England and Holland lost some members of their official families.¹⁶⁷ A shorter epidemic occurred later in 1733.¹⁶⁸ After a longer interval than usual between outbreaks, the fourth started in August, 1734, and was practically over by October.¹⁶⁹

¹⁵⁵*Ibid.*, D. 102, 2 September, 1722, III, ff. 104r.-105v.

¹⁵⁶*Ibid.*, D. 104, 15 September, 1722, f. 120v.; D. 106, 25 September, 1722, f. 125r.

¹⁵⁷*Ibid.*, P.S. of D. 107, 12 October, 1722, f. 137r.; D. 109, 23 October, 1722, ff. 145r.-146r.

¹⁵⁸*Ibid.*, D. 113, 2 (?) December, 1722, ff. 176v.-177r.

¹⁵⁹*Ibid.*, *Filza* 176, D. 140, 30 May, 1723, IV, f. 27r.

¹⁶⁰Gritti, *op. cit.*, *Filza* 180, D. 182, 18 July, 1726; D. 185, 1 August, 1726; D. 187, 22 August, 1726; D. 193, 15 September, 1726; Dolfin, *op. cit.*, D. 9, 16 October, 1726.

¹⁶¹Dolfin, *op. cit.*, D. 20, 17 April, 1727.

¹⁶²*Ibid.*, D. 41, 12 February, 1728; D. 48, 2 June, 1728; D. 56, 1 September, 1728; D. 59, 20 October, 1728; D. 61, 12 November, 1728; D. 62, 7 December, 1728; D. 63, 16 December, 1728.

¹⁶³*Ibid.*, second P.S. of D. 74, 1 June, 1729.

¹⁶⁴Bartolini, *op. cit.*, D. 19, 8 June, 1730; D. 20, 15 July, 1730; D. 23, 31 August, 1730.

¹⁶⁵Angelo Emo, *op. cit.*, *Filza* 183, D. 35, 21 February, 1731, f. 155v.

¹⁶⁶*Ibid.*, *Filza* 184, D. 130, 11 July, 1732, III, f. 103r.; D. 156, 11 February, 1733, f. 256v.; D. 144, 19 October, 1732, f. 180r.-v.

¹⁶⁷*Ibid.*, D. 150, 26 November, 1732, f. 213v.

¹⁶⁸*Ibid.*, *Filza* 185, D. 184, 21 August, 1733, IV, f. 111r.; D. 187, 13 September, 1733, ff. 128v.-129r.

¹⁶⁹*Ibid.*, D. 231, 13 August, 1734, f. 371r.; D. 239, 9 October, 1734, f. 408v.

This account of political and social affairs, as given by the *baili*, was not a pleasant one. There were, nevertheless, at least two redeeming features. Lofty birth and formal education continued to count for little in the Ottoman Empire in a century when they meant so much in the European states. Three men who could neither read nor write started the revolt in 1730.¹⁷⁰ A man who had been bought for thirty piasters,¹⁷¹ the *kizlar aghasi*, and a woman who was virtually a slave, the *sultana valideh*, wielded more power than Mahmud and his viziers. Ali Pasha was the son of an Italian doctor, yet he rose to the first office in the empire.¹⁷² The other commendable feature was the appreciation of ability regardless of age. Ibrahim was more than sixty years of age and Topal Osman nearly seventy when they became grand viziers.¹⁷³ At seventy-four Janum Khoja was in active service as capitan pasha.¹⁷⁴

¹⁷⁰Grassi, *op. cit.*, p. 281.

¹⁷¹Vandal, *op. cit.*, p. 178.

¹⁷²Emo, *op. cit.*, *Filza* 183, D. 121, 21 May, 1732, III, f. 43r.; Hammer, *op. cit.*, p. 404.

¹⁷³Emo, *op. cit.*, *Filza* 183, D. 34, 25 January, 1731, I, f. 146r.; D. 83, 29 October, 1731, II, f. 114v.; Zinkeisen, *op. cit.*, p. 645.

¹⁷⁴Vandal, *op. cit.*, p. 160.

CHAPTER III

THE RELATIONS OF THE OTTOMAN EMPIRE WITH THE REPUBLIC OF VENICE

Negotiations are not managed without gifts.—GIOVANNI EMO, Despatch 19.

THE FORMAL ENTRANCE AND THE AUDIENCES OF A *BAILLO*

WHEN a *baillo* arrived at Tenedos, his relations with the Porte began, likewise his experiences with Turkish procrastination and dramatizing. There were two disputed questions. Should not the new representative have only one galley to transport him, his suite, and his possessions to Constantinople? Were not fifteen volleys too many with which to honor him? After Giovanni Emo's arrival at Tenedos on July 28, 1720, the *agha* condemned the salute as a custom badly introduced by others who either were ignorant or cared little for their duty. Finally Emo received the desired number.¹ The *agha* was dismissed for having denied the usual demonstrations of honor, but Ruzzini, Emo's predecessor, obtained only one galley. The other official vessel was ordered to deport the ex-vizier, Kalil Pasha, because of his defeat at Belgrade. Emo saw the ship on its return from Rhodes and Mytilene as it continued toward Constantinople; yet the lieutenant of the capitan pasha explained the lack of a second galley by the loss of more than thirty slaves during the epidemic.² Emo in consequence arrived in Constantinople on or before September 1, but did not receive all his possessions until October 14.³

More successful than Ruzzini in arranging for the arrival of his successor, Emo obtained two galleys for Francesco Gritti.⁴ The salute was questioned again, inasmuch as the fortress of Zante had not greeted Turkish ships the preceding year.⁵ Gritti's welcome, however, consisted of fifteen cannon shots.⁶ Although the vizier had signed the order, the capitan pasha claimed that he was unable to furnish two galleys for the next *baillo*, Daniele Dolfin, on account of disease. Gritti sent the capitan pasha a watch, and two galleys were provided!⁷

No more honor was shown to Angelo Emo than to his brother. When the former reached Tenedos, September 4, 1730, the two galleys had not

¹Giovanni Emo, *Dispacci*, A.S.V., *Filza* 174, D. 6, 5 August, 1720, H. MS., I, ff. 17r., 20v.-22v.

²*Ibid.*, D. 7, 1 September, 1720, ff. 26r.-v., 33r.

³*Ibid.*, D. 9, 14 October, 1720, f. 36v.

⁴*Ibid.*, *Filza* 176, D. 157, 12 October, 1723, IV, f. 123r.

⁵Francesco Gritti, *Dispacci*, A.S.V., *Filza* 177, D. 5, 2 September, 1723. See *ante* p. 23, note 31.

⁶*Ibid.*, D. 6, 8 October, 1723.

⁷*Ibid.*, *Filza* 180, P.S. of D. 195, 27 September, 1726, and enclosures Nos. 1, 2, Gritti's letters to the capitan pasha.

been sent, because of the preparations for war.⁸ Finally only one galley arrived, the excuse being given that many were carrying provisions and military supplies to Trebizond. This delay was one of the reasons for his not entering Constantinople until September 27, the other being the strong winds.⁹ He did not receive all his baggage until the first week of November.¹⁰ Regarding the salute at Tenedos, which he received, he recognized it as not being of major importance in itself but as maintaining a practice, a lapse of which would be bad.¹¹

After arriving in the capital, the *bailo* followed a routine which consisted of his public entrance into the city, an audience with the grand vizier and another with the sultan. These occurred during the mission of every *bailo* or ambassador. "I tell you nothing of the order of Mr. W——'s [Wortley's] entry, and his audience. Those things are always the same, and have been so often described, I won't trouble you with the repetition," Lady Mary Wortley Montagu wrote in 1717.¹² The Venetians differed from Lady Mary, who wrote informally. They described in detail their formal entrances and audiences, although they knew that similar accounts had been sent by their predecessors. Giovanni Emo described six and Angelo Emo thirteen audiences. Such repetitions were important. They showed that the Porte was not slighting Venice by changing the customary procedure.

For the formal entrance, the *bailo*, in his official robe and cap, was met at Top Khaneh by a caïque sent from the arsenal, and with his suite in other caïques was transported to Meid Iskelessi. There the *chaush-bashi* met him. After the pouring of perfumed water over their hands and the serving of conserves, coffee, and sherbet, the procession passed through the streets. In Giovanni Emo's entrance, forty-seven caïques were used, and thirty-eight horses were sent from the vizier's stable, among them one more richly harnessed for the *bailo*. In his words:

The Chaushes on foot came first; then two hundred Janissaries and fifty mounted Chaushes were followed by thirty-six Couriers in Livery, and 46 pages, also honorably dressed, after them 16 domestics; Six of my Horses were led by six mounted Grooms in Oriental Livery. Following these were four pages; then six Giovanni di lingua, and seven Dragomans, between whom and the Voivode of Galata interposed six Chaushes of more than average stature, but almost less than their great Turbans; Then came the Surbashi, accompanied by other Officials, after whom the Chaush-bashi; Next six Footmen in Livery, whom I preceded. . .

⁸Orazio Bartolini, *Dispacci*, A.S.V., *Filza* 182, D. 24, 10 September, 1730; Angelo Emo, *Dispacci*, A.S.V., *Filza* 183, D. 12, 4 September, 1730, H. MS., I, f. 22r.; D. 13, 5 September, 1730, ff. 22v., 24r. See *post* p. 134.

⁹Bartolini, *op. cit.*, D. 23, 31 August, 1730; Angelo Emo, *op. cit.*, D. 16, 29 September, 1730, ff. 33r.-34r.

¹⁰Angelo Emo, *op. cit.*, D. 22, 1 November, 1730, f. 61r.; D. 23, 4 November, 1730, ff. 68v.-69r.

¹¹*Ibid.*, D. 14, 15 September, 1730, f. 28r.-v.

¹²Lady Mary Wortley Montagu, *Letters, 1709 to 1762*, New York, 1906, p. 139.

The national groups, Venetians, Greeks, and others, came last. In this procession the *chaush-bashi* did not make his usual attempt to ride on the *bailo's* right. When he did so in the march before the audience with the vizier, Emo protested and the Turk returned to his place.¹³ On the day of the audience with the sultan, the *chaush-bashi* did not repeat the attempt.¹⁴

The same discussion regarding parity of the Venetian and the *chaush-bashi* occurred during the missions of Dolfin¹⁵ and Angelo Emo. In the latter's formal entrance, while the refreshments were being served, the *chaush-bashi* announced that Battaglia would follow Emo. Emo had foreseen this possibility and had made arrangements with his countryman. When the *chaush-bashi* rode at Emo's right, Battaglia promptly took his place at Emo's left. The Turk made a sign for Battaglia to drop back; Emo indicated that he wished his companion to ride at his left. As soon as the width of the street permitted, the *chaush-bashi* had the first officer of the *Spahis* place himself at Emo's left. The procession continued in this manner, without any quarreling.¹⁶ Angelo Emo made another formal entrance after his appointment as ambassador extraordinary to congratulate Mahmud upon his accession to the throne and rode between the *chaush-bashi* and a *Spahi*.¹⁷

In spite of the similarity in the entrances and the ceremonial audiences, descriptions of them do not make dry reading. The keen observations prevent the accounts from being tiresome. Angelo Emo was kept waiting at his first audience while Mehmet Vizier prayed, and he commented "not brief was the prayer."¹⁸ He criticized the dinner served as one whose "quantity of food satisfied the eye more than the palate."¹⁹

The appointment of a vizier also meant an audience. As Damad Ibrahim held that office during the embassies of Giovanni Emo, Gritti, and Dolfin, there were fewer audiences from 1720 to 1730 than in Angelo

¹³Giovanni Emo, *op. cit.*, *Filza* 174, D. 10, 26 November, 1720, I, ff. 41r-42v. Similar descriptions by Gritti, *op. cit.*, *Filza* 177, D. 7, 29 November, 1723, and enclosure No. 1 with D. 9; by Daniele Dolfin, *Dispacci*, A.S.V., *Filza* 181, D. 10, 5 December, 1726; and by Angelo Emo, *op. cit.*, D. 27, 17 December, 1730, I, f. 98r. *et seq.*

¹⁴When the first civilities are passed over, an insinuation is made to the ambassador, that he must expect the *Chiaux Pashi* [*Chaush-bashi*] will ride at his right hand. This part of the ceremonial, long contested, but never given up by the Turks, except only when they have been beaten into it, leaves the ambassador the sole resource of protesting; all other opposition is in vain; he, however, insists, that a gentleman of his retinue shall ride at his left. With whatever seeming reluctance they admit this claim, if urged with proper resolution it succeeds. It has indeed been often productive of serious contestation and disorder in the march; and sometimes almost of a suspension of the audience": [Sir James Porter] *Observations on the Religion, Law, Government, and Manners, of the Turks*, London, 1768, II, p. 35. The Marquis de Villeneuve had this same experience: Albert Vandal, *Une Ambassade Française en Orient sous Louis XI*, Paris, 1887, p. 80.

¹⁵Giovanni Emo, *op. cit.*, D. 10, 26 November, 1720, ff. 48v-49r.

¹⁶Dolfin, *op. cit.*, D. 10, 5 December, 1726.

¹⁷Angelo Emo, *op. cit.*, D. 27, 17 December, 1730, ff. 98r-100v.

¹⁸*Ibid.*, *Filza* 184, D. 152, 24 December, 1732, III, ff. 227r-229r.

¹⁹*Ibid.*, *Filza* 183, D. 29, 1 January, 1731, I, f. 110v.

²⁰*Ibid.*, *Filza* 185, D. 178, 11 July, 1733, IV, f. 65v.

Emo's term when frequent changes of viziers increased the number. Such audiences were only routine and likewise the compliments. In a despatch Giovanni Emo described Achmet III as "the most avid [sultan] there ever was," then when face to face with him spoke of his being "benevolent and great."²⁰ In the same despatch Angelo Emo gave the characteristics of Mehemet, the vizier, as slowness, inexperience, and difficult temperament, but recorded himself as having said to the vizier: "The report of his rare virtues anticipated in the hearts of subjects and in foreign nations the consolation of his just and glorious government."²¹ Rebellion and dissatisfaction existed among the Turks, and the eastern provinces were threatened, yet Emo spoke of "this most happy Empire" in two audiences.²² He addressed Sultan Mahmud as one whom "God had wished to crown with all the virtues of a great, powerful, just monarch."²³ To Venice, Emo described this sultan as "mobile to every wind;" in Mahmud's presence he professed "a profound veneration for the heroic virtues of so great a Prince who makes the happiness of his vast empire the admiration of the nations."²⁴ Other general, almost empty, remarks were made about the desire of the Republic that the sacred capitulations and peace be maintained; the vizier and the sultan promised that they would be.²⁵

Perfunctory procedure was customary. The sultan replied to the letter of congratulation from the Republic by giving Angelo Emo a letter in July, 1733. This official copy he kept until his return to Venice.²⁶ A copy had been given him in May, and he had sent that to Venice with a despatch.²⁷ A practice centuries old was the wrapping of communications in silver cloth, such as the letter announcing Mahmud's accession, the text for the renewed Treaty of Passarowitz, the reply of Mahmud to the congratulations of Venice, and the signed copy of the renewed treaty.²⁸

Memorials were presented and negotiations carried on with the vizier in other audiences, which were held according to the special problems arising. This type of an audience was more important than the routine

²⁰Giovanni Emo, *op. cit.*, D. 49, 28 September, 1721, II, f. 134v.; *Filza* 175, D. 58, 10 December, 1721, f. 203r.

²¹Angelo Emo, *op. cit.*, *Filza* 183, D. 29, 1 January, 1731, I, ff. 109r., 111r.

²²*Ibid.*, D. 29, f. 111r.; D. 30, 9 January, 1731, f. 122v.

²³*Ibid.*, D. 30, f. 122v.

²⁴*Ibid.*, D. 95, 20 December, 1731, II, f. 176r.; *Filza* 185, D. 178, 11 July, 1733, IV, f. 66v.

²⁵Giovanni Emo, *op. cit.*, D. 10, 26 November, 1720, I, f. 48r.; Gritti, *op. cit.*, D. 7, 29 November, 1723; D. 9, 7 December, 1723; Dolfin, *op. cit.*, D. 11, 5 December, 1726; Angelo Emo, *op. cit.*, D. 29, 1 January, 1731, I, f. 111r.-v.; D. 30, 9 January, 1731, ff. 122r.-123r.; D. 84, 29 October, 1731, II, ff. 111v.-112r.; *Filza* 184, D. 121, 21 May, 1732, III, ff. 41v.-42r.; D. 154, 24 January, 1733, f. 246r.; *Filza* 185, D. 178, 11 July, 1733, IV, ff. 66r.-67r.

²⁶Angelo Emo, *op. cit.*, D. 178, IV, f. 68v.

²⁷*Ibid.*, D. 170, 29 May, 1733, cited in D. 178.

²⁸*Ibid.*, *Filza* 183, D. 39, 7 March, 1731, I, f. 178v.; *Filza* 185, D. 169, 28 May, 1733, IV, f. 3v.; D. 178, 11 July, 1733, f. 67r.; D. 193, 12 November, 1733, f. 158r. See Charles Thornton Forster and F. H. Blackburne Daniell, *The Life and Letters of Ogier Ghiselin de Busbecq*, London, 1881, I, p. 159.

assemblies, but even then the amount of time spent on the actual negotiations was negligible. Two hours were generally used in hearing petitions of Turkish subjects, in paying the Janissaries, in eating dinner, and in informal conversation. Most of the negotiations and the solution of problems took place in many conferences with the *reis effendi*, the capitan pasha, the chief dragoman of the Porte, and the dragomans of the embassy.

THE PRESENTATION OF GIFTS

ANOTHER duty of a *bailo* was the presenting of gifts. So definitely were gifts a part of an embassy that after the decree of June 10, 1719, for Giovanni Emo's departure in the following March, he ordered the cloth of gold, the silks, and the wools which would be needed.²⁹ As soon as he reached Tenedos, he began this particular duty by giving sweets, rosolio, and six bottles of *triaca*.³⁰ For being conducted to Constantinople, he had to satisfy the bey of the galley with money, robes, and other things. Although delay had awakened the appetite of the Turk, Emo did not exceed the measure of his predecessors. Soon after requests came from the *reis effendi* for seven *braccia* of *saglia rubin* and two robes of brocaded *lastra*, from the *kiaya* for twelve *picchi* of *saglia*, and from the vizier for ten *picchi* of crimson velvet. It was not merely an initiation for Emo, for the other foreign ministers had received similar requests.³¹ This was the first of dozens of others, and almost never was one refused.

According to custom, a *bailo* sent gifts to Turkish officials for Bairam each year; after formal entrances, audiences, and conferences; and to newly appointed officials.³² For this purpose the embassy had a list which gave the number and kind of articles expected and also a supply of

²⁹Giovanni Emo, letter of 10 January, 1720, I, f. 6r. [found in Hiersemann MS. only]. He did not depart until May: *Dispacci*, *Filza* 173, D. 1, 6 May, 1720, f. 10r.

³⁰*Ibid.*, D. 6, 5 August, 1720, f. 23v.

³¹*Ibid.*, D. 9, 14 October, 1720, f. 37r-v.

³²As annual gifts, at Bairam, 1726-1730, the vizier received a total of 150 robes and 14 canaries; the *kiaya*, 14 canaries; the *reis effendi*, 4 canaries; the capitan pasha, 4 canaries and a telescope; the *kharaji-bashi*, 5 robes, 1 canary, 2 *ferali*, glass, and miscellaneous articles; the chief dragoman, 2 canaries; an assistant dragoman, 1 canary: Gritti, *op. cit.*, *Filza* 180, D. 170, 1 May, 1726; Dolfin, *op. cit.*, D. 29, 4 August, 1727; D. 45, 12 April, 1728; D. 50, 2 June, 1728; D. 70, 20 April, 1729; D. 74, 1 June, 1729; Bartolini, *op. cit.*, D. 18, 14 May, 1730; D. 20, 15 July, 1730.

After official conferences a vizier received 12 robes; another vizier 43 robes; the capitan pashas and their assistants, in 3 years, a total of 77 robes: Angelo Emo, *op. cit.*, D. 35, 21 February, 1731, I, f. 154v.; D. 105, 6 February, 1732, II, f. 249r.; *Filza* 184, D. 124, 4 June, 1732, III, f. 61r.; D. 155, 9 February, 1733, L.S., III, f. 254r., S.S., IV, f. 23r.; *Filza* 185, D. 176, 9 July, 1733, L.S., IV, ff. 55v.-56r.; D. 222, 28 May, 1734, f. 331r.

Newly appointed officials, a secretary, a customs official, a *kiaya*, a *mufti*, a voivode of Galata, an *agha* of the Janissaries, dragomans, *defterdars*, and *bostanji-bashis*, received a total of 35 robes plus "several," 2 boxes of perfume, 2 mirrors, 1 canary, and miscellaneous articles 4 times: Dolfin, *op. cit.*, D. 14, 18 January, 1727; D. 53, 19 July, 1728; D. 56, 1 September, 1728; Bartolini, *op. cit.*, D. 19, 8 June, 1730; Angelo Emo, *op. cit.*, *Filza* 183, D. 41, 10 March, 1731, I, ff. 191v., 192v.; D. 101, 18 January, 1732, II, f. 214r-v.; *Filza* 184, D. 120, 30 June, 1732, III, f. 94v.; D. 135, 18 August, 1732, ff. 129v.-130r.; D. 142, 21 September, 1732, f. 168r.; *Filza* 185, D. 191, 27 October, 1733, IV, f. 151r.; D. 214, 23 March, 1734, f. 288v.; D. 229, 15 July, 1734, f. 358r.; D. 233, 19 August, 1734, ff. 378v.-379r.

articles called the *ragionateria*. What a magnificent collection the *ragionateria* must have been is indicated in the following pages.

In addition, gifts tempted lips to open, rewarded an informer, coaxed a recalcitrant Turk to reconsider, purchased an official's approval, or in the effective words of the Venetians gifts were used "to caress" or "to cultivate." In the land of baksheesh presents were expected, and neither shyness nor modesty characterized the Turks. They hinted for or openly requested articles. In such bestowals the ability of a *bailo* as a diplomat was apparent: when to give or when to withhold. Forced by a long established precedent to give again and again and to report all presentations, a *bailo* might have methodically recorded them, but Venetian shrewdness and individualism revealed themselves in the despatches. The friendly attitude of the *chaush-bashi*, Giovanni Emo observed, was "not without price."³³ "Fixed prices" did not exist in the Mediterranean world, and a *bailo* knew how to bargain. When Janum Khoja requested thirty purses for his support in the settlement of a Turkish-Venetian problem, Angelo Emo refused to give that number. Janum Khoja then suggested twenty, Emo offered six, and six were accepted.³⁴

Damad Ibrahim was the most favored minister during Giovanni Emo's mission. Although eight of eleven presentations to him were made by Emo after requests, he appeared more affable and gracious than greedy. When he lacked *lastra* to accompany other gifts to the palace, he asked for twenty-four *braccia*.³⁵ After an audience the vizier acquired 30 robes, 212 *braccia* of velvet, 4 mirrors, and other articles. Another time he solicited some remnants of gold damask, similar to that which he had.³⁶ Six days later at his request Emo was ordering more of it from Venice, so that Ibrahim might use it for his own Bairam presents. He definitely hinted he expected to pay for it. He had used this device of "buying" articles from the Imperial, French, and English ministers.³⁷ Twice he sent messengers to inquire about the order.³⁸ While awaiting it, he asked for eighteen *picchi* of *lastra* and twenty-four of gold damask.³⁹ Finally the cloth arrived, March 3, 1723, and Emo acknowledged it the following day.⁴⁰

Nineteen days later he wrote:

Now I shall explain precisely what happened.

His Excellency Signor Cavalier Procurator Ruzzini's letter to the first Vizier came a short while before. . . .

³³Giovanni Emo, *op. cit.*, *Filza* 176, D. 144, 7 July, 1723, IV, f. 52v.

³⁴Angelo Emo, *op. cit.*, D. 218, 4 May, 1734, IV, f. 309r. *et seq.*

³⁵Giovanni Emo, *ibid.*, *Filza* 174, D. 34, 26 May, 1721, I, f. 201v.

³⁶*Ibid.*, *Filza* 175, enclosure No. 3 with D. 75; D. 84, 17 May, 1722, III, f. 8r.

³⁷*Ibid.*, D. 86, 23 May, 1722, ff. 19r.-22v., and enclosure No. 3, translation of vizier's letter to Ruzzini regarding the cloth.

³⁸*Ibid.*, D. 102, 2 September, 1722, f. 102r.; D. 118, 22 January, 1723, f. 208v.

³⁹*Ibid.*, D. 118, 22 January, 1723, ff. 208v.-209r.

⁴⁰*Ibid.*, *Filza* 176, D. 120, 4 March, 1723, f. 276v.

Thereafter I received the news from some Albanian merchants about the injuries suffered by the Janissary [bringing the cloth] and Letter Carriers.

He was seriously wounded and disfigured with the loss of almost an entire eye.

The Couriers escaped unharmed, because they governed themselves better.

I sent the enclosed note to the Vizier and . . . the material to the Kiaya. . . .

The Kiaya expressed pleasure . . . and inquired, "But where was the notation of the price?"

Brutti replied that he had no instructions except to consign the letter and the package.

One of the chief Aghas came, at the Vizier's order to the embassy. . . .

He described the Vizier's pleasure about the excellence of the material and its opportune arrival. Regarding the occurrence en route, the Agha said the Vizier wished to punish the aggressors and desired information.

I answered that nothing could explain the affair better than the Janissary who bore its results on his face, and I sent him with the Agha.

Because the Janissary was not ready, I had the Agha and his followers stay to dinner, and wishing to have him depart happy, as he is important, I gave him a dress of terzanella and two canaries, which he requested.

I despatched Brutti to the Porte with instructions to make a chance remark about the price and when urged by the Kiaya and the Vizier to say "I had no other note to give except the pleasure that the Vizier had a sample of the perfection of Venetian work, and evidence of the affection and the esteem for him."

The Vizier used abundant expressions of satisfaction and esteem for Your Serenity. . . .

He praised the cloth and the diligence of the Most Excellent Signor Cavalier and Procurator Ruzzini.

He bestowed on Emo a cup of Bohemian glass wrapped in a handkerchief.⁴¹

During the convalescence of the sultan's sons, Damad Ibrahim solicited some articles from the embassies. The French and English ambassadors responded generously with children's coffee and chocolate sets and opera glasses. Emo gave two mirrors, which were most acceptable even if mediocre in their reflection.⁴² Later, for himself, Ibrahim requested twenty-seven *picchi* of violet velvet; then he desired seventeen *picchi* more, which he obtained besides seven *picchi* of wool.⁴³ When he paid Emo a private visit, he received a gun.⁴⁴ He obtained fewer presents during the terms of Gritti and Dolfin than of Emo, probably because the unconciliatory attitude of the *reis effendi* meant more attention was paid to him. The vizier's requests, all of which were granted, included in his last years: twenty-three *picchi* of gold brocaded velvet; six canaries and six velvet cushions for the celebration of the birth of a prince; one silver brocaded robe of *saglia* and one of gold brocaded velvet; three hundred *braccia* of velvet with gold background and crimson flowers; twenty-four *braccia* of velvet of various colors for saddles.⁴⁵

⁴¹*Ibid.*, D. 132, 23 March, 1723, ff. 292v.-294v.

⁴²*Ibid.*, D. 141, 31 May, 1723, IV, f. 36r.-v.

⁴³*Ibid.*, D. 156, 27 September, 1723, ff. 115v.-116r.

⁴⁴*Ibid.*, D. 160, 25 October, 1723, f. 130r.

⁴⁵Gritti, *op. cit.*, *Filza* 177, D. 27. [25] April, 1724; *Filza* 179, D. 99, 26 April, 1725; Dolfin, *op. cit.*, D. 14, 18 January, 1727; D. 40, 12 February, 1728; P.S. of D. 67, 3 March, 1729. For other gifts, see *ante* p. 45 and *post* pp. 50, 60.

The vizier's domestics, followers, and assistants also acquired articles and money. Might they not speak a good word, open a door, or present a memorial more readily? They received, in the years 1720-1729, eighteen robes and "some" others, three remnants of cloth, twelve *picchi* of wool, four canaries, six chandeliers, one mirror, one box of perfumes, *triacca*, bulbs, and tips twice.⁴⁶

Of all the officials between 1720 and 1730 the *reis effendi* proved most unfriendly and bold about asking for gifts. His attitude and the fact that a *bailo* would see him more often than Damad Ibrahim meant he was more severely criticized than the vizier. Giovanni Emo used such uncomplimentary adjectives to describe him as "prodigiously tardy," ambitious, avaricious, malicious, and slothful.⁴⁷ His immoderate use of opium distracted his attention.⁴⁸ In comparison with the *kiaya* and the vizier, he was "the most repugnant" minister.⁴⁹ Again and again he delayed negotiations.⁵⁰

Though he fared less well from Giovanni Emo's presentations than Damad Ibrahim, he received a number of articles which have been mentioned.⁵¹ In addition he asked for and acquired twenty-five *picchi* of *saglia rubin*.⁵² His hint for gifts on the occasion of his son's circumcision was a test case. The foreign representatives discussed the question and decided not to act in concert in order not to establish a very bad precedent for requests from the vizier, the *kiaya*, perhaps even the capitan pasha and others, in a prolific race. Emo sought to avoid any ill will by sending a few days before the event twenty *picchi* of *lastra* of one kind and nine of another, which the *reis effendi* had requested.⁵³ Bonnac, the French ambassador, believed that some friendly offering might be made after the event without establishing a precedent. Emo accordingly followed the example of the others and sent six robes, two canaries, and a box of perfumes.⁵⁴

The attitude of the *reis effendi* made him a problem for Gritti. Seeking to cultivate him, the *bailo* became attentive to his second secretary, to whom were deputed Venetian affairs. To the hint about profit the secre-

⁴⁶Giovanni Emo, *op. cit.*, *Filza* 174, D. 10, 26 November, 1720, I, f. 49v.; *Filza* 175, D. 106, 25 September, 1722, III, f. 132v.; D. 107, 12 October, 1722, f. 137r.; D. 122, 6 February, 1723, f. 237r.; *Filza* 176, D. 160, 25 October, 1723, IV, f. 139r.; Gritti, *op. cit.*, *Filza* 177, D. 26, 19 April, 1724; *Filza* 179, D. 140, 22 December, 1725; *Filza* 180, D. 170, 1 May, 1726; D. 174, 26 May, 1726; Dolfin, *op. cit.*, D. 14, 18 January, 1727; D. 70, 20 April, 1729. For other gifts, see *post* pp. 50, 60.

⁴⁷Giovanni Emo, *op. cit.*, *Filza* 175, second D. 91, 23 June, 1722, III, f. 42r.; D. 111, 18 November, 1722, f. 153r. *et seq.*

⁴⁸*Ibid.*, D. 75, 1 April, 1722, II, f. 296r-v.

⁴⁹*Ibid.*, D. 125, 20 February, 1723, III, f. 251v.

⁵⁰*Ibid.*, *Filza* 176, D. 164, 165 (*sic*), 28 November, 1723, IV, f. 153v. *et seq.*; D. 167, 8 December, 1723, f. 163r. *et seq.*; D. 168, 23 December, 1723, f. 170r-v.; D. 174, 4 March, 1724, f. 196r.

⁵¹See *ante* p. 45.

⁵²Giovanni Emo, *op. cit.*, *Filza* 175, D. 104, 15 September, 1722, III, f. 121v.

⁵³*Ibid.*, D. 112, 25 November, 1722, ff. 164v-165r.

⁵⁴*Ibid.*, D. 118, 22 January, 1723, f. 209r.

tary responded by asking for a watch.⁵⁵ The *reis effendi* asked for a piece of *saglia* with gold and silver.⁵⁶ His *kiaya* received a crate of glass.⁵⁷ Gritti thought he had made "not a little headway"; consequently when the *reis effendi* told Brutti that he had not yet worn a robe of cloth of gold from Venice, Gritti humored him.⁵⁸ Almost immediately afterwards Gritti's pride might have received a blow. The *reis effendi* complained about the Bairam presentation, saying "the Venetians treated him worse than the Dutch; he did not care about the robes but it was annoying to see himself neglected." Gritti considered any neglect too much of a risk and a special gift somewhat prejudicial to negotiations; consequently he sent a robe of *lastra* for the one which did not please the *reis effendi*.⁵⁹ During the negotiations about a Retimo incident, Gritti gave the *reis effendi* one of the best mirrors, two robes of velvet, two of gold cloth, and a basket of little articles.⁶⁰

For his building "on the canal" the *reis effendi* desired one thousand large pieces of glass and two thousand of average size. Not having them on hand and considering the expense of buying them, Gritti studied about reducing the number: "The minister was as avaricious and violent as any born." Gritti sent 450 of the large pieces and 4 boxes of the small size, which apparently satisfied the Turk.⁶¹ Other requests were for twenty-three *braccia* of satin, eighteen *picchi* of velvet, twelve *picchi* of *canevazza*, and four canaries.⁶² When he solicited eight *braccia* of velvet to make four cushions, Dolfin sent a piece of ten *braccia*, since it could not be used for a robe.⁶³ Even after the revolution of 1730 and his dismissal, the former *reis effendi* was given two robes and some *triaca* by Angelo Emo.⁶⁴ His assistants and domestics received nine robes, eight pieces of *veludino*, six *picchi* of velvet, and sixty sequins.⁶⁵

Like Damad Ibrahim and the *reis effendi*, the Ghika brothers, as dragomans, obtained many gifts. There were times when the chief dragoman's relations with the other officials meant he was one of several in a group to be given presents.⁶⁶ In addition he received fifty-six robes and "some" others, seven *picchi* of *saglia rubin*, three watches, two boxes of perfumes, three mirrors, one cooling chest, one silver chocolate service,

⁵⁵Gritti, *op. cit.*, *Filza* 177, D. 13, 16 January, 1724.

⁵⁶*Ibid.*, D. 26, 19 April, 1724.

⁵⁷*Ibid.*, D. 27, [25] April, 1724.

⁵⁸*Ibid.*, D. 41, 3 July, 1724.

⁵⁹*Ibid.*, D. 42, 3 July, 1724.

⁶⁰*Ibid.*, *Filza* 178, D. 75, 16 December, 1724.

⁶¹*Ibid.*, *Filza* 179, D. 108, 12 July, 1725.

⁶²Giovanni Emo, *op. cit.*, *Filza* 174, D. 34, 26 May, 1721, I, f. 201v.; Gritti, *op. cit.*, *Filza* 180, D. 178, 16 June, 1726; Dolfin, *op. cit.*, D. 21, 27 April, 1727.

⁶³Dolfin, *ibid.*, D. 59, 20 October, 1728.

⁶⁴Angelo Emo, *op. cit.*, *Filza* 183, D. 84, 29 October, 1731, II, ff. 116v.-117r. For other gifts, see *post* pp. 50, 53.

⁶⁵Gritti, *op. cit.*, D. 165, 22 April, 1726; Dolfin, *op. cit.*, D. 29, 4 August, 1727; Bartolini, *op. cit.*, D. 23, 31 August, 1730.

⁶⁶See *ante* p. 45 and *post* pp. 50, 51.

three glass cabinets, fifty pieces of glass, glass for twenty windows, twelve locks, four canaries, fruit, vegetables, Piacenza cheese, chocolate, candy, and miscellaneous articles seven times.⁶⁷

Many were the requests fulfilled for the capitan pasha, other naval officers, a prospective capitan pasha, their assistants, and their relatives. Even if they did not express their desires, a *bailo* knew what was advisable.⁶⁸ If they departed unsatisfied, what might Venetian ships suffer?

The friction between Venetian and Turkish subjects in the Morea, on the boundaries or within one another's territories, frequently governed the bestowing of articles, either somewhat gratuitously or by request. The chief officials—the vizier, the *reis effendi*, and the dragoman—their followers and assistants, and other minor officials were encouraged or rewarded.⁶⁹

⁶⁷Giovanni Emo, *op. cit.*, *Filza* 174, D. 10, 26 November, 1720, I, f. 49v.; D. 14, 29 December, 1720, f. 70r.; *Filza* 175, D. 104, 15 September, 1722, III, f. 121v.; D. 125, 20 February, 1723, f. 254v.; *Filza* 176, D. 135, 22 April, 1723, f. 310v.; Despatch without number, 7 May, 1724, following D. 175, IV, f. 211v., and repeated by Gritti, *op. cit.*, *Filza* 177, D. 28, 7 May, 1724; D. 11, 23 December, 1723; *Filza* 178, D. 85, 12 February, 1725; *Filza* 179, D. 150, [31] January, 1726; Dolfin, *op. cit.*, D. 41, 12 February, 1728; Bartolini, *op. cit.*, P.S. of D. 19, 8 June, 1730; D. 23, 31 August, 1730; Angelo Emo, *op. cit.*, D. 48, 5 April, 1731, I, f. 232r.; D. 81, 29 September, 1731, II, f. 100v.; D. 102, 18 January, 1732, ff. 225v.-226r.; *Filza* 184, D. 124, 4 June, 1732, III, f. 61v.; D. 129, 30 June, 1732, f. 94v.; D. 150, 26 November, 1732, f. 217r.; *Filza* 185, D. 191, 27 October, 1733, IV, ff. 140v.-150r.; D. 206, 19 January, 1734, f. 232v.; D. 215, 10 April, 1734, f. 296v.; D. 235, 6 September, 1734, f. 390r.

⁶⁸The following summary of the articles given shows the extent of the practice of purchasing favor and the care with which a *bailo* made his report: *ballini*, given once; barometer, 1; canaries, 16, in addition to "several" given once; candy, once; cheese (Dutch, Piacenza, English sometimes mentioned), 13 times; chocolate, 4 times; cloth (once for a cloak), twice; flowers, once; guns (one or more), 4 times; *lastra*, 14 *picchi*; lights "requested for a festival," once; medicines, once; mirrors, 3; oil, once; piasters, 85; pistols, 8, in addition to an unstated number once; *polvere vipertino*, once; robes, 77 (14 duplicates), in addition to an unstated number once; rosolio, 4 times; *saglia*, twice; *saglia rubin*, 37 *picchi*; silver basin, once; sugar, 3 times; telescopes, 4; English eyeglass, 1; thermometer, 1; *triacca* (amount not always stated, 6 phials twice, 12 once); 7 times; velvet, 36 *picchi*; Venetian glass, once; watches, 4; wax, 3 times; woolen cloth (varying generally from 2 to 7 *picchi*, once 32 *picchi*), 6 times; miscellaneous articles, 10 times. Evidently only once were the gifts rewarded for information, 4 robes being then divided among three men. Giovanni Emo, *op. cit.*, *Filza* 174, D. 23, 26 February, 1721, I, f. 128v.; D. 25, 18 March, 1721, f. 140v.; D. 30, 9 May, 1721, ff. 169v.-170v.; D. 34, 26 May, 1721, f. 201v.; *Filza* 175, D. 78, 18 April, 1722, II, f. 308v.; D. 104, 15 September, 1722, III, f. 121v.; D. 107, 12 October, 1722, f. 137r.; D. 112, 25 November, 1722, f. 163r.; D. 114, 14 December, 1722, f. 182r.-v.; D. 125, 20 February, 1723, f. 254r.-v.; *Filza* 176, D. 130, 23 March, 1723, f. 283v.; D. 134, 29 March, 1723, f. 302v.; D. 135, 22 April, 1723, f. 310v.; D. 138, 30 April, 1723, IV, f. 17r.-v.; D. 143, 9 June, 1723, f. 45v.; P.S. of D. 156, 27 September, 1723, f. 116r.; D. 157, 12 October, 1723, f. 120v.; Gritti, *op. cit.*, *Filza* 177, D. 8, 29 November, 1723, and enclosure No. 1, a copy of Gritti's letter to Janum Khoja, 17 November, 1723; D. 22, 4 March, 1724; D. 25, 19 April, 1724; D. 32, 15 May, 1724; D. 37, 29 May, 1724; *Filza* 178, D. 81, 26 December, 1724; D. 88, 27 February, 1725; *Filza* 179, D. 104, [11-14] June, 1725; D. 115, 26 August, 1725; D. 121, 2 September, 1725; D. 133, 13 November, 1725; D. 137, 15 December, 1725; P.S. of D. 149, 26 January, 1726; *Filza* 180, D. 178, 16 June, 1726; D. 195, 27 September, 1726; Dolfin, *op. cit.*, D. 14, 18 January, 1727; D. 24, 14 June, 1727; D. 41, 12 February, 1728; D. 56, 1 September, 1728; Angelo Emo, *op. cit.*, *Filza* 183, D. 25, 30 November, 1730, I, f. 85r.; D. 36, 22 February, 1731, ff. 161v.-162r.; D. 43, 17 March, 1731, f. 205r.; D. 55, 4 May, 1731, ff. 260v.-261r.; D. 56, 18 May, 1731, f. 266v.; D. 66, 3 July, 1731, II, f. 18r.; *Filza* 184, D. 105, 6 February, 1732, f. 250r.; D. 121, 21 May, 1732, III, f. 44r.-v.; D. 132, 29 July, 1732, f. 113r.; D. 138, 28 August, 1732, f. 145v.; P.S. of D. 143, 27 September, 1732, f. 175v.; *Filza* 185, D. 176, 9 July, 1733, IV, ff. 55v.-56v.; D. 203, 22 December, 1733, f. 212v.; D. 206, 10 January, 1734, f. 229r.-v.; D. 210, 27 February, 1734, f. 254v.; D. 213, 22 March, 1734, f. 278r.; D. 218, 4 May, 1734, f. 312r.; D. 219, 7 May, 1734, ff. 317r.; D. 242, 1 December, 1734, ff. 417v.-418r. For other gifts, see *ante* pp. 41, 45 and *post* pp. 54, 70, 76, 83.

⁶⁹Box of tortoise shell given once; canaries, 4; cloth (kind not indicated), 4 *picchi*; cushions, 12, in addition to an unstated number given once; dogs, 2; glass, twice; *lastra*, 15 *picchi*; mirrors, 3; money, 816 piasters, 275 *reali*, and unstated amounts six times; robes, 133.

In 1730 the accession of a sultan and the changes in the chief offices called for many gifts. After Angelo Emo's first audience with Mahmud, the *sultana valideh* received twenty-four robes, perfumes, mirrors, comb-cases, and other articles.⁷⁰ The most impressive presentation occurred after the audience of Angelo Emo as ambassador extraordinary. According to custom, Venice sent Mahmud cloth of gold as a special gift.⁷¹ Emo presented in addition: robes to the vizier; money for tips to the vizier's domestics; gifts to the "vizier of the bank," Dragoman Ghika, and all the chief and subordinate officials; seventy-two robes of every kind to the sultan; six robes to the *kizlar aghasi*; twenty-four robes and four mirrors to the *chaush-bashi* and *agha* of the *Spahis*; six robes to the master of ceremonies; twenty-eight robes, two gold and six silver watches with chains, four mirrors, miscellaneous things, and money to the guard of the embassy, the *agha* of the vizier, the man who owned the house where Emo spent the night before the audience, the chief cook and assistants who served the dinner;⁷² twenty robes and smaller things to the *mufti* and his assistants; twenty-one robes to the capitan pasha and his officials;⁷³ twelve robes and money to others.⁷⁴

Angelo Emo repeated the sentiments of his predecessors when he wrote, "It is necessary for me . . . not to offend the [new] Reis Effendi, the Minister who handles the most important affairs of the Empire and through whom pass all those negotiations of the Princes who have relations with this Court."⁷⁵ Once the *reis effendi* saw a robe among the vizier's gifts and asked for one like it for his wife. Emo sent it and added three others and a small gold watch and chain.⁷⁶ Two years later the *reis effendi* used this method again. Dragoman Ghika told Emo

and an unstated number once; material for robes, once; rosolio, once; *saglia*, 7 *picchi*; satin, 18 *picchi*, and an unstated amount once; *triacca*, twice; velvet, 59 *picchi*; watches, 3; woolen cloth, 38½ *picchi*, and an unstated amount twice; miscellaneous articles, 8 times. Giovanni Emo, *ibid.*, *Filza* 174, D. 19, 8 February, 1721, I, f. 104r.; D. 22, 26 February, 1721, f. 125r.; D. 36, 19 June, 1721, II, f. 19v.; D. 42, 1 August, 1721, ff. 51v.-52r.; D. 45, 18 August, 1721, II, f. 92v.; D. 47, 25 August, 1721, f. 109r.-v.; D. 49, 28 September, 1721, f. 137v.; D. 51, 19 October, 1721, f. 155r.; *Filza* 175, D. 58, 10 December, 1721, f. 205v.; D. 66, 15 February, 1722, f. 256v.; D. 80, 29 April, 1722, f. 319v.; D. 84, 17 May, 1722, III, f. 8r.; D. 89, 4 June, 1722, f. 28r.; second D. 91, 23 June, 1722, ff. 38v.-40v.; D. 96, 28 [July], 1722, f. 68r.; D. 103, [13] September, 1722, f. 108r.-v.; D. 104, 15 September, 1722, ff. 116r.-117r.; D. 106, 25 September, 1722, f. 133r.-v.; D. 107, 12 October, 1722, f. 134v.; *Filza* 176, D. 148, 28 July, 1723, IV, f. 73r.; D. 151, 26 August, 1723, ff. 83r., 87v.; D. 160, 25 October, 1723, f. 136r.; Gritti, *op. cit.*, *Filza* 177, D. 12, 15 January, 1724; D. 19, 19 February, 1724; *Filza* 178, D. 56, 11 September, 1724; D. 61, 5 October, 1724, and enclosure No. 1; D. 69, 25 November, 1724; D. 76, 16 December, 1724; D. 80, 26 December, 1724; D. 87, 17 February, 1725; *Filza* 179, D. 95, 16 April, 1725; D. 96, 18 April, 1725; D. 99, 26 April, 1725; D. 125, 2 October, 1725; D. 141, 22 November, 1725; *Filza* 180, D. 175, 26 May, 1726; D. 187, 22 August, 1726; D. 193, 15 September, 1726; Dolfin, *op. cit.*, D. 40, 12 February, 1728; D. 52, 19 July, 1728; D. 66, 3 March, 1729; D. 70, 20 April, 1729; D. 78, 13 August, 1729. See *post* p. 60.

⁷⁰Angelo Emo, *op. cit.*, *Filza* 183, D. 32, 18 January, 1731, I, f. 132r.

⁷¹*Ibid.*, *Filza* 184, D. 150, 26 November, 1732, III, f. 212v.

⁷²*Ibid.*, D. 154, 24 January, 1733, L.S., ff. 247v.-250r.; see S.S., IV, f. 19v., for a paragraph omitted.

⁷³*Ibid.*, D. 155, 9 February, 1733, L.S., f. 254r.; S.S., f. 23r.

⁷⁴*Ibid.*, *Filza* 185, D. 160, 20 March, 1733, L.S., f. 282v.

⁷⁵*Ibid.*, *Filza* 183, D. 39, 7 March, 1731, I, f. 178r.

⁷⁶*Ibid.*, D. 41, 10 March, 1731, ff. 193v.-194r.

that the *reis effendi* would like a silk robe similar to one seen among those presented to the vizier. Emo sent it and five others, a box of sweets, and a box of miscellaneous things, and three robes each for his secretary and his first assistant.⁷⁷ The *reis effendi* also received eighteen robes, thirty-six cushions of gold brocaded velvet, one mirror, four crates of glass, one silver cooling chest, one combcase, *triacca*, flowers, and miscellaneous articles.⁷⁸ Emo presented to the *kiaya*, because of his close friendship with the *reis effendi*, some cloth, three robes, perfume, and other articles.⁷⁹ To assistants of the *reis effendi* Emo gave eighty piasters and a silver watch and chain.⁸⁰ His secretary's request for four crates of glass could not be granted immediately, but Emo had them delivered soon, and he later fulfilled another request from the secretary for glass.⁸¹

Lastly, a host of miscellaneous presents passed from the embassy to Turkish hands other than those mentioned. The *bostanji-bashi*, the *chaush-bashi*, the *chokadar*, the *iman*, the *kapuji-bashi*, the *kharaji-bashi*, the *kizlar aghasi*, the *mufti*, the voivode of Galata, *aghas*, customs-house officials, secret informers, lesser dragomans, secretaries, scribes, other minor officials, messengers from the war zone, and unidentified Turks were included in the system for maintaining friendly relations and open avenues.⁸²

⁷⁷*Ibid.*, *Filza* 185, D. 160, 20 March, 1733, III, ff. 281v.-282r.

⁷⁸*Ibid.*, *Filza* 183, D. 35, 21 February, 1731, I, ff. 154v.-155r.; D. 102, 18 January, 1732, II, f. 225v.; *Filza* 184, D. 129, 30 June, 1732, III, f. 94r.; D. 150, 26 November, 1732, f. 217r.; *Filza* 185, D. 191, 27 October, 1733, IV, f. 149r.-v.; D. 231, 13 August, 1734, ff. 369v.-370r.

⁷⁹*Ibid.*, *Filza* 184, D. 117, 22 April, 1732, III, f. 22r.

⁸⁰*Ibid.*, D. 150, 26 November, 1732, f. 216v.

⁸¹*Ibid.*, *Filza* 185, D. 219, 7 May, 1734, IV, f. 319v.; P.S. of D. 220, 9 May, 1734, f. 323v.; D. 233, 19 August, 1734, f. 378v.

⁸²Such gifts included the following: boxes, 3; canaries, 45, and "several" given once; chandeliers "of little value," 6; cheese, 4 times; cloth for a cloak, once; cushions, 18; drugs, 3 times; *ferali*, 2; gold damask for a robe, once; *londrina*, 4 *picchi*; mirrors, 10; perfume, once; pistols, 3 or 4; pomatum, once; robes, 131; samples of gold cloth and silk, once; sweets, once; telescopes, 5; tips or sums of money, 8 times; *triacca*, once; watches, 9; wax candles, twice; wine, twice; woolen cloth, 11 times; miscellaneous articles, 10 times. Giovanni Emo, *op. cit.*, *Filza* 174, D. 14, 29 December, 1720, I, f. 70r.; D. 44, 2 August, 1721, II, f. 65r.; *Filza* 175, D. 65, 12 February, 1722, f. 242r.; D. 104, 15 September, 1722, III, f. 121v.; D. 114, 14 December, 1722, f. 182v.; D. 116, 6 January, 1723, f. 190v.; D. 118, 22 January, 1723, f. 209r.; *Filza* 176, P.S. of D. 131, 23 March, 1723, f. 290r.; D. 135, 22 April, 1723, f. 310v.; D. 142, 9 June, 1723, IV, f. 42v.; D. 143, 9 June, 1723, f. 45v.; D. 144, 7 July, 1723, f. 52v.; D. 145, 10 July, 1723, f. 56r.; D. 155, 9 September, 1723, ff. 111v.-112r.; Despatch without number, 7 May, 1724, following D. 175, f. 211v., repeated by Gritti, *op. cit.*, *Filza* 177, D. 28, 7 May, 1724; D. 6, 8 October, 1723; D. 11, 23 December, 1723; D. 39, 5 June, 1724; *Filza* 178, D. 51, 8 August, 1724; D. 60, 5 October, 1724; D. 63, 5 October, 1724; D. 66, 29 October, 1724; D. 85, 12 February, 1725; *Filza* 179, D. 103, 11 June, 1725; D. 104, [11-14] June, 1725; D. 113, 25 July, 1725; D. 114, 31 July, 1725; D. 139, 22 December, 1725; D. 140, 22 December, 1725; D. 144, 30 December, 1725; D. 150, [31] January, 1726; D. 156, 25 February, 1726; *Filza* 180, D. 162, 25 March, 1726; D. 163, 25 March, 1726; D. 174, 26 May, 1726; D. 180, 29 June, 1726; D. 203, 4 January, 1727; D. 204, 11 January, 1727; Dolfin, *op. cit.*, D. 9, 16 October, 1726; D. 18, 27 February, 1727; D. 23, 27 April, 1727; D. 26, 15 June, 1727; D. 29, 4 August, 1727; D. 32, 4 October, 1727; D. 34, 24 October, 1727; D. 42, 14 February, 1728; enclosure, dated 18 February, 1728, with D. 45, 12 April, 1728; D. 50, 2 June, 1728; D. 53, 19 July, 1728; D. 64, 16 December, 1728; D. 74, 1 June, 1729; D. 75, 12 July, 1729, and enclosure; Angelo Emo, *op. cit.*, *Filza* 183, D. 14, 15 September, 1730, I, ff. 28v.-29r.; D. 15, 28 September, 1730, f. 33r.; D. 23, 4 November, 1730, f. 69r.-v.; second D. 24, 28 November, 1730, f. 82v.; D. 48, 5 April, 1731, ff. 231v.-232r.; D. 89, 8 November, 1731, II, f. 147v.; *Filza* 184, D. 109, 7 March, 1732, f. 277r.; D. 120, 15 May, 1732, III, ff. 39v.-40r.; D. 126, 14 June, 1732, f. 71v.; D. 129, 30 June, 1732, f. 94v.; D. 130, 11 July, 1732, f. 103v.; D. 150, 26 November, 1732, f. 220r.-v.; *Filza* 185, D. 191,

After such lavishness, the *ragionateria* occasionally needed replenishing. In less than a year, from October 14, 1720, to September 28, 1721, it had been despoiled particularly of cloth of gold and satin, and Giovanni Emo was forced to buy articles in Constantinople.⁸³ Some remnants of *terzanella* and ninety-three robes remained.⁸⁴ Of the latter he disposed of eighty-eight; then he had only four remaining in addition to twenty-seven pieces of material, seven mirrors, and four velvet boxes.⁸⁵ Gritti needed robes of *saglia*, velvet, satin, and other materials.⁸⁶ Dolfin hinted at the limitations of the *ragionateria*.⁸⁷ Was there not more of a note of criticism than usual in a *bailo's* despatches in Dolfin's second comment? The only aid he had received consisted of a few crystal bottles for the *reis effendi*. As he observed:

To allure the principal ministers with some little gift is not only useful but necessary in this climate. . . . From the Registers it will appear that I have given very little, and still to me is assigned [the task] to fulfill all that Your Excellencies have ordered and the Most Excellent Generals have asked consonant to the capitulations.⁸⁸

He acknowledged the *ducali* of April 23, 1729, which said articles were being sent for the *ragionateria*.⁸⁹

Before the replenishment had arrived, the *reis effendi* asked for two mirrors. Having presented a memorial regarding complaints against the Venetians at the boundaries, Bartolini saw his obligation. The mirrors in the *ragionateria* were not exactly suitable. Before he sent them he had changes made. To the *kiaya*, "an old fury," he gave one woolen robe and two canaries.⁹⁰ He forwarded to Venice a memorandum of "wool and silk with gold" and other articles not disposed of by Dolfin.⁹¹ Ten months had gone by and the supplies for the *ragionateria* had not arrived; consequently he purchased 5 *picchi* of wool and 108 of satin and planned

27 October, 1733, IV, ff. 149r., 149v.; D. 203, 22 December, 1733, f. 213v.; D. 210, 27 February, 1734, f. 259r.-v.; D. 221, 28 May, 1734, f. 328r.; D. 231, 13 August, 1734, ff. 369r.-370r.; D. 239, 9 October, 1734, ff. 408v.-409r.

All the gifts which were mentioned in the despatches have been included, with five exceptions. Those consisted of sweets, some canaries, and 7 mirrors: Gritti, *op. cit.*, *Filza* 179, D. 149, 26 January, 1726; *Filza* 180, D. 176, 27 May, 1726; P.S. of D. 203, 4 January, 1727; some canaries: Dolfin, *op. cit.*, D. 26, 15 June, 1727; and 36 robes at Bairam: Angelo Emo, *op. cit.*, *Filza* 183, D. 48, 5 April, I, ff. 230r., 231r. While most of the presentations were reported in the despatches, some summaries of gifts included those mentioned in the despatches and others which are not summarized in the foregoing pages: Angelo Emo, *op. cit.*, enclosures following D. 22, 32, 41, and 48.

⁸³Giovanni Emo, *op. cit.*, *Filza* 174, D. 49, 28 September, 1721, II, ff. 137v.-138r.

⁸⁴*Ibid.*, enclosure No. 7 with D. 49.

⁸⁵*Ibid.*, *Filza* 175, enclosure No. 4 with D. 75, 1 April, 1722. There is a discrepancy of a robe when the last statement is compared with the preceding one and others made by him.

⁸⁶Gritti, *op. cit.*, *Filza* 178, enclosure No. 6 with D. 61, 5 October, 1724.

⁸⁷Dolfin, *op. cit.*, D. 52, 19 July, 1728.

⁸⁸*Ibid.*, D. 67, 3 March, 1729.

⁸⁹*Ibid.*, D. 75, 12 July, 1729.

⁹⁰Bartolini, *op. cit.*, D. 4, 15 October, 1729. See *ante* p. 12, note 8.

⁹¹The memorandum listed a total of 536 *picchi* of *lastra* with gold and silver, *veludini* of silver, velvet, damask with gold and silver, satin, *saglia scarlate*, *saglia rubin*, and *londrina*; 2 silver watches; 4 velvet boxes containing pomatum and perfumes; 10 mirrors of various kinds; and 3 telescopes: *ibid.*, enclosure, 23 September, following D. 5, 15 October, 1729.

to add velvet, cloth of gold, and other materials in order to have the expected gifts for Bairam.⁹² Later he reported buying for Bairam 12 *picchi* of velvet, 13¼ of *ganzo d'oro*, and 36 of *lastra d'oro*.⁹³ Three and a half months later, he wrote about the *ragionateria's* having been stripped for four years and his awaiting Angelo Emo who would have to make adequate presentations.⁹⁴

Similar complaints came from Angelo Emo. The state of the *ragionateria* was bad, "quite naturally after so many changes of chief officials."⁹⁵ Emo was forced to buy articles, or to await their arrival from Venice.⁹⁶ Once he sold some remnants of velvet and silk, and used the money to pay for a beautiful little box and for tips.⁹⁷

If the homely proverb about looking a gift horse in the mouth were known in Constantinople, it was not heeded. Although Gritti followed the general precedent of his predecessors, the bey who brought him from Tenedos complained that the robes and money given were not equal to those of Ruzzini. Since the bey was a confidant of the capitan pasha, he won his point. Gritti humored him with a watch in order to prevent his influencing his friend.⁹⁸ To the dragoman despatched by Damad Ibrahim's *kiaya* for some *triacca* and "an indiscreet amount of velvet" Bartolini replied that the *ragionateria* did not contain that much. The messenger suggested that the secretary look to see if there were any good pieces. From the remnants carried in, the dragoman selected two of eight *picchi* and two others for horse trappings. Bartolini rewarded him with two bottles of *triacca* and sent six to the *kiaya*. It was necessary not "to irritate much" by refusing little requests.⁹⁹

As Angelo Emo remarked after sending gifts to new ministers, such occasions never came without complaints.¹⁰⁰ Bechir, the former capitan pasha, sent his assistant to obtain some sugar and for his wife a piece of green cloth brocaded with gold, which would be sufficient for six dresses. The assistant informed Emo that this material, although a small amount, was lacking among the articles presented after his formal entrance as ambassador extraordinary and that the gifts had been much inferior to those sent on such occasions. Emo admitted in his despatch that he had given less than the registers showed had been the practice. The assistant

⁹²*Ibid.*, D. 12, 24 February, 1730.

⁹³*Ibid.*, D. 18, 14 May, 1730.

⁹⁴*Ibid.*, D. 23, 31 August, 1730.

⁹⁵Angelo Emo, *op. cit.*, *Filza* 183, D. 83, 5 October, 1731, II, f. 111r.

⁹⁶*Ibid.*, D. 25, 30 November, 1730, I, f. 85r.; D. 56, 18 May, 1731, ff. 266v.-267r.; D. 67, 21 July, 1731, II, f. 29r.; D. 83, 5 October, 1731, f. 111r.; *Filza* 184, D. 130, 11 July, 1732, III, f. 103v.; *Filza* 185, D. 176, 9 July, 1733, IV, f. 56r.-v.; D. 178, 11 July, 1733, f. 68r.-v.; *Filza* 183, D. 32, 18 January, 1731, I, ff. 133v.-134r.; D. 75, 18 August, 1731, II, f. 63v.; D. 78, 14 September, 1731, f. 84v.

⁹⁷*Ibid.*, *Filza* 185, D. 239, 9 October, 1734, IV, f. 409r.

⁹⁸Gritti, *op. cit.*, *Filza* 177, D. 8, 20 November, 1723.

⁹⁹Bartolini, *op. cit.*, D. 5, 15 October, 1729.

¹⁰⁰Angelo Emo, *op. cit.*, *Filza* 183, D. 84, 29 October, 1731, II, f. 116r.

refused to take the material offered, because it was in two pieces and not of the desired color. Emo sent the sugar and some other gifts.¹⁰¹ Two other incidents revealed the attitude of the Turks toward the *ragionateria* and afforded Emo an opportunity to exercise ingenuity. When Ghika requested two chairs for the kiosk of Mahmud, who "likes to sit in European fashion," Emo, having none in the *ragionateria*, took Ghika into the best room in the embassy and let him select two chairs. They had decorated frames and were upholstered in velvet, yet they did not exactly suit Ghika. He asked that some gold decoration and fringe be put on them. Emo complied with this request and sent them immediately.¹⁰² After the victory of Topal Osman, then *seraskier*, over the Persians in July, 1733, the Porte sent Dragoman Ghika to inform the ambassadors of the event. While he awaited admission, he showed the Venetian dragoman the purse of a hundred sequins given him by the French ambassador and the gold snuff box set with little diamonds from the English ambassador. Emo's dragoman reported the matter to him. Since Emo had nothing of equal value, he sent someone to buy a gold watch and chain while he studiously prolonged the conversation. Fortunately, the gift arrived in time.¹⁰³

A summary of the practice may be made from two of Angelo Emo's brief, inimitable characterizations: "Such courtesies [complimentary remarks about his brother, Giovanni] have, in this country, their price which I have not been able to refuse."¹⁰⁴ "As regards gifts . . . this court is a whirlpool which is never filled."¹⁰⁵

In contrast Venice did not permit her ambassadors to accept gifts.¹⁰⁶ If the *baili* really disobeyed, there is naturally no evidence in the despatches. Such gifts as fruit, flowers, and sherbets after their arrival, a cup of Bohemian glass, twenty-five ancient medals, or two pipes and a handkerchief were in keeping with the spirit of the regulation.¹⁰⁷

There is likewise no evidence that the Turks particularly imposed upon the Venetians. The practice of giving presents to the Turkish officials was general among all the ambassadors.¹⁰⁸ The Turks also purchased favor among themselves. Topal Osman sent at Bairam in 1732 to Mahmud a harness set with jewels and valued at fifty thousand crowns.¹⁰⁹ Janum

¹⁰¹*Ibid.*, *Filza* 185, D. 198, 2 December, 1733, IV, f. 185r-v.

¹⁰²*Ibid.*, D. 198, ff. 185v-186v.

¹⁰³*Ibid.*, D. 182, 13 August, 1733, ff. 96r-97r.

¹⁰⁴*Ibid.*, *Filza* 184, D. 120, 15 May, 1732, III, ff. 39v-40r.

¹⁰⁵*Ibid.*, D. 155, 9 February, 1733, f. 254v.

¹⁰⁶W. Carew Hazlitt, *The Venetian Republic*, London, 1915, II, p. 528.

¹⁰⁷Giovanni Emo, *op. cit.*, *Filza* 174, D. 7, 1 September, 1720, I, f. 30v.; *Filza* 176, D. 132, 23 March, 1723, III, f. 294r-v.; P.S. of D. 156, 27 September, 1723, IV, f. 116r.; Gritti, *op. cit.*, *Filza* 178, D. 81, 26 December, 1724.

¹⁰⁸Angelo Emo, *op. cit.*, *Filza* 185, D. 198, 2 December, 1733, IV, f. 186v.; Vandal, *op. cit.*, pp. 26, 76, 252; Joseph von Hammer, *Geschichte des Osmanischen Reiches*, Pest, 1827-35, VII, pp. 570-572.

¹⁰⁹Jonas Hanway, *An Historical Account of the British Trade over the Caspian Sea*, London, 1753, IV, p. 107 and note.

Khoja used many purses within and outside the palace to win the support of the favorites, especially the *sultana valideh* and *kizlar aghasi*.¹¹⁰

DISPUTES BETWEEN TURKISH AND VENETIAN SUBJECTS

THOUGH the ever-open hand of the Turk occasionally provoked a slight irritation, a far more troublesome task than the duty of presenting gifts was the settling of disputes between Turkish and Venetian subjects in the Morea and on the neighboring islands. Butrinto, Prevesa, and Vonitsa on the mainland remained in Venice's possession after the Treaty of Passarowitz. Temperaments, procrastination, and the routine in handling memorials and petitions by the Turks, coupled with the facts that the Republic had been forced to cede territory to them in 1718 and that Russia and Persia were the chief problems from 1720 to 1734, meant that the complaints were handled not at all quickly. Weak from the last war and from gradual decline, Venice had no desire for another conflict and the Porte no desire for one in the west while one was imminent or existing in the east. These boundary disputes, however, could not have been ignored, or both groups of subjects would have become more bold and lawless.

There were in the fourteen years about twenty examples each of complaints against Venetians and against Turks. With one exception the cases were minor; therefore, no details are given for them. The important case occurred in 1721 when some Dulcignotes who had gone to Venice were attacked and their ship burned. Emo attempted to sound out the ministers. He found them, however, not disposed as he had desired and he failed to obtain an audience. He accordingly sent a memorial to the *kiaya* for the vizier and a letter to the *kiaya* in order to show confidence in him, since no one had more influence than he. Emo also had the facts presented to the *mufti* and the *reis effendi*. The *kiaya* seemed favorably impressed after reading the letter, and so also at first did the *reis effendi*. Another day the latter spoke harshly, declaring that forty, not ten, Moslems had been killed and the treaty violated. Then the *kiaya* refused to admit the Venetian dragoman, and Ghika, instead of directly communicating with Emo, used a confidant. A report to the Porte said that the burning of the boat was the act of the Republic, not the result of popular rage.¹¹¹ Emo's memorial to the vizier mentioned the killing of five Venetians in the quarrel and proposed that in order to prevent future quarrels the Dulcignotes be prohibited from entering Venetian ports.¹¹²

¹¹⁰Angelo Emo, *op. cit.*, D. 198, 2 December, 1733, f. 183r.; D. 210, 27 February, 1734, f. 253r.-v.; D. 216, 13 April, 1734, f. 300r.

¹¹¹Giovanni Emo, *op. cit.*, *Filza* 174, D. 35, 18 June, 1721, II, ff. 1v.-6v., and P.S. written 20 June, ff. 11r.-v.

¹¹²*Ibid.*, memorial following D. 35, ff. 14r.-16r.

He found it impossible to separate the false ideas from the facts. Meanwhile the Turks and even some Christians, who were their clients, began to murmur that this affair could not be settled without a large sum of money and to refer to a similar case in 1683. From various sources Emo heard it would be considered an insult if the Empire should be introduced. His industry and vigilance never wavered:

In order to keep alive the appearance of communication, I take occasion to send Dragoman Carli many times to the Reis Effendi to ask about his Son and to the Kiaya to ask about his health when he was slightly indisposed. In addition I keep insinuating to the Vizier, the aforesaid Kiaya and Effendi, other men of account, and assistant ministers.¹¹³

The arrival of two Dulcignotes and their protest in the divan on July 20 hinted at more direct action than did the preceding statements. Although their account was decidedly malicious, they said that only eleven persons were killed. Emo sent Carli with a memorial in the form of a letter to the *reis effendi*, who passed it to the *kiaya* for the vizier. The *reis effendi* remarked that it contained only words and no proof. He spoke of his own good will, however, and implied that the vizier thought of declaring war: Ibrahim had asked the *mufti* if war were permissible, the *mufti* replied that it would be if the cause were believed sufficient, but said that in similar cases it was the practice to satisfy with gifts. Later "through more than one channel" Emo heard that a settlement could not be made without money, and that first it was necessary to purchase the favor of the *kiaya* and the *reis effendi*. Emo paid attention also to the voices of the street. Confidentially someone told him about the departure of one of the complainants after long secret conversations with the ministers and consultation with Achmet III. The object no doubt was to gather more testimonials. Emo flattered himself that this expedition might make the heirs of the slain Dulcignotes recede.¹¹⁴ In Emo's audience, August 2, Ibrahim had all retire except the *kiaya*, *reis effendi*, Ghika, and the Venetians, Emo, Colombo, and Carli. The vizier spoke of the testimonials which stated that the Republic had ordered the boat to be set on fire, and said that satisfaction must be offered to content the sultan. Emo countered with: "How can the assertion of wicked persons be opposed? . . . Who can restrain an aroused populace in the first minutes? Your Excellency knows that what happened in Venice would occur anywhere." Ibrahim hinted of the rich gifts and the king's letter to the sultan when a French minister had been arrested. Emo replied he could propose that the doge write a letter to the sultan. At the end of the conference, the *kiaya* told Carli that the vizier had not wished to say directly to Emo anything unpleasant, but the cession of Butrinto and Vonitsa was de-

¹¹³*Ibid.*, D. 39, 6 July, 1721, ff. 31r.-40v.

¹¹⁴*Ibid.*, D. 43 and P.S., 1 August, 1721, ff. 54r.-62v.

manded. Emo reflected upon the avidity of the *kiaya* and the *reis effendi* and the disposition of the vizier to search out new ways of enriching and pleasing Achmet III. After thinking about all the circumstances, Emo concluded that the Porte thought of collecting advantages without war. If the emperor were to speak seriously of guarding the Treaty of Passarowitz for himself and for his allies, Emo believed the Porte would not insist on the cession. The price, however, would not be a mediocre one, especially in regard to silencing the *kiaya*, who "is called by all the Prince of the Empire."¹¹⁵

Emo remained in Constantinople during the epidemic, diligently cultivating the ministers and others. When Carli went at Ibrahim's request to talk to the *kiaya*, the *kiaya* mentioned Vonitsa and Prevesa and not Butrinto. Before Dirling's audience with the vizier, Emo and he discussed the situation. When the vizier spoke to the Imperial resident about the satisfaction the Venetians must make, Dirling gave a prepared answer. Instead of citing the Republic as his source he used information acquired through the Imperial minister in Venice. The vizier made no mention of particular demands, but stated only general terms. Although there was much talk of war and some preparations, Emo continued to believe the Porte was inclined to reap a reward without war.¹¹⁶

Without any announcement Ghika, having been sent by the expressed order of Ibrahim, came to see Emo. Ghika seemed surprised at Emo's not having the power to satisfy the sultan. Emo replied that he did not have it, and his government had not thought of granting it because the case did not demand it. The dragoman hinted at imprisonment if something were not done. Still the *bailo* did not weaken. He said: ". . . I am protected by a sacred character, of which the First Vizier well knows the value. . . . I would stay all my life in sequestration rather than be coerced." Ghika then asked for the equivocal statement that Emo believed the Republic would give satisfaction. Again Emo refused, but suggested as an evidence of friendship the freeing of a number of Turkish slaves. Ghika said that Emo "knew how little the Turks cared about recovering their Slaves; he would not dare to propose that, because after the demand for the two Fortresses . . . it would increase the resentment rather than diminish it."¹¹⁷

After the Porte had shown some indication of withdrawing the proposed cession and accepting reparation, the heirs of the Dulcignotes

¹¹⁵*Ibid.*, D. 44, 2 August, 1721, ff. 65r.-74v. Cappelletti's account does not deviate essentially from Emo's, but the speeches quoted from the vizier and the *bailo* differ: Giuseppe Cappelletti, *Storia della Repubblica di Venezia*, Venice, 1850-55, XI, pp. 360-366. A shorter account than Cappelletti's is given in Romanin, who cites the despatches of Emo and also Cicogna codice 2959, from which Cappelletti may have taken his quotations: Samuele Romanin, *Storia Documentata di Venezia*, Venice, 1859, VIII, pp. 59-60 and note 1 on p. 60.

¹¹⁶Giovanni Emo, *op. cit.*, D. 45, 18 August, 1721, ff. 79r.-91r.

¹¹⁷*Ibid.*, D. 46, 18 August, 1721, ff. 93r.-96v. See *post* p. 62.

arrived in Constantinople. Furies in the divan, they threw many letters at Damad Ibrahim's feet and scattered atrocious ideas among the populace. They denied the killing of any Venetians except one. The vizier sent Ghika to tell Emo that since he would not act without instructions, Ibrahim had no choice except to second the demands of Achmet III and the people: a special embassy with the usual gifts; a sum of money for Achmet III; reimbursement for the Dulcignotes; ten of the Venetians involved to be sent to Constantinople; and five hundred Turkish slaves to be liberated, a supplement from Malta to be acquired as the French had done. The *kiaya* and the *reis effendi* repeated the demands, the former being less gracious than the latter or the vizier. For the third time Emo refused on the score of not having the authority. War preparations meanwhile increased, and the bargaining began. Ghika suggested the number of slaves might be reduced to three hundred, while Emo proposed two hundred. When irritation began to mount, Emo wrote to the vizier about the freeing of two hundred slaves and the prohibiting of the Dulcignotes' coming to Venice. The case was prolonged by "sessions, insinuations, and intrigues" with the vizier and ministers. Then a group from Eibasan and Scutari appeared in the divan, making a horrible clamor. The vizier sent all of them escorted by Ghika to Emo, with the message that if they were not satisfied, he would despatch an *agha* to Venice to demand the building of a ship in the arsenal similar to the one burned. They maintained the cargo was worth 50,000 piasters and gave the price of the ship as 7500 *reali*.¹¹⁸ After the return of an investigator from Dulcigno, the Porte asked for 15,000 piasters; Emo offered 10,000. Alleging first business, then pleasures, the Turks procrastinated. From those whom Emo had sought to win, the uniform report was that Achmet wished the Dulcignotes to go away satisfied. Rumors increased every day about the union of the princes, which endangered Charles VI. The treaties between Spain, England, and France were talked about and even Russia was mentioned. Emo remained convinced that the Porte had decided not to declare war unless the Holy Roman Empire should become involved in a conflict. Maxims, however, generally weighed less than passions. No doubt it was the vizier's talent which was keeping public feeling from breaking forth. There was silence about a gift of money to Achmet, the special embassy, and the strange demand to send Venetians to Constantinople to be sacrificed. In place of war, Emo anticipated grave injuries to and interruptions of commerce. He felt the necessity of using "the known useful objects . . . without which it is certain, according to the present government all [his efforts] would perish." So far he had

¹¹⁸*Ibid.*, D. 48, and copies of letters from the vizier and Emo to each other, 26 September, 1721, ff. 112r.-124v. The foregoing summaries of long despatches with many details give an impression of a *bailo's* thoroughness, yet in this despatch, at least, Emo considered the reporting of all details as too tiresome: *ibid.*, f. 121r.

used 3800 *reali*, and before the negotiations were finished, 4500 might be needed, but not unless the occasion came. The vizier had received four robes of wool and satin in addition to fifteen *picchi* of *lastra* which he had requested and his followers two silver watches.¹¹⁹

Finally an opportunity came to start negotiations again and to end the affair. The Turkish commissioner and Mocenigo, a Venetian, wrote letters about the regression of commerce and the assassination of three letter carriers. Emo called attention to the similarity of his complaint and the foregoing case. The Dulcignotes now asked for 65,000 *reali* for damages in addition to "the price of the blood shed." The vizier suggested 20,000. Emo stuck to his former offer of 10,000, but said it was useless to speak of it unless his first point, the exclusion of the Dulcignotes from Venice, was accepted. He found the *kiaya* more favorable than the *reis effendi* regarding the amount of money. The Porte made a very strong effort to obtain 15,000 *reali*. Emo remained firm. Then finally the vizier sent Ghika to ask for 12,500, and Emo agreed. Knowing the evil ways, the contrivances of the Turks, and the possibility of delay and accidents, Emo did not feel wholly at ease until he saw the firman completed and forwarded; consequently it was "necessary to caress the uneven temper of the Reis Effendi and the very daring Kiaya, and to keep open the avenues to the Vizier. . . ." He planned to give the sultan twenty-five robes, a mirror, and "some other thing" not in the *ragionateria*.¹²⁰ The order from the sultan to the pasha of Scutari and the *kazi* of Dulcigno stated the decision: Venice must liberate all enslaved Turks and pay 25 purses, or 12,500 *reali*, minus 1000 paid in Constantinople to the Dulcignotes; the Dulcignotes were prohibited from going to Venice and neighboring ports.¹²¹ To the *agha* who was to take the firman, Emo gave three robes and seven *picchi* of *saglia*, which were asked for, and reserved the customary money until the Turk's return.¹²²

Thus was terminated a case which had occupied the attention of Emo from June to the end of October and had been the chief or only topic of more than a dozen despatches. It was only one of thousands of cases which have arisen between two states concerning the injuries sustained by aliens, and since it did not terminate in war was seemingly unimportant. It was, however, the most outstanding case from 1720 to 1734 and reflected the method of bargaining in Constantinople. The indictment drawn against the Turks by Emo was a grave one: greedy, procrastinating, not to be trusted; and the affidavit drawn for himself good: firm enough, yielding when it was wise, cautious, and fearless. His skill as a diplomat may be judged by comparing the five demands and the final

¹¹⁹*Ibid.*, D. 49, 28 September, 1721, ff. 130v.-137v.

¹²⁰*Ibid.*, D. 51, 19 October, 1721, ff. 142v.-150v., 155r.

¹²¹*Ibid.*, enclosure No. 5, translated, following D. 51, 19 October, 1721; H. MS., following D. 54, ff. 181r.-182v.

¹²²*Ibid.*, P.S. of D. 52, 28 October, 1721, ff. 168v.-169r.

settlement which, although a compromise, slightly favored him. The sultan was to receive gifts but not so many as from a special envoy. The number of slaves was reduced. Venice had to make reparation, which, however, was nearer Emo's offer than the first demand from the Porte and as near his offer as the Porte's preceding figure. The Porte failed to receive a sum of money and the ten Venetians. In addition Emo won his point regarding the restrictions placed upon the Dulcignotes.

But the ingenious Turks did not give up so easily. From this case came the vizier's suggestion that Emo be made a special ambassador to present Achmet III with a letter of apology, which would provide the occasion to make another treaty, more durable than that of Passarowitz. Someone confidentially told Emo of the Porte's design to have Vonitsa and Prevesa, to eliminate the Venetians entirely from the Morea, and to make the first attack upon Zara. All that was no news to him. He knew it all came from the same source, the vizier, and replied as he had to Ghika about the glorious record of the Venetian navy against the Turks.¹²³ After all, 'was the Porte not really drawing Emo on to fulfill the first demand of the special embassy? Always shrewd, Emo was not ensnared.

His audience with Damad Ibrahim to present the sultan's gift, after the decision, had been postponed because of the Porte's pressing business. Emo sought to have the audience, especially when he heard it was common opinion that he had been granted full powers. The vizier and the *kiaya* via a confidant proposed an audience with Achmet, an honor not accorded ordinary ministers except at the presentation of their credentials. Emo used his ingenuity to avert the idea of novelty. Again both Ibrahim and Emo won and lost. Ibrahim arranged the audience but without the customary presentation of a letter from Venice, and Emo had to increase the offerings.¹²⁴ Instead of twenty-five robes and one mirror the sultan received fifty robes, partly from the *ragionateria* and partly from eight pieces of *terzanella*, and two mirrors. Emo had expressed fear, yet how near to danger he was, or how little faith there was in the Turks, he realized fully after his return to the embassy. "The congratulations given me explained more clearly the doubts that had been generally entertained and had been concealed through discretion. Many sent messengers to the Porte for information, others believed me to be already in the Seven Towers. Such rumors even caused the flight of a courier in terror."¹²⁵

In no other case did Venice pay a large sum, although gifts played their usual role in hastening a decision and at least outwardly in obtain-

¹²³*Ibid.*, letter from Emo to the Inquisitors of State, 31 October, 1721, with D. 54, 31 October, 1721, ff. 177r.-179v.

¹²⁴*Ibid.*, *Filza* 175, D. 57, 27 November, 1721, ff. 192v.-195v.

¹²⁵*Ibid.*, D. 58, 10 December, 1721, ff. 200r.-204r.

ing a favorable verdict.¹²⁶ Only one other time did the situation involve a threat. During the embassy of Angelo Emo complaints against the Venetians easily aroused the tempestuous vizier, Topal Osman. Once, swearing on the head of the grand signor, he told Brutti that he had ordered the Venetian villages of Vonitsa and Prevesa to be burned and charged Brutti three times to tell Emo of this decision, which was, however, not carried out.¹²⁷ Another time he said: "He understood readily that the Republic did not wish to maintain peace since it permitted disorders to go unpunished for so long a time."¹²⁸ So menacing was his attitude that Emo agreed to have the situation on the boundaries near these towns investigated by a dragoman from the embassy and an *agha*. These representatives improved the relations by transferring certain families from Venetian to Turkish territory.¹²⁹

VENETIAN COMMERCE

AN additional duty of a *bailo* pertained to commerce. He had to protest against officials who arbitrarily increased the customs duties beyond three per cent, the charge agreed upon in the Treaty of Passarowitz. The Porte generally responded rather promptly with a command to the violators to observe the treaty.¹³⁰

The *baili* also made appeal after appeal to their government "to regulate commerce." They viewed with alarm the decline of Venetian trade. Born in the century when mercantilism reigned supreme, they advocated the application of its principles with the hope that Venice would profit thereby. Giovanni Emo made the same suggestions in 1720 which Gritti repeated five years later, Dolfin in 1727, and Angelo Emo in 1731, 1732, and 1733. The old explanation for the passing of thirteen years without such suggestions being permanently acted upon would be the senility of Venice. Another explanation, based on the decision of a commission composed of the Deputies of Commerce and the *Cinque Savii* in 1717 and 1719 about the necessity for greater freedom in trade,¹³¹ is that in the eighteenth century mercantilism was losing favor. Close supervision alone

¹²⁶See *ante* pp. 49, 50.

¹²⁷Angelo Emo, *op. cit.*, *Filza* 183, D. 102, 18 January, 1732, II, ff. 219r.-223v.

¹²⁸*Ibid.*, D. 103, 3 February, 1732, f. 228r.-v.

¹²⁹*Ibid.*, D. 103, f. 230r. *et seq.*; D. 107, 18 February, 1732, ff. 258v.-259r.; *Filza* 184, D. 120, 15 May, 1732, III, f. 32v.; D. 126, 14 June, 1732, ff. 68r.-71r.; Giacomo Diedo, *Storia della Repubblica di Venezia*, Venice, 1751, IV, pp. 240-241, 246. Such difficulties as in these two cases had appeared in earlier years: see the Turkish declaration of war in 1714, Amy A. Bernardy, *L'Ultima Guerra Turco-veneziana*, Florence, 1902, pp. 75-86.

¹³⁰Giovanni Emo, *op. cit.*, *Filza* 174, D. 14, 29 December, 1720, I, f. 71r.; D. 33, 24 May, 1721, f. 188r., and enclosure No. 3; Gritti, *op. cit.*, *Filza* 177, enclosures Nos. 2, 3, 1 May, 1724, translated from Turkish, with D. 28, 7 May, 1724; enclosure No. 2, 15 July, 1724, translated, with D. 46, 17 July, 1724; *Filza* 179, D. 109, 12 July, 1725, and enclosures Nos. 1, 3, 4 [no dates], translated; enclosure No. 1 with D. 115, 26 August, 1725; enclosure No. 4, translated, with D. 123, 28 September, 1725; *Filza* 180, enclosure No. 1, with D. 162, 25 March, 1726; Dolfin, *op. cit.*, enclosure No. 4, translated, with D. 29, 4 August, 1727; D. 46, 12 April, 1728, and enclosures Nos. 1, 2, translated.

¹³¹Augusto Lizier, "Dottrine e problemi economici del secolo XVIII. . . ." *Ateneo Veneto*, vol. 110, 1932, pp. 313-314.

would not have solved Venice's problem. Conditions in the mother city and the competition of England and France were important factors. The heyday of the city state had passed. The national state had replaced the city state in commerce.

The decadence of Venice was clearly shown in the following concrete statements of her *baili*. Giovanni Emo wrote about the regulation by England and proposed the restricting of the ships to two voyages, one in the spring and another in the autumn, with an escort of two men-of-war to the upper waters of the Archipelago where the merchant ships would separate for Salonica, Smyrna, and Constantinople, and similar plans for Alexandria and Syria.

If this system was not entirely satisfactory, in a short time experience would teach a better one.

. . . it would renew the Venetian nation, which exists at present only in name.

There comes to this Quay one ship after another; they [the captains] degrade their charters: they raise the [port] costs; they rush headlong into selling.¹³²

A few days later he again stated the need for regulation.¹³³

In contrast to these direct criticisms to his own government, Emo became the suave diplomat when the vizier likewise referred to the decline of Venetian prowess. Emo was protesting about the Tunisians to Damad Ibrahim.

"Where," he asked me, "are the many [war] ships which Venice had a little while ago and are not seen any more? Perhaps they are all stripped and shut up in the arsenal? Why," he added, "does she not protect her commerce?"

I replied that the Republic had a good number armed at all times, during war and peace, in Summer and Winter, that they may be found on the sea, but the trust, which existed after the Boundaries of the Sea had been established, permitted each ship to go without great precaution.¹³⁴

Although Venetian *saglia* and *londrina* still pleased the Turks, French goods had caught their fancy, English commerce had developed in a few years, and that of Holland declined. "Please God, may the way soon be found to introduce and expand some work which will satisfy the present demand of the Levant."¹³⁵ Emo was convinced that if Venetian ships were protected, they would be patronized; if there were no security, foreign vessels would be used.¹³⁶ Although Venice maintained her reputation for silk, cloth of gold, and wool, she had a serious rival in France for glass and paper, and the Turks were imitating both Venetian and Persian cloth.¹³⁷

After seeing in the port at Constantinople a ship from Saint Malo

¹³²Giovanni Emo, *op. cit.*, D. 15, 29 December, 1720, I, ff. 74r-77r.

¹³³*Ibid.*, D. 17, 2 January, 1721, f. 89v.

¹³⁴*Ibid.*, D. 23, 26 February, 1721, ff. 126v-130v.

¹³⁵*Ibid.*, D. 27, 24 March, 1721, ff. 154r-155r. See [François Emmanuel Guignard] Saint Priest, *Mémoires sur l'Ambassade de France en Turquie et sur le Commerce des Français dans le Levant*, Paris, 1877, pp. 308-328.

¹³⁶Giovanni Emo, *op. cit.*, D. 30, 9 May, 1721, ff. 166v-167r.

¹³⁷*Ibid.*, *Filza* 175, D. 73, 24 March, 1722, II, ff. 286v-287r.

which had made a voyage to America, Alexandria, and Smyrna, Emo reflected that "distance is not the greatest obstacle to commerce. . . . Memories of the times past come before me. In the fifteenth century there was no port or coast where the Venetian flag was unknown. . . ." He suggested some change in commerce to arouse "the languid body by introducing a new spirit," and proposed trading on the shores opposite the Abyssinians and in the Persian Gulf.¹³⁸

The chartering of a French ship in Smyrna by a Turkish merchant to send wares to Venice, the use of an English vessel between Smyrna and Venice, and the sailing of a Venetian ship with the French flag called forth Emo's protests. He was pleased, however, about the arrival of two ships which had come part-way with four that proceeded to Smyrna.¹³⁹ The preference for the English flag and the appearance of a French flag where last year that of Saint Mark appeared on the same ship led Emo to appeal again for a convoy because of the loss of income and because of a more important consideration—"the Turks do not have a good opinion of a nation that hesitates to protect its own commerce." With a reference to his Despatch 23, he quoted Damad Ibrahim again: "What was the Republic doing with her ships that she did not protect her Commerce from a few Pirates?" So well did the English manage their wool trade, by measuring their supply with the consumption, that rarely were they in need and almost always they had an abundance.¹⁴⁰

Another way of showing the need for a convoy was by referring to the scarcity of income. Very little money was received in Constantinople and much less or none from Smyrna on account of the fewness of ships. The remedy for that was in not permitting the use of other flags. From the nineteen ships which had entered the port at Smyrna and the twenty-four which had left in two years, only 5800 *reali* had been received.¹⁴¹ All that Venetian commerce brought to Smyrna and Constantinople exceeded little more than six hundred thousand [piasters] per year. Only fifty pieces of *saglia*, a material which provided a livelihood for so many persons and meant so much to the treasury, came each year to Constantinople and as much to Smyrna. The sale of silks was almost extinct. Gold cloth, damask, and *lastra* maintained their credit. Venetian *saglia* had been praised for its perfection, but French and English kinds outsold it. The French were said to have sold over four million [piasters] per year. The decline in silk sales resulted from the improving of the industry in the Ottoman Empire, the decline in dress, and the precedent of receiving gifts in money established by an avaricious sultan. Although the Turks did much wild talking about a glass factory, the importation of glass

¹³⁸*Ibid.*, D. 76, 7 April, 1722, ff. 299v.-301v.

¹³⁹*Ibid.*, D. 78, 18 April, 1722, f. 310r.-v.; D. 80, 29 April, 1722, ff. 321v.-322v.

¹⁴⁰*Ibid.*, D. 88, 3 June, 1722, III, ff. 25v.-26r.; D. 94, 28 June, 1722, f. 53r.; D. 99, 28 August, 1722, ff. 87v.-90r. See *ante* p. 63.

¹⁴¹*Ibid.*, D. 96, 28 [July], 1722, f. 68v.; D. 125, 20 February, 1723, ff. 254v.-255r.

remained about the same. Paper sales declined only because of French rivalry. A short while before, Venice surpassed all in wool shops. Now she had only one at Constantinople, three at Smyrna which were incorporated with the French, and none in Alexandria, Cairo, and Aleppo.¹⁴²

After so many unfavorable comments Emo made an optimistic one. He quoted the vizier's saying that Venice was beginning to make money because many merchant ships with her flag appeared.¹⁴³ This was only a hopeful sign, not to be followed by a general reform. The criticisms, lamentations, and appeals of Emo were repeated by his successor. Gritti reported that a Venetian ship arrived at Smyrna without any merchandise and stated the danger of ships going without convoy.¹⁴⁴ He too protested about the use of the French flag when a great part of a cargo was Venetian.¹⁴⁵ When another ship arrived at Smyrna without a cargo, Gritti wrote, no doubt bitterly or sadly, about their being "a miserable idea of our commerce." He made a most exact account of proceeds, which certainly corresponded neither to his expectations nor to his diligence.¹⁴⁶ The Venetians continued to use foreign ships and to suffer from their rival, France.¹⁴⁷

The following table shows that there was a decline of 36.3 per cent for the biennium 1723-1724 in comparison with 1720-1722. No doubt some of the decrease was the result of the Russian and Persian situation; but the other causes, so often given, the lack of protection for Venetian ships and competition with the other nations, contributed.

No. 12. Summary of the Accounts sent to the Senate, regarding Merchandise coming from Venice to the Ports of Constantinople and Smyrna, and from these Ports for Venice, on board Merchant Ships with the Venetian Flag, beginning August, 1720, and including all of September, 1724.¹⁴⁸

<i>First Report</i>		<i>Entering</i>	<i>Leaving</i>	<i>Total</i>
For two years sent by Emo	C	D 365654	136855	
August, 1720—all of September, 1722	S	<u>115301</u>	<u>335503</u>	
		480955	472358	954313 (<i>sic</i>)
<i>Second Report</i>				
Sent by Emo	C	72566	87950	
September, 1722—September, 1723 . . .	S	<u>32713</u>	<u>101548</u>	
		105279	189498	294777
<i>Third Report</i>				
Sent by Gritti	C	89867	96759	
September, 1723—September, 1724 . . .	S	<u>35059</u>	<u>91127</u>	
		124926	187886	312812

¹⁴²*Ibid.*, *Filza* 176, D. 126, 24 February, 1723, f. 256v. *et seq.*

¹⁴³*Ibid.*, D. 130, 23 March, 1723, f. 283r.

¹⁴⁴Gritti, *op. cit.*, *Filza* 177, D. 25, 19 April, 1724.

¹⁴⁵*Ibid.*, *Filza* 178, D. 51, 8 August, 1724.

¹⁴⁶*Ibid.*, D. 57, 11 September, 1724, and enclosure No. 1, a copy of a letter to Gritti from the consul at Smyrna, 12 August, 1724.

¹⁴⁷*Ibid.*, D. 73, 26 November, 1724, enclosure No. 8, a copy of a letter to Gritti from Smyrna, 12 September, 1724, and enclosure No. 7, a copy of Gritti's letter to the *Cinque Savii*, 8 November, 1724.

¹⁴⁸*Ibid.*, enclosure No. 12 with D. 73. C, Constantinople; S, Smyrna, D, ducats(?).

The following table shows a slight increase in the second biennium.

No. 15 (*sic*). Account of the Four Chief Venetian Manufactures, that is, Glass, Paper, Silk, and Venetian *Saglie*, on board Merchant Ships with the Venetian Flag, brought to Constantinople and Smyrna, August, 1720—including all of September, 1724.¹⁴⁹

	August, 1720—all of September, 1722	1 October, 1722—all of September, 1723	1 October, 1723—all of September, 1724
1. Glass	D 28809	13354	16352
2. Paper	18920	11459	11830
3. Silk, plain damask, damask with gold, <i>lastra</i> [and others]	62253	33114	30141
4. Venetian <i>Saglie</i>	25115	7802	14880
	D 135097	65729	73203

Gritti persisted in asking for a convoy and regulation.¹⁵⁰ He supported his appeal by sending a memorandum of merchandise which came to Smyrna between September 1, 1723, and November 30, 1724, from Leghorn, Ancona, and Venice in foreign ships; by commenting about the more frequent coming of French and English ships, about the lack of income, and about the decline of commerce.¹⁵¹

The convictions of Emo and Gritti were also those of Dolfin. Early in his mission he stated that commerce ought to be the first object of a *bailo*.¹⁵² When two ships arrived without a convoy, he repeated the plea for protection and regulation. Ships should arrive in February or the first of March, when the demand was greater, because then the Turks provided for Bairam. He also stated that the Persian war was interfering with commerce in the port of Smyrna.¹⁵³ The sending should be in proportion to the demand and the price according to the richness, fineness, and weave of the cloth.¹⁵⁴ Dolfin made the same suggestion which Giovanni Emo had made seven years earlier, that of regulating commerce by sending ships twice a year, in the spring before Bairam and six months later. Such was the English practice. If more remote countries managed their trade, all that Venice needed to do was to issue a command. Otherwise all other efforts proved fruitless.¹⁵⁵

The French were more irregular with their expeditions than the English; nevertheless, the former made a profit because of the vastness of their enterprise. Although only two English ships came each year to

¹⁴⁹*Ibid.*, enclosure No. 15 (?) with D. 73. Other tables in the Archives show the imports and exports carried to Constantinople and Smyrna by Venetian ships: enclosures Nos. 1 and 2 with D. 74, 26 November, 1724.

¹⁵⁰*Ibid.*, *Filza* 178, enclosure No. 1, Gritti's letter to the *Cinque Savii*, 17 February, 1725, following D. 87; *Filza* 179, D. 97, 10 April, 1725; D. 122, 26 September, 1725.

¹⁵¹*Ibid.*, enclosure without number, following D. 97, 10 April, 1725; D. 102, 11 June, 1725; D. 115, 26 August, 1725; D. 132, 13 November, 1725; *Filza* 180, D. 173, 22 May, 1726.

¹⁵²Dolfin, *op. cit.*, D. 16, 27 February, 1727.

¹⁵³*Ibid.*, D. 22, 27 April, 1727.

¹⁵⁴*Ibid.*, D. 28, 4 August, 1727.

¹⁵⁵*Ibid.*, D. 38, 10 December, 1727.

Constantinople and others to Syria, their cargo, of which the great part was wool, exceeded three million *reali*. Venice sent enough silk, but a wrong kind of regulation maintained the fixed prices which were not changed to compete with the English and French prices. The long time given to the Jews and Scots, who bought the silk to resell, was, moreover, another disadvantage.¹⁵⁶

Finally some action took place in Venice. The news from the *Cinque Savii* that commerce was to be regulated produced much joy in Constantinople. It was short-lived, however, because the delay in sailing meant the ships would not arrive for Bairam and because of the scarcity of silk, cloth of gold, and wool. Copious supplies should have been sent to offset the penury which had existed since the treaty with Persia (signed October 13, 1727). Dolfin enclosed a letter from Cortazzi, the Venetian consul in Smyrna, who told about the arrival of a French ship via Leghorn with an abundant cargo of silk, cloth of gold, and other merchandise from Venice, said to be superior to that which came on the ships protected by the flag of the Republic. The arrival of thirty boxes via Yanina showed that the merchants preferred the indirect route to the natural one. Certainly the reestablishment of trade with the Levant, the growth of industries, and the coming of ships could not take place "if the [merchant's] hand which ought to promote is interested in diverting" the plan of the Senate. Dolfin suggested the establishment of honest prices and the regulation of sales.¹⁵⁷

Meanwhile, the ships destined for Constantinople continued to be delayed. Dolfin lamented about the empty shops and the termination of Bairam before supplies came.¹⁵⁸ Almost all the silk and woolen cloth which had arrived via Leghorn and Yanina had been sold. If the silk had been three times greater in quantity and the wool ten times, they would have been as promptly consumed. Only regulation was needed, then industries would develop and Venetian wares would not fatten the income of other nations.¹⁵⁹

When Dolfin heard that three ships would arrive in the late autumn, he stated the disadvantages: the deterioration of the cloth during the warm voyage and the fees while the ships were in port. The English and Dutch were so skilled in nautical art that they brought their ships in the winter which, with spring, was the right season, as summer was for the return. Three ships were too many, the cargo not being in proportion for the coming or the return. The articles most needed were silk,

¹⁵⁶*Ibid.*, D. 42, 14 February, 1728.

¹⁵⁷*Ibid.*, D. 47, 12 April, 1728, and enclosure No. 1, a letter from Cortazzi to Dolfin, 30 January, 1728.

¹⁵⁸*Ibid.*, D. 50, 2 June, 1728. The ships arrived probably as he dictated the despatch, and he added a postscript.

¹⁵⁹*Ibid.*, D. 53, 19 July, 1728.

cloth of gold, and wool, as the shops were empty except for some remnants which did not please the Turks.¹⁶⁰

The Venetian ships referred to in the foregoing paragraph arrived in December. Such irregularity meant the return cargo had to be provided in a hurry; arbitrary prices, missing articles, and disorder resulted. If silk, cloth of gold, and wool were sent in large quantities, prompt sales would follow. Glass, paper, and other articles not in demand deteriorated in the shops and then were sold at prices which degraded commerce. "A superabundance of food overloads the stomach, but does not increase vigor. I beg indulgence for the liberty I take, which comes from pure zeal."¹⁶¹

Dolfin made a dramatic appeal the next year when no news arrived about the fleet after it reached Corfu. "Oh, if our sailors no longer know how to unfurl the sails or if the wind has ceased the practice of swelling them.

"I write perhaps too freely, but I confess that I cannot restrain the zeal which carries me beyond the frontiers of ordinary reserve."¹⁶²

Fortunately Venetian ships arrived in 1729 before Bairam. Before twenty-two boxes of silk and cloth of gold were released by the customs officials, they were ordered to the seraglio for a selection. After the merchants' complaints all were returned except six belonging to Ferro, a Venetian. The vizier asked him why there were so few merchants and such scarcity of merchandise from Venice. Leaving only some pieces for Ferro, the vizier retained the others. When two more cases arrived from Smyrna for Ferro, Dolfin urged him to take them to Ibrahim. The vizier ordered five hundred *braccia* of the best quality of velvet with gold and hinted about fifty cushions of gold damask. He said that the Turks maintained factories at Scio and Constantinople because they did not receive cloth from Venice.¹⁶³

The following example simply repeated that which had been written many times before. Captain Joseph Giordano's ship arrived alone, without manifests and the paying of fees. He had an abundance of glass, sufficient to harm the company which had been following the regulations. While the 120 boxes were still in the customs house, Dolfin suspended the sale and prevented the captain from reloading and leaving without a permit. The Turkish subject, for whom the cargo was intended, was required to satisfy the company directors, then the captain was allowed to reload with wool and nutgall.¹⁶⁴

¹⁶⁰*Ibid.*, D. 54, 1 September, 1728.

¹⁶¹*Ibid.*, D. 62, 7 December, 1728.

¹⁶²*Ibid.*, D. 65, 17 February, 1729.

¹⁶³*Ibid.*, D. 70, 20 April, 1729.

¹⁶⁴*Ibid.*, D. 73, 1 June, 1729.

According to the *ducali* of April 16, 1729, the Senate had decreed that there should be two sailings under protection. The time should be in accordance with the practice of other nations, Dolfin pointed out, or the long storage of the articles consumed the profit and moths ate the wool.¹⁶⁵

The Turkish factories had been twice mentioned as possible rivals when a new case arose. Because of revolutions at home a Scot went to Modane, then to Venice where he learned how to weave. After going to Rome and Corfu, he finally came to Constantinople and presented two pieces of damask and satin to the vizier. At a chess game with the French ambassador Bartolini heard about the vizier's depositing thirteen purses for thirteen weavers' frames and the Scot's instructing persons how to weave damask with gold. Although Bartolini pretended not to have heard this item, he notified Ferro, the merchant. The latter and others came to the embassy the following morning and the Scot was summoned. Quoting the proverb, "Necessity has no law," Bartolini wrote that he had settled the Scot's debts; had paid for his lodging, food, clothing, transportation, and passport; and had given money to both him and his wife. Fearing punishment the director of the factory had fled.¹⁶⁶

Angelo Emo found there was at times an excess of some articles in the Venetian shops in Constantinople, so that it became necessary either to hold them indefinitely or to sell them at a loss. He proposed that the number of ships to Constantinople be reduced to two at each sailing and those to Smyrna to four, and that these come less frequently but regularly, in time for Bairam and in September. He made these suggestions first in July, 1731, and similar ones in August, 1732. He could not help comparing Venetian methods with those of France and England. Those countries found it profitable to limit the number of ships and to proportion the amount of wool and articles to the demand. Venice should do likewise.¹⁶⁷ France had become a successful competitor in the wool trade, because of the number of her merchants and the protection of her trade by laws and agreements. For the third time he stated that too many Venetian ships came to Constantinople at the same time.¹⁶⁸ Emo's own words were indeed a sad comment upon the state of the city whose wealth, power, and fame had been so closely associated with commerce: "It is certain that in the companies of other nations, all is peace."¹⁶⁹ "The trade of the Venetian nation sees itself reduced to such servitude

¹⁶⁵*Ibid.*, D. 75, 12 July, 1729.

¹⁶⁶Bartolini, *op. cit.*, D. 13, 24 February, 1730.

¹⁶⁷Angelo Emo, *op. cit.*, *Filza* 183, D. 64, 1 July, 1731, II, ff. 2r.-7v.; *Filza* 184, D. 137, 19 August, 1732, III, ff. 135r.-139r., 142r.-143r.

¹⁶⁸*Ibid.*, D. 147, 27 October, 1732, f. 196r.; *Filza* 185, D. 160, 20 March, 1733, ff. 279v.-280r.

¹⁶⁹*Ibid.*, *Filza* 184, D. 137, 19 August, 1732, f. 142r.

that the small remainder of its existence depends upon managing it with great delicacy and upon neglecting nothing."¹⁷⁰

THE ATTACKS OF CORSAIRS

DURING the embassy of Angelo Emo the corsairs were especially aggressive. He appealed to the Porte, and obtained firmans providing for the restitution of the cargoes and the punishment of the corsairs.¹⁷¹ After he heard that Algerians were en route to Constantinople, he requested and obtained promises of protection for Venetian ships.¹⁷²

Some of his most involved negotiations followed the successful attack of two Venetian ships against three Tunisian vessels in November, 1733, near the island of Mytilene. He received protests from Janum Khoja, the capitan pasha, after deputations of Turkish subjects and of Tunisians arrived to demand reparation. Villeneuve had paid his respects to Janum Khoja, and Kinnoull had gone to the country; consequently, Emo could call upon this official, according to ambassadorial precedence. He requested permission, and the capitan pasha granted it. During the visit Emo hoped that the capitan pasha would start discussing the subject, but he did not do so. The following day, the Porte presented the official protest: the Venetian captains had violated the Treaty of Passarowitz in punishing the Tunisians, the Porte had been offended in its own house by a friendly power, the houses and fruit trees of subjects had been damaged by the firing, and satisfaction was demanded.¹⁷³ While Emo awaited advice from the Senate, he used all his resources to gain favor and to obtain information. He sent gifts to Janum Khoja; he obtained the confidence of one of the pasha's assistants to whom he gave money.¹⁷⁴ When a ship belonging to some corsairs was wrecked near Corfu, the Proveditor-General of the Sea sent six Turks, who had been on board, to Constantinople on a Venetian ship. Emo notified the capitan pasha of their arrival in order to show the willingness of the Republic to cooperate.¹⁷⁵ Meanwhile, the Tunisian captains had asked the Porte for a caravel to help in replacing their loss, but at first they obtained only the promise of the chartering of two French vessels. That offer did not satisfy them. When Ali Pasha was on his way to the arsenal, January 6, 1734, they threw themselves at his feet and begged him to give them assistance. He then commanded that they be given supplies and the tartan which the capitan

¹⁷⁰*Ibid.*, D. 147, 27 October, 1732, f. 196v.

¹⁷¹*Ibid.*, *Filza* 183, D. 25, 30 November, 1730, I, f. 83r. *et seq.*; D. 65, 3 July, 1731, II, f. 9v. *et seq.*; D. 72, 14 August, 1731, f. 45v.; D. 98, 28 December, 1731, f. 197r.; *Filza* 184, D. 126, 14 June, 1732, III, f. 72r.-v.

¹⁷²*Ibid.*, *Filza* 183, D. 36, 22 February, 1731, I, f. 161r.; D. 41, 10 March, 1731, ff. 189r.-190r.; *Filza* 185, D. 167, 21 May, 1733, III, ff. 330r.-331v.

¹⁷³*Ibid.*, D. 200, 12 December, 1733, IV, ff. 193r.-201v.

¹⁷⁴*Ibid.*, D. 201, 15 December, 1733, ff. 202r.-203v.

¹⁷⁵*Ibid.*, D. 205, 9 January, 1734, ff. 223v.-224v.

pasha had seized in the Archipelago.¹⁷⁶ This vessel was soon put in order, but still they remained.¹⁷⁷ Finally they departed the latter part of February. During this interval Janum Khoja's attitude was not at all encouraging. Complaints began to be heard about the slowness of the answer from Venice.¹⁷⁸ When Emo's instructions, expressing disapproval of the captains' conduct as being contrary to the intentions and orders of the Republic, arrived on February 27, he immediately notified the Porte. Dragoman Ghika called to learn their contents, which were informally given.¹⁷⁹ This type of presentation did not satisfy the vizier, and he requested a written statement. Emo complied. An interval passed without action because of Bairam.¹⁸⁰ Then the *bailo* was informed that before he would be admitted for an audience the vizier must hear the sentiments of the Tunisians. Emo had succeeded in discovering that Janum Khoja was their advocate.¹⁸¹ The vizier gave him Emo's written statement and the memorials of the captains from Tunis. After bargaining, Emo and the capitan pasha agreed on six purses. Those purses spoke eloquently! The capitan pasha made a brief statement to the vizier to the effect that the Tunisians had not observed the boundaries within which they and the Venetians were not to mistreat one another, and since neither fortress nor cannon stood at the place of contention, the Tunisians had nothing due them. Emo was not satisfied. He wished the Porte to admit that the corsairs could be pursued in every place where the sultan did not have a fortress or cannon.¹⁸² After the capitan pasha received the purses, he made a stronger statement than his first one. The Tunisians were to receive orders not to commit acts of violence against the Venetians.¹⁸³ The next step should have been the issuing of a firman and the presenting of a copy to Emo, but weeks passed before the negotiations were thus terminated. Emo received the copy in an audience on July 10, 1734.¹⁸⁴ Then another delay occurred before the corsairs of Algeria, Tripoli, and Tunis were commanded to respect the regulations about attacking Venetians in certain areas.¹⁸⁵ Well might Emo characterize these negotiations which lasted from December, 1733, to August 1, 1734, as a "long and most thorny affair."¹⁸⁶

¹⁷⁶*Ibid.*, D. 205, 9 January, 1734, L.S., ff. 221v.-222v.; S.S., V, ff. 56v.-57r.

¹⁷⁷*Ibid.*, D. 206, 10 January, 1734, L.S., IV, ff. 227v.-228r.

¹⁷⁸*Ibid.*, D. 210, 27 February, 1734, ff. 251r., 252v.

¹⁷⁹*Ibid.*, D. 211, 1 March, 1734, ff. 259v.-263v.

¹⁸⁰*Ibid.*, D. 213, 22 March, 1734, ff. 272v. *et seq.*, 277v.

¹⁸¹*Ibid.*, D. 215, 10 April, 1734, f. 288v. *et seq.*

¹⁸²*Ibid.*, D. 218, 4 May, 1734, also a statement from Janum Khoja to the vizier and Emo's note to the *rcis effendi*, ff. 308v.-316r.

¹⁸³*Ibid.*, D. 221, 28 May, 1734, and second statement from Janum Khoja, ff. 324r.-329v.

¹⁸⁴*Ibid.*, D. 229, 15 July, 1734, ff. 357v., 359v.

¹⁸⁵*Ibid.*, D. 235, 6 September, 1734, and firman, ff. 390v.-393r.; Diedo, *op. cit.*, pp. 269, 277; Gabriel Noradounghian, *Recueil d'Actes Internationaux de l'Empire Ottoman*, Paris, 1897-1903, I, p. 65.

¹⁸⁶Emo, *op. cit.*, D. 235, f. 384v.

TWO CHALLENGES TO ANGELO EMO'S DIPLOMACY

THE accession of Mahmud I created two special problems for Angelo Emo. One was the obtaining of the official announcement of Mahmud's accession to the throne. It was customary to send such a letter by messengers to the courts of Austria, Poland, Russia, and Venice.¹⁸⁷ When couriers departed to the capitals of the first three, in December, 1730, Emo sought to discover why Venice had been neglected.¹⁸⁸ He negotiated for several weeks with the *reis effendi* and the capitan pasha in order to obtain the letter.¹⁸⁹ Finally January 24 was set as the date for an audience with the vizier, but two days before that time the vizier was dismissed.¹⁹⁰ Emo then hoped to receive the announcement when he was presented to the new vizier on February 13; the latter, however, considered that a day of compliments only and Emo merely received promises.¹⁹¹ He finally obtained the letter in an audience on the first of March.¹⁹² Then the weather delayed the departure of the dragoman until the latter part of April.¹⁹³

In November, the Republic sent Emo the notification of his appointment as ambassador extraordinary to present the reply.¹⁹⁴ Another interval occurred while he waited for his credentials and the necessary gifts.¹⁹⁵ Even after they arrived, their presentation was deferred, first because of an epidemic and then because of the weather.¹⁹⁶ The congratulations of Venice were finally extended to Mahmud on December 30, 1732.¹⁹⁷ Twenty-seven months had passed since he had begun his reign; thus did travelling conditions, deliberation, and formality retard diplomatic courtesy.

The other task and diplomatic victory for Emo was the renewal of the Treaty of Passarowitz. In March, 1733, a long discussion started over the declaration, "the continuance of the peace between the most serene and most powerful emperor of the Moslems and the Republic of Venice, remains established through the duration of his empire."¹⁹⁸ The Porte contended that the terms were not binding after the deposition of Achmet III. Emo maintained that according to the law of nations a change of sovereigns did not mean that treaties were thereby void. He asked that the treaty be confirmed as a perpetual one, but the Turks at

¹⁸⁷*Ibid.*, *Filza* 183, second D. 24, 28 November, 1730, I, ff. 79r.-80r.

¹⁸⁸*Ibid.*, D. 29, 1 January, 1731, f. 115r.

¹⁸⁹*Ibid.*, D. 30, 9 January, 1731, ff. 124r.-126r.

¹⁹⁰*Ibid.*, D. 33, 20 January, 1731, f. 139v.; D. 34, 25 January, 1731, f. 145r.-v.

¹⁹¹*Ibid.*, D. 35, 21 February, 1731, ff. 151v.-154r.

¹⁹²*Ibid.*, D. 39, 7 March, 1731, ff. 178r.-180r.

¹⁹³*Ibid.*, D. 45, 28 March, 1731, f. 219v.; D. 47, 4 April, 1731, f. 227v.; D. 54, 3 May, 1731, f. 257r.-v.

¹⁹⁴*Ibid.*, D. 104, 3 February, 1732, II, ff. 237v.-238r.

¹⁹⁵*Ibid.*, *Filza* 184, D. 135, 18 August, 1732, III, f. 129r.; second P.S. of D. 143, 27 September, 1732, f. 175v.; D. 144, 19 October, 1732, f. 181r.

¹⁹⁶*Ibid.*, D. 144, f. 180r.-v.; D. 152, 24 December, 1732, f. 233r.-v.

¹⁹⁷*Ibid.*, D. 154, 24 January, 1733, f. 242v. *et seq.*

¹⁹⁸Cappelletti, *op. cit.*, p. 206.

first refused.¹⁹⁹ After several weeks of negotiations the Porte sent him a draft which contained only twenty-two instead of the twenty-six articles of the original. Emo objected to this change and won his point.²⁰⁰ In another draft the phrase "new peace" appeared instead of "ratification." Again Emo protested, and the word "confirmation" was finally included.²⁰¹ Emo received the official copy in an audience, May 20, 1733, and sent it by Captain Dandolo to Venice.²⁰²

During these negotiations, the other foreign ministers began to manifest interest in the renewal. The Russian resident sought to win favor by suggesting to some Turks that in exchange Venice might be made to cede Vonitsa and Prevesa to the Porte. The English and Dutch ambassadors thought they should have been asked to act as mediators since their predecessors had served in that capacity at the making of the original treaty. The Imperial resident's attitude also seemed questionable, and only the French ambassador supported Emo.²⁰³ Emo defended his action by stating that mediators had served only in congresses, never in Constantinople, and that he had followed the procedure used for the renewal of the Treaty of Carlowitz in 1705.²⁰⁴ These discussions did not prove serious. He reported later the friendly attitude of the English and Austrian representatives, but he was not so sure about that of the Dutch ambassador.²⁰⁵ Emo was also concerned by the delay in Venice.²⁰⁶ Finally Captain Dandolo returned September 15, but the negotiations were not completed until November 9, when Emo and the vizier exchanged signed copies of the treaty.²⁰⁷ Zinkeisen called this renewal "the last renowned act, with which Venice left the stage . . . in oriental affairs."²⁰⁸

THE TURKISH NAVY

Would the Turks wage war against Venice? So closely related to this question was the state of the navy that each *bailo* kept a watchful eye and an attentive ear on the arsenal, the cannon foundries, the harbor, and

¹⁹⁹Angelo Emo, *op. cit.*, *Filza* 185, D. 162, 1 April, 1733, ff. 291v.-298r.; D. 163, 5 April, 1733, ff. 298r.-303v.; D. 164, 11 April, 1733, ff. 306r.-307v.

²⁰⁰*Ibid.*, D. 166, 21 May, 1733, ff. 317v.-327v.

²⁰¹*Ibid.*, D. 168, 28 May, 1733, ff. 336v.-341r.

²⁰²*Ibid.*, D. 169, 28 May, 1733, IV, ff. 2v.-4v., 5v.-6v.; D. 171, 1 June, 1733, f. 14v.

²⁰³*Ibid.*, D. 164, 11 April, 1733, III, ff. 306v.-307r.; D. 166, 21 May, 1733, ff. 317v.-318r.; D. 171, 1 June, 1733, IV, ff. 14v.-16r., 17r.-21v.

²⁰⁴*Ibid.*, D. 181, 13 August, 1733, L.S., IV, f. 88r.-v.; 5 MS. pages are omitted in this copy; see S.S., IV, ff. 135v.-139v.

²⁰⁵*Ibid.*, D. 181, L.S., f. 91r.-v.; D. 183, 20 August, 1733, ff. 104r.-105v.

²⁰⁶*Ibid.*, D. 183, ff. 100r.-101r.

²⁰⁷*Ibid.*, D. 189, 10 October, 1733, f. 135r.; D. 193, 12 November, 1733, ff. 157v.-158r.; Diedo, *op. cit.*, pp. 249-251.

²⁰⁸Zinkeisen and Hammer incorrectly gave *Bailo* Contarini credit for this important piece of diplomacy and persistence: Johann Wilhelm Zinkeisen, *Geschichte des Osmanischen Reiches in Europa*, Hamburg, 1840-63, V, p. 582; Hammer, *op. cit.*, p. 449. Contarini did not arrive in Constantinople until October 25, 1734: Emo, *op. cit.*, D. 240, 28 October, 1734, ff. 409v.-410r., 412v.; D. 241, 17 November, 1734, f. 415r.-v.

the squadron for the White Sea. During the first ten months of Giovanni Emo's embassy, he described the following preparations, which were not excessive for peace: the launching of a caravel, the construction of others, the work in progress on two ships, and the completion of the casting of twenty large cannons. Experience had shown that ships built at Sinope of wood from the Black Sea region were not durable.²⁰⁹ In March, 1721, there seemed to be no unusual preparations in either maritime or land armaments. The fortifications at Vidin would require work for many years, and the expedition to Nish was only sufficient for security. Only those ships previously reported were being constructed. Two old vessels had been sold for traffic and two given to the Tripolitans and Tunisians. Work continued at Top Khaneh and was being observed from time to time by Achmet III and the vizier.²¹⁰ Three months later Emo repeated that there was no great increase in the navy, although much care was being taken to keep it on a good footing and to replace the inferior ships. The casting of cannons proceeded without extraordinary haste, and the manufacture of powder did not indicate any bellicose intentions. The sending of fifteen large cannons to Chocim with an escort of four hundred *Topjis* was about to take place. From one of the officers Emo learned that the cannons were to be used on a fortification recently erected, but the majority of the escort would return. Again he stated that the activity at Vidin and Nish was only defensive.²¹¹ Then in relation to the attack upon some Turks in Venice came more activity which hinted that there might be war. In a stirring and long despatch Emo wrote about the importing of workmen to hasten the completion of the two ships mentioned, about the arsenal visit of the sultan and the vizier, about the removal of one of the officials there, because of his negligence, and about the collecting of "provisions, ropes, sails, and every kind of supplies."

It is said that a decree has been issued to increase the number of Ships with the building of ten others, to be distributed between the shipyards of Sinope, Smyrna, and Constantinople. They had been thought of before . . . but the plan had been discarded. After the launching of the two aforesaid ships, two others will be started. Material had been collected at Smyrna, but work had not actually begun. From there also timber has been continuously and incessantly brought. By means of persons coming from Sinope, I have learned that three Ships have been started and that they plan to build two others.

. . . also there are orders for grapeshot, for all that pertains to the Artillery. The Vizier visits the powder deposits, where there is incessant work. There is no less vigilance regarding the making of cannons, particularly a new kind, similar to those of the Alberghetti . . . but I am told that the former are more rich in metal. If I succeed in obtaining the design with the measurements and calibre, I shall not fail to send it to Your Serenity.

Many say, but I am not sure, that secret orders have gone to the Troops in Asia to hold themselves in readiness, and the same to the Ships at Cairo.

²⁰⁹Giovanni Emo, *op. cit.*, *Filza* 174, D. 11, 26 November, 1720, I, ff. 53v.-54v.

²¹⁰*Ibid.*, D. 26, [18] March, 1721, ff. 149v.-150v.

²¹¹*Ibid.*, D. 36, 19 June, 1721, II, ff. 21v.-22v.

With more foundation I have heard that the commanders in Rumelia, Albania, and Bosnia are to gather Cannons, naval supplies, and everything that it is possible to use in war, and to be ready to execute the orders that will come against the Republic. Actually Janissaries are embarking on a French Ship for Nauplia.

There are cries for revenge and for war. . . .

In a fury the Sultan . . . desires a sudden War which would include every kind of cruelty.

He not only thinks about but declares he will burn the Bailo and all his followers in the Embassy, erase from memory the Venetian Minister, seize the goods, and attack on Land and on Sea the Flag and the possessions of the Republic.

It is believed that the first Vizier has never put his power to so great a proof as to restrain so extreme a disposition. . . .²¹²

"Even if the fervor had declined somewhat" by October, preparations continued. The two ships were about to be launched, and there was no cessation in the bringing of timber and all kinds of material. There was even the desire for fifty ships, to be divided among the shipyards of Sinope, Constantinople, Smyrna, Rhodes, and Mytilene.²¹³

Never again during the next thirteen years did the despatches contain such alarming hints about the navy, although the *baili* watched closely and frequently mentioned the progress, especially the westward sailing of a squadron. Did that mean a secret plan to make trouble for Venice or simply practice? By January, 1722, Emo doubted the possibility of an attack and the alleged bringing of ships from Cairo in the spring.²¹⁴ The ship of first rank had been completed, an old one had been scrapped, and supposedly the plan to build a number still existed. Emo decided to send a man to Sinope to obtain more precise information.²¹⁵ During February and March it was not known if the capitan pasha would sail westward. He was preparing four of the strongest ships and four lesser ones, perhaps with the Maltese in mind.²¹⁶ In April nine ships lay ready, probably destined for Malta, or, as some thought, for Alexandria and Syria.²¹⁷ For attacks against Malta and Venice, however, the squadron was too weak. Some spoke of its going to Apulia, others, the papal coast.²¹⁸ When it sailed April 25, knowledge of the actual instructions was lacking, yet Emo was not afraid. He believed that as long as peace prevailed in Europe, the Porte under Damad Ibrahim's direction would not attack Austria or Venice, and would always consider whether Peter the Great would be involved in the north.²¹⁹

The ship completed in January was not launched until June 4. One of three decks was nearly finished, another would probably be started,

²¹²*Ibid.*, D. 47, 25 August, 1721, ff. 98r.-101r. See *ante* pp. 56-62.

²¹³*Ibid.*, D. 53, [28-30] October, 1721, ff. 169v.-170r.

²¹⁴*Ibid.*, *Filza* 175, D. 63, 7 January, 1722, ff. 234v.-235r.

²¹⁵*Ibid.*, D. 64, 29 January, 1722, ff. 240v.-241r.

²¹⁶*Ibid.*, D. 68, 28 February, 1722, f. 261v.; D. 69, 8 March, 1722, f. 264r.; D. 72, 19 March, 1722, f. 278r.

²¹⁷*Ibid.*, D. 77, 9 April, 1722, ff. 302v.-303r.

²¹⁸*Ibid.*, D. 78, 18 April, 1722, ff. 307v.-308r.

²¹⁹*Ibid.*, D. 81, 30 April, 1722, ff. 324v.-325r.

and four other ships were desired. The best information from Sinope told of timber's being collected there to be brought to Constantinople, because of the defects in construction at Sinope, but the real reason was the interest of the superintendents of the Constantinople arsenal. Emo had not yet been able to send an agent to Sinope.²²⁰

By September the second ship of three decks was approaching completion. Janum Khoja had changed the original plan, making this ship almost as long as the one already launched, although it had been designed to be much shorter. There were rumors about starting a third, having four others, and forming a fleet of forty to sixty vessels. Only five ships of the squadron sailed to Valona and Durazzo. That brought forth three conjectures: a simple visit to the frontiers of the Ottoman Empire, the preparation for an attack on Malta, or the intimidation of the "turbid and inobedient" Albanians. The fact that the ministry indicated the third reason made Emo discard it as the least true and accept the first, especially after Mehemet Effendi returned from France with the view that the maritime power of the Porte was not sufficiently respected.²²¹ Six ships of the squadron returned on November 19, 1722, with Admiral Abdi praising Venetians whom he had met. Such kind words had their reward—the admiral received the two canaries he desired and also fourteen *picchi* of *lastra* and a robe of damask with gold.²²²

Rumors of the despatching of a strong squadron to the White Sea to distract the populace and to weaken the idea of bad Turkish-Russian relations led Emo "to cultivate the Captains and Janum Khoja" and not "to refuse their requests for two pieces of *saglia* of seven *picchi* each, four robes of damask with gold, one of satin, besides two *picchi* of wool for each of the two Lieutenants of the Commanders, a Telescope and two canaries for Admiral Abdi."²²³ Emo's foresight was confirmed. Janum Khoja sent him word that he would direct the squadron to the White Sea and it would consist of thirteen ships. Again Malta was spoken of as the objective. Emo felt there were no sinister intentions regarding Venetian or Austrian possessions. The four ships which were being added to the number sent the preceding year were no stronger than caravels, even if they were not so classified.²²⁴ Later it looked as if the number would be reduced to seven and as if no commander of first rank was to go.²²⁵ Then apparently only six ships would sail. Moreover, the

²²⁰*Ibid.*, D. 90, 5 June, 1722, III, ff. 34v.-35v. The implication here that it was the pride or the selfish interests of the superintendents was qualified by the fact that one of Janum Khoja's ships, constructed in 1724 at Sinope (see *ante* p. 26 and *post* p. 77), showed weakness in 1728: Döflein, *op. cit.*, D. 59, 20 October, 1728.

²²¹Giovanni Emo, *op. cit.*, D. 100, 29 August, 1722, ff. 92r.-93v.

²²²*Ibid.*, D. 112, 25 November, 1722, ff. 161v., 162v.-163r.

²²³*Ibid.*, D. 114, 14 December, 1722, f. 182r.-v.

²²⁴*Ibid.*, D. 123, 7 February, 1723, ff. 240r.-241v.

²²⁵*Ibid.*, D. 124 and P.S., [20] February, 1723, ff. 247r.-v., 248v.

construction of the new ships had not begun. Janum Khoja had received instructions to construct two large ships at Sinope or elsewhere.²²⁶

A month later no others had been started. The critical situation with Russia brought forth such orders as for all the galleots, large and small, to be prepared for sailing, and also produced a friendly attitude toward Venice. Emo received assurance from an *agha*, sent by Admiral Abdi, that the squadron would go to Alexandria and near Malta, and if it were necessary to stop at Zante for provisions, only peace and friendship with the Republic were intended.²²⁷

The other reports about the construction program during Emo's last year and the first comments by Gritti showed no unusual activity.²²⁸ During Gritti's term the Russian situation was less serious than it had been in the preceding years. That might have meant a more sinister attitude of the Porte toward Venice; consequently, his interest and vigilance never wavered. In February, 1724, there was no certainty about the squadron for the White Sea and he could promise only vigilance about obtaining more exact information.²²⁹ It actually was larger, consisting of three ships of first rank, and nine minor ships, or one caravel, one galley, and seven galleots.²³⁰ Gritti became somewhat alarmed about renewed activity on the part of the vizier, who often went to the arsenal, even without the sultan's knowledge. First the capitan pasha received an order to discontinue the rigging of three ships of forty-two *picchi* in length. A few hours later came another order to start working on "three of fifty-five picchi, that is, of first rank."²³¹ The frequent visits of Damad Ibrahim to the arsenal, his many conferences with the capitan pasha, the incessant work and continuous attention to the navy led Gritti to exclaim, "May God preserve [tranquillity] in the Christian provinces!"²³²

Although Janum Khoja completed his ships by July, 1724, the temperamental government placed its dislike or fear of him before its desire to increase the navy, and these two ships were not actually in use until September, 1725.²³³

The fleet to the White Sea in 1725 consisted of nine *sultanc*, one small and two large caravels.²³⁴ Gritti spoke of being consoled when he

²²⁶*Ibid.*, *Filza* 176, D. 130, 23 March, 1723, f. 283r.-v.

²²⁷*Ibid.*, D. 138, 30 April, 1723, IV, ff. 11v., 15r.-16v.

²²⁸*Ibid.*, D. 146, 10 July, 1723, f. 63r.; D. 154, 30 August, 1723, f. 106r.; D. 155, 6 September, 1723, f. 111r.-v.; D. 161, 27 October, 1723, f. 143r.; Gritti, *op. cit.*, *Filza* 177, D. 14, 18 January, 1724; D. 20, 19 February, 1724; D. 23, 4 March, 1724.

²²⁹Gritti, *op. cit.*, D. 20, 19 February, 1724. During the interval of five and a half months before he obtained this information, he sent a list of Turkish ships, with the names, number of guns, age, and length of twenty-five ships; the number of guns and length of four of the five ships under construction; and the number of guns on five caravels: *ibid.*, enclosure with D. 30, 5 June, 1724. He also sent the diagram of a cannon ball: *ibid.*, enclosure with D. 47, 17 July, 1724.

²³⁰*Ibid.*, *Filza* 178, enclosure No. 3 with D. 52, 8 August, 1724.

²³¹*Ibid.*, D. 60, 5 October, 1724.

²³²*Ibid.*, D. 66, 29 October, 1724.

²³³*Ibid.*, *Filza* 177, D. 47, 17 July, 1724; *Filza* 178, D. 121, 2 September, 1725.

²³⁴*Ibid.*, *Filza* 179, enclosure No. 2, 1 March, 1725, with D. 90, 3 March, 1725.

heard that the plan for the White Sea remained unchanged.²³⁵ He sent the following observations about the ship of three decks.²³⁶

	<i>Piedi Veneti</i>	<i>Oncie</i>
Interior width of the main salon	32	11
Length of the same	28	7
Height, or from the masthead to the first deck	37	7½
Diameter of the ordinary cannon mouth in the first corridor . . . . .	..	7

During 1725, eight small ships were being constructed, but the year ended without any extraordinary work.²³⁷ The plan in 1726 for the squadron to the White Sea was for only seven ships.²³⁸ The Turkish navy consisted of thirty ships, eight caravels, and thirty-seven *cairine*.²³⁹ The construction which had been started continued, but 1726 saw no new program.²⁴⁰ This slowing down was no doubt the effect produced by the death of Peter the Great.

How erratically the Turkish government acted may be seen in ship construction. In June, 1722, there was the plan to have six ships of three decks. After six years, the launching of the fourth one took place on September 1, 1728. Dolfin promised "to go cautiously to see it" when the curiosity of the first days had worn off and also to notice if Janum Khoja's opinion prevailed about the new shipshed. He had openly objected to the construction of such vast buildings.²⁴¹ An epidemic prevented this visit. There was talk of building two other ships, but there was delay.²⁴² They were started the following year just after the launching of another ship.²⁴³ Idleness in the shipyards of Sinope and slowness in those of Constantinople were twice mentioned by Dolfin.²⁴⁴ Only two ships and three caravels sailed for the White Sea in the late spring of 1729.²⁴⁵

In 1730 Bartolini reported that the navy consisted of thirty-three ships, seven of which, however, were in bad condition. Of the remaining twenty-six, four were ships with three decks, two caravels were fifty or more *pezzi* in length, the other caravels about forty *pezzi*. With thirty-five merchant vessels, the fleet could be augmented to more than fifty ships, all strong, in time of war. Of seventeen galleys, fourteen were in good condition, nine of the mainland and five of the islands; all, how-

²³⁵*Ibid.*, D. 105, [14] June, 1725.

²³⁶*Ibid.*, enclosure No. 1, 16 June, 1725, with D. 105.

²³⁷*Ibid.*, D. 121, 2 September, 1725; D. 135, 14 November, 1725.

²³⁸*Ibid.*, D. 145, 3 January, 1726.

²³⁹*Ibid.*, enclosure No. 1, 16 January, 1726, with D. 153, 7 February, 1726.

²⁴⁰*Ibid.*, *Filza* 180, D. 176, 27 May, 1726.

²⁴¹Dolfin, *op. cit.*, D. 56, 1 September, 1728.

²⁴²*Ibid.*, D. 59, 20 October, 1728.

²⁴³Bartolini, *op. cit.*, D. 5, 15 October, 1729.

²⁴⁴Dolfin, *op. cit.*, D. 68, 3 March, 1729; D. 69, 25 March, 1729.

²⁴⁵*Ibid.*, D. 73, 1 June, 1729.

ever, were disarmed. There was a great deposit of grain in the arsenal, "in case of need like last year."²⁴⁶ Without haste the construction of the two ships mentioned in October proceeded.²⁴⁷ They advanced slowly because of the lack of material. The repairing of ships was, however, not neglected.²⁴⁸

With the restoration to favor again of Janum Khoja, activity for a few months replaced the slowness of the preceding years. He inspected all the ships, declared four useless, and ordered ten to be constructed: six in Sinope, one in Smyrna, and three in Constantinople.²⁴⁹ The squadron for the White Sea was supposed to consist of twelve ships.²⁵⁰ Then it was reduced to eleven; four of these were to protect commerce along the coast of Nauplia; seven to sail near the Morea, stop at Zante, and sail toward Cape S. Maria, not without a design of recruiting some slaves. Five ships sailed with arms and munitions to Alexandria, six others were being prepared for the Black Sea, two were to remain in Constantinople, and sixteen were to be in Janum Khoja's squadron.²⁵¹ His sailing was delayed, however, first because of the disorders in Constantinople; secondly because of the queen mother's opposition to him.²⁵² In addition to the ten ships ordered in December, three others, from fifty-one to fifty-three *picchi* in length, were to be constructed.²⁵³ Finally four ships departed for the Archipelago and four would sail later for the Morea. The dismissal of Janum Khoja prevented the carrying out of the plans of the preceding month.²⁵⁴ So well disposed toward Venice was he that his dismissal caused Emo to open the packet to add a second postscript.²⁵⁵ His haughtiness toward the vizier and other ministers and the frankness with which he spoke frequently to Mahmud made the vizier, the *kizlar aghasi*, and the *defterdar* suspect him. "They dropped poison little by little into the ears of the Grand Signor": his wish to sail with a stronger squadron than usual was only for his private and wicked designs; his keeping the Levantines united and armed near him, in spite of custom and the recent orders, suggested too much spirit, as did his independence at the arsenal, near which coffee shops, so severely forbidden, were open. The vizier sent also the *agha* of the Janissaries to Mahmud to protest about the danger of another uprising. In a secret visit to the arsenal, Mahmud saw many of the Levantines armed and in a

²⁴⁶Bartolini, *op. cit.*, D. 10, 18 February, 1730.

²⁴⁷*Ibid.*, D. 14, 23 March, 1730.

²⁴⁸*Ibid.*, D. 20, 15 July, 1730.

²⁴⁹Angelo Emo, *op. cit.*, *Filza* 183, first D. 24, 12 November, 1730, I, ff. 71v.-72r.; D. 28, 17 December, 1730, f. 107v.

²⁵⁰*Ibid.*, D. 36, 22 February, 1731, f. 160r.

²⁵¹*Ibid.*, D. 40, 9 March, 1731, ff. 186r.-188r.

²⁵²*Ibid.*, D. 51, 26 April, 1731, f. 243r.; D. 55, 4 May, 1731, f. 258r.-v.

²⁵³*Ibid.*, D. 55, f. 260r.

²⁵⁴*Ibid.*, D. 57, 18 May, 1731, f. 271r.-v.

²⁵⁵*Ibid.*, second P.S. of D. 57, ff. 272v.-273r.

coffee shop. He dismissed Janum Khoja the following day.²⁵⁶ The court followers approved of his fall, speaking of his audacity, avarice, and haughtiness, but the people deplored the loss of one whom they considered "alone capable of restoring" the prestige of the empire in contrast "to his lazy and incapable predecessors." As a result idleness reigned in the arsenal, and two ships which stood ready for the White Sea were entirely disarmed.²⁵⁷

The following year Emo received a letter from Janum Khoja in exile who attributed his dismissal to Ibrahim, the vizier.

If God granted him life, the Empire would have need of him. That in the short time in which he superintended the Navy as Capitan Pasha, he had restored the Ships which would otherwise have perished; that if he had armed a stronger squadron than ordinarily sent to the White Sea, he had nothing else in view than the glory of the Grand Signor. . . . He himself had said to the Grand Signor, that the greatness of such an Empire would never be made known without a strong force on the sea. . . . New Ships . . . good order in the Arsenal, all was his suggestion. . . .²⁵⁸

With the arrival of Abdi, the new capitan pasha, work was renewed on the ships, and discipline in the arsenal improved conditions.²⁵⁹ A change in the vizierate, however, included one in the office of the capitan pasha and Saim Mehemet was appointed. He had had little or no experience on the sea; moreover, it was believed that he would hold the office for a short time only, and he had been appointed simply for the honor of the title.²⁶⁰ Before his dismissal Abdi Pasha told Villeneuve about the possibility of Austria's negotiations with Venice for the building of ships. Villeneuve replied that such a plan was ridiculous; no power situated like Venice would aid in making her neighbor powerful on the sea.²⁶¹ Although work continued, what a nominal figure Saim Mehemet must have been was shown in the expressed hopes that Janum Khoja would be recalled and in the vizier's consultations with old Captain Marabuto.²⁶² After the dismissal of Saim Mehemet, Emo wrote: "Even if there were no first head at the arsenal," the vizier was sufficiently interested, and the fear of Russia prevailed enough to continue the work. Yet the navy had declined so much that "only a few years of similar idleness would have reduced it to nought."²⁶³

From merely being an advisor, Marabuto was advanced to the office of capitan pasha.²⁶⁴ From Emo's description, after a formal visit, of his

²⁵⁶*Ibid.*, D. 58, 30 May, 1731, ff. 274v.-276v.

²⁵⁷*Ibid.*, D. 63, 15 June, 1731, ff. 300v.-301v.

²⁵⁸*Ibid.*, *Filza* 184, D. 120, 15 May, 1732, III, f. 34r.-v.

²⁵⁹*Ibid.*, *Filza* 183, D. 66, 3 July, 1731, II, f. 16r.-v.; D. 73, 14 August, 1731, f. 49r.

²⁶⁰*Ibid.*, D. 80, 29 September, 1731, f. 90v.

²⁶¹*Ibid.*, D. 81, 29 September, 1731, ff. 97v.-98v.

²⁶²*Ibid.*, D. 82, 5 October, 1731, f. 105r.-v.

²⁶³*Ibid.*, D. 97, [20-28] December, 1731, ff. 190r.-191v., 193r.

²⁶⁴*Ibid.*, D. 101, 18 January, 1732, f. 213v.

“placid inclination, robust body in spite of his age, moderate thoughts, more contented than proud of his present position,” one is inclined to give Topal Osman at least half of the credit for the incessant work. He made frequent visits to the arsenal.²⁶⁵ Two months later the weakness of the capitan pasha continued. He had failed to moderate the insolence of the Levantines in the arsenal and nearby streets, and they were being sent on board ships to the White Sea.²⁶⁶ The squadron for the White Sea would apparently not be larger than “the usual 7 ships.”²⁶⁷

With the new vizier, Ali, came a suggestion of a more active policy. On his first visit to the arsenal, he ordered, as Janum Khoja had, “provisions of every kind.”²⁶⁸ In a few weeks he dismissed Marabuto, and appointed Bechir, a brother-in-law of Mahmud, *scilicet* under Achmet III, pasha of three tails, and governor in Anatolia.²⁶⁹ The new capitan pasha appeared to Emo as a man well formed and robust, and with a resolute, disdainful air, but work proceeded more slowly under him than under old Marabuto.²⁷⁰ Five weeks later no unusual preparations had been undertaken.²⁷¹

A new ship of about fifty-three *picchi* was launched in September.²⁷² The preparing of twenty ships for the White Sea was started in October.²⁷³ So much repairing, however, was necessary that the squadron would not consist of more than ten or twelve vessels.²⁷⁴ The frequent visits of the vizier and his liberality meant no slackening of work. In a conference the chief ministers decided to construct three light ships, two at Mytilene and one at Rhodes.²⁷⁵ Later it was decided to build another at Rhodes.²⁷⁶ These preparations no doubt increased the sinking of hopes about the return of Janum Khoja.²⁷⁷ Such preparations were not enough, however, and the state of the navy was such that the Porte requested the ambassadors and ministers in Constantinople to permit the rental of ships belonging to their governments and citizens.²⁷⁸ Although such requests were officially refused, an Austrian vessel and some French ships were chartered.²⁷⁹

²⁶⁵*Ibid.*, D. 105, 6 February, 1732, ff. 244r., 248v.

²⁶⁶*Ibid.*, *Filza* 184, D. 115, 5 April, 1732, III, f. 9r.-v.

²⁶⁷*Ibid.*, D. 118, 25 April, 1732, f. 24v.

²⁶⁸*Ibid.*, D. 121, 21 May, 1732, f. 44r.

²⁶⁹*Ibid.*, D. 125, 14 June, 1732, f. 67r.-v.; S.S., III, f. 106r.

²⁷⁰*Ibid.*, D. 130, 11 July, 1732, L.S., III, ff. 101v.-102v.

²⁷¹*Ibid.*, D. 135, 18 August, 1732, f. 130r.

²⁷²*Ibid.*, D. 141, 20 September, 1732, f. 162r.

²⁷³*Ibid.*, D. 146, 27 October, 1732, f. 190r.

²⁷⁴*Ibid.*, *Filza* 185, D. 157, 11 February, 1733, f. 266r.-v.

²⁷⁵*Ibid.*, *Filza* 184, D. 151, 24 December, 1732, ff. 224v.-225r.

²⁷⁶*Ibid.*, *Filza* 185, D. 158, 21 February, 1733, f. 272r.

²⁷⁷*Ibid.*, *Filza* 184, D. 150, 26 November, 1732, ff. 217v.-218r.

²⁷⁸*Ibid.*, D. 150, ff. 218v.-219v.; D. 153, 24 January, 1733, f. 242r.; *Filza* 185, D. 170, 29 May, 1733, IV, f. 12r.-v.

²⁷⁹*Ibid.*, *Filza* 184, D. 150, 26 November, 1732, III, f. 220r. A year later a Venetian ship was chartered: *Filza* 185, D. 194, 14 November, 1733, IV, f. 167v.

In May, 1733, Janum Khoja was recalled.²⁸⁰ Upon his arrival he became capitan pasha "for the third time" and was acclaimed by all except at the arsenal. Did his ceaseless activity account for his being received there with fear? He was an old man, yet instead of resting after his voyage "he hurried to visit every part, gave orders, and put everyone to work."²⁸¹ He had frequent conferences with the vizier and declared to Villeneuve he would "build a fleet which would always be ready for every occasion . . . nothing was easier."²⁸² He planned to sail with fourteen galleys and left June 29 with ten galleys, his exact destination unknown.²⁸³ Word came of his being at Mytilene, at Scio, and in the Gulf of Nauplia. Not without enemies at Constantinople, he, however, with the support of the *kizlar aghasi* and *mufti*, grew in favor with the sultan.²⁸⁴ With the dismissal of the *mufti*, he lost his best friend in officialdom. His enemies had no idle tongues. Yet he delayed his return.²⁸⁵ When he arrived he was actually received with more grace than was expected.²⁸⁶ How well he knew his colleagues! He had forwarded many purses to be distributed both within and outside the palace, and two days before his return he sent a ship with the flag of Malta trailing in the sea, to appear opposite the sultan's kiosk.²⁸⁷ His fervor and activity remained unabated, but the vizier's ordering the work on the two large ships to stop, the official delay of Janum Khoja's second expedition, and the attempt to poison him indicated that he was not to have a free hand in building a large fleet.²⁸⁸

In April, 1734, Emo summarized the situation as follows: ten ships were to sail in Janum Khoja's squadron, four to the Black Sea for the work at Azov and other fortresses, five to the Archipelago to transport munitions and troops; the two constructed at Sinope were not to be brought to Constantinople before August; two were being constructed on Mytilene and two in the arsenal.²⁸⁹ Janum Khoja won a small victory in obtaining permission to arm one of the ships for his expedition. Then a counter order was issued.²⁹⁰ Before he departed the vizier scored a second time in obtaining a firman which limited Janum Khoja's voyage, and a third time in reducing the construction to one large ship for the transporting of timber from Smyrna.²⁹¹ Its launching and the arrival of

²⁸⁰*Ibid.*, D. 168, 28 May, 1733, III, f. 344r.

²⁸¹*Ibid.*, D. 173, 13 June, 1733, IV, ff. 35v.-36r.

²⁸²*Ibid.*, D. 175, 18 June, 1733, ff. 46v.-48r.

²⁸³*Ibid.*, P.S. of D. 175, f. 49v.; D. 176, 9 July, 1733, f. 51r.-v.

²⁸⁴*Ibid.*, D. 184, 21 August, 1733, ff. 105v.-106v.; D. 188, 19 September, 1733, ff. 133v.-134r.

²⁸⁵*Ibid.*, D. 194, 14 November, 1733, f. 166r.-v.

²⁸⁶*Ibid.*, D. 197, 28 November, 1733, f. 182r.

²⁸⁷*Ibid.*, D. 198, 2 December, 1733, f. 183r.-v.

²⁸⁸*Ibid.*, D. 203, 22 December, 1733, f. 211r.; D. 208, 30 January, 1734, f. 241v.; D. 214, 23 March, 1734, ff. 281v.-283v.

²⁸⁹*Ibid.*, D. 216, 13 April, 1734, f. 300r.-v.

²⁹⁰*Ibid.*, P.S. of D. 219, 7 May, 1734, f. 320r.-v.

²⁹¹*Ibid.*, D. 225, 19 June, 1734, f. 342v.; D. 232, 14 August, 1734, f. 374v.

the two ships from Sinope²⁹² were only a small approach to the fleet talked of by Janum Khoja. The construction at Mytilene was suspended because of lack of wood.²⁹³

Was Janum Khoja interested in the navy or in expeditions? If the former, he used the latter to obtain gifts and gold in order to purchase favor at court and to stay in power. Or was avarice the end and not a means? He made the same demands on inhabitants, consuls, and ambassadors as in former years. So great were they on the islands in the Gulf of Nauplia that a petition came from the Morea asking the sultan to command Janum Khoja not to bother that province.²⁹⁴ Venetian consuls gave him presents.²⁹⁵ On his return, second gifts from the consuls were necessary.²⁹⁶ When he was about to depart for a second expedition, he sent word to the ambassadors, and Emo interpreted the reason for the message as "certainly less [of] courtesy than avarice."²⁹⁷ If the navy were his ultimate goal, he was the victim of politics. His career revealed the decline of the government: the shifting from one policy to another, orders and counter orders, jealousy and bribery.

THE LIBERATION OF ENSLAVED VENETIANS

AN incidental duty of the *baili* pertained to the liberation of enslaved Venetians. In return for thirty Venetians, thirty Turks were released during the first year of Giovanni Emo's term.²⁹⁸ On four occasions a slave was presented to him as a gift or simply freed.²⁹⁹ In addition two others gained their freedom during the residence of Giovanni Emo and eight during that of Gritti.³⁰⁰ Dolfin redeemed eight and hoped to obtain the remaining ones.³⁰¹ After his death Bartolini liberated twenty.³⁰² Angelo Emo aided either openly or secretly thirty-one men and women during his stay in Constantinople, including three who came to the embassy when the rebels of 1730 released slaves.³⁰³

²⁹²*Ibid.*, D. 237, 23 September, 1734, f. 400r.-v.

²⁹³*Ibid.*, D. 237, f. 401v.; D. 239, 9 October, 1734, f. 406r.

²⁹⁴*Ibid.*, D. 184, 21 August, 1733, f. 106r.

²⁹⁵*Ibid.*, D. 179, 26 July, 1733, f. 72r.

²⁹⁶*Ibid.*, D. 194, 14 November, 1733, f. 166v.

²⁹⁷*Ibid.*, P.S. of D. 219, 7 May, 1734, f. 320v. See *ante* pp. 50, 70, 76.

²⁹⁸Giovanni Emo, *op. cit.*, *Filza* 174, D. 14, 29 December, 1720, I, ff. 68r.-69v.; D. 18, 2 February, 1721, ff. 92r.-93v.; D. 28, 25 March, 1721, f. 159r.-v.

²⁹⁹*Ibid.*, D. 23, 26 February, 1721, f. 132r.; D. 25, 18 March, 1721, f. 140v., and enclosure No. 2; D. 32, 24 May, 1721, ff. 183v.-184r.; D. 45, 18 August, 1721, II, f. 92r.-v. and enclosure No. 4.

³⁰⁰*Ibid.*, D. 30, 9 May, 1721, I, ff. 160v.-170v., and enclosure No. 4; Gritti, *op. cit.*, *Filza* 177, D. 28, 7 May, 1724; *Filza* 180, D. 204, 11 January, 1727.

³⁰¹Dolfin, *op. cit.*, D. 29, 4 August, 1727; D. 76, 12 July, 1729.

³⁰²Bartolini, *op. cit.*, D. 12, 24 February, 1730.

³⁰³Angelo Emo, *op. cit.*, *Filza* 183, D. 23, 4 November, 1730, I, ff. 69v.-70r.; second D. 24, 28 November, 1730, f. 83r.; D. 25, 30 November, 1730, ff. 88v.-89r.; D. 41, 10 March, 1731, ff. 190r.-191v.; D. 52, 26 April, 1731, f. 248r.-v.; D. 81, 29 September, 1731, II, f. 100r.-v.; *Filza* 184, D. 109, 7 March, 1732, f. 277r.-v.; *Filza* 185, D. 176, 9 July, 1733, IV, f. 55r.-v.; D. 225, 19 June, 1734, f. 344r.-v.

SUMMARY

THE experiences of the *baili* at the Porte showed diplomacy at its best and its worst. Patriotic zeal and the prevention of war through skilful handling of unpleasant situations were evident in both the Turkish and Venetian officials. Negotiations were slow on both sides. The courier system prevented immediate action, but there was also deliberate delay on the part of the *baili*, the Turkish ministries, and the Venetian Senate. An even more undesirable feature was the purchasing of favor—bribery, if you please. The despatches reveal the decline of the commerce of Venice, her weakness in military and naval affairs, and consequently her failure to lead the diplomatic corps at the Porte.

CHAPTER IV

RUSSIAN-TURKISH INTEREST IN PERSIA AND ITS EFFECT ON THE PORTE'S FOREIGN POLICY

The names, the customs, and the government [in Persia], all are barbarous, and perhaps unworthy to appear before the eyes of the Most Excellent Senate, but bad Gardens do not produce other roses, and I ought not conceal them, because of the influence they can have in the relations between Moscovy and the Porte.—DANIELE DOLFIN, Despatch 45.

IN 1720 the Turkish victory of 1718 was a vivid memory for the Venetians. Would there be another conflict? Again and again that possibility was discussed by their representative in Constantinople. With so frightening a prospect in mind, he carefully watched the complicated relations with Russia and gathered all the information he could about the war in Persia. It was as if each *bailo* listened with one ear to the first, second, and third-hand accounts in Constantinople and held the other to the ground to catch the distant rumblings of war on the northeastern and eastern frontiers of the Ottoman Empire. The actual reverberations comforted him, because he knew they distracted the attention of the Porte from the west.

The *baili* wrote page after page about the Porte's Russian and Persian policies. In fact, the many observations might appear only as a confused picture, if the main events were forgotten. Those events are, accordingly, summarized. The relations with Russia were first peaceful and then strained after she advanced again to the south in 1722 and interfered in Poland in 1733, but peace with her was not broken until 1736. The weakness of Shah Husain tempted Mahmud, an Afghan, who usurped the shah's throne in 1722. Mahmud was overthrown by his cousin, Ashraf, in 1725. Tahmasp Kuli Khan, a general of Shah Tahmasp's, defeated Ashraf in 1730. Two years later he deposed Shah Tahmasp and established himself as the regent. The Porte waged war in turn against the three usurpers, Mahmud, Ashraf, and Tahmasp Kuli Khan, until 1736, when the war with Russia demanded that peace be made with Tahmasp Kuli Khan.

THE PORTE'S CONCILIATORY AND CAUTIOUS POLICY

A KEYNOTE to much that the four *baili* wrote is found in Giovanni Emo's first reference to the Russian-Turkish relations. In October, 1720, he reported that the Turks were compelled to caress the Russian envoy.

It is believed that, except for the taking of gifts and except positive engagements, they are disposed to satisfy the Czar in every possible manner. Ghika spoke

to me of the Czar as a prince who is feared in Europe because of his forces and talent but one who could not be an enemy of the Porte after the last peace because of their frontier.¹

Emo announced the completion of the treaty of 1720 between Russia and the Porte after the exchange of copies in the vizier's room on November 16, 1720. This treaty was more pleasing to Russia than the treaties of 1711, 1712, and 1713 had been regarding Poland, the Porte concurring in the czar's wishes, with some restrictions. From a rough draft in the possession of a Russian interpreter, Dragoman Volta, of Venice, ascertained that one provision permitted the czar to assist Poland with arms if the king of Sweden should attempt to change the Polish kingship into a hereditary monarchy. The peace was to be one of perpetuity.² This amount of information did not satisfy Emo. "Not without hard work" he obtained from one of the Turkish secretaries a copy of the treaty. A comparison of this copy with a printed text completely substantiates Emo's conclusion that there could be little more in the official text.³ By February 8, 1721, there had been no public announcement of the treaty, and there were varying judgments about it.⁴

In the meantime the situation in Persia had begun to appear serious. In November, 1720, Emo had written:

For some time Persia has been agitated by revolutions, a fact which has made the Porte decide to send an envoy to the King [Husain]; another factor has been said to be the commercial interests of Caesar [Charles VI] in Persia. Recently a Vassal has made himself master of Kandahar, a Province adjoining the Boundaries of the Mogul, has taken the titles of King, has coined money with his name, and has invaded Persia. His followers and reputation continue to increase. . . . Many Conferences are being held here by the principal Ministers; various expeditions of men have been sent to the Pasha of Babylonia [Bagdad],⁵ since it is believed that the army of Persia would not be sufficient to restrain the rebellion and the Porte would thus provide auxiliaries. These acts are very opportune to maintain

¹Giovanni Emo, *Dispacci*, A.S.V., *Filza* 174, D. 9, 14 October, 1720, H. MS., I, f. 39v.

²*Ibid.*, D. 11, 26 November, 1720, ff. 511r-52v.

³A summary of the most important items, made from Emo's copy:

Art. II. The Czar will withdraw all his troops from Poland within two months from the day on which this treaty is signed. If the king of Sweden enters Poland with troops, then the Czar's troops can also enter without that being a cause for rupture between the Porte and the Czar. If the Czar enters Poland as a result of the attempt of other Christian Powers to make the Polish kingship hereditary or to dismember that state, the Porte will not oppose the Czar. The Czar must retire without interfering with the constitution or liberty of Poland.

Arts. III, VII. The boundaries between Russia and the Ottoman Empire are to be as follows: Kiovo and its neighboring region on the Dnieper are to remain the Czar's; all on the other bank, including half of the island Seci, is to be ceded to the Porte; the frontier is to be in the middle of the land between the Samara and Arel rivers, the part adjoining the Samara to belong to the Porte, that adjoining the Arel to the Czar.

Arts. IV, VI. There is to be no fortress between Azov, on the Turkish frontier, and Kherson, on the Russian frontier. If the Porte wishes to fortify Azov, it may do so. Cameno and the fortress at the mouth of the Samara are not to be rebuilt.

Arts. III (in part), VIII, IX. Russians, Cossacks, and other subjects of Russia are not to give offense to or join with the Kalmucks to attack subjects of the Porte. Similarly the Tartars are not to give offense to or attack Russians directly or attack them under the pretext of attacking the Kalmucks: Emo, *op. cit.*, D. 16, 29 December, 1720, and enclosure, ff. 80r.-87v. See Gabriel Noradounghian, *Recueil d'Actes Internationaux de l'Empire Ottoman*, Paris, 1897-1903, I, pp. 228-233.

⁴Emo, *op. cit.*, D. 21, 8 February, 1721, ff. 114v.-115r.

⁵See *ante* p. 16.

Kassan [Hasan] as Pasha of Babylonia, who seized the province after fifteen⁶ years of deriding and deluding the Porte, did not await orders, and killed those who were so unfortunate as to carry them to him. He reigns as a sovereign, although he sends each year the customary tribute to the Grand Signor. So great is the dissimulation of this Government that it does not declare him a rebel and constrain him with force, but communicates with him, shows confidence in him, and honored him a short time ago by creating his Son Pasha at the premature age of seventeen.⁷

About a month later the Porte received a request for aid from Husain. Many divans were held, but it was decided that any assistance would provoke resentment among the Turks, because they considered the Persians heretics. Instead a policy of protection for the frontiers was adopted and orders to this effect were sent to the pashas of Babylonia and Basra. Some believed that the ministry had a plan which was directed against the noted Hasan of Babylonia. Even with this critical situation in Persia and a revolt in Cairo, the Porte did not neglect to watch the western Powers.⁸

Although 1720 did not end well, the greater part of 1721 brought no essential changes. The Porte continued to favor Russia. When the Russian envoy received a despatch late in February, he asked for an audience, in order, it was believed, to present the ratification of the treaty. Instead of that, Emo learned from him as well as from Turkish accounts, he submitted complaints from the Cossacks against the Tartars of the Crimea and demanded that the Porte send a *kapuji* to restrain and to punish the offenders. In a brief audience, the vizier, Damad Ibrahim, consented to all.

This apparent friendship had aroused England. When some men, who in Bender called themselves Russians, arrived in Constantinople, they declared that they were Prussians with letters to the English ambassador and that their purpose was to buy horses for their king. Some thought they had a secret commission for both the English and Imperial representatives to disturb the Russian-Turkish relations.⁹

Nearly four months later, in June, the envoy had not yet presented the ratification. When the Porte urged him to do so, he excused himself on the ground that the gifts had not arrived and suggested his audience precede the gifts. At an audience with the vizier on June 7, he received the usual caftan. Ten days later he had an audience with Achmet III. According to rumors secret conventions were added to the treaty at this

⁶See Joseph von Hammer, *Geschichte des Osmanischen Reiches*, Pest, 1827-35, VII, p. 200 and note.

⁷Emo, *op. cit.*, D. 11, 26 November, 1720, ff. 54v.-55v. "Questa credenza che Bagdad fosse fabbricata sulle rovine di Babilonia non solo era comune a' tempi del Navagero [sixteenth century], ma lo fu anche assai posteriormente": Eugenio Alberi, *Relazioni degli Ambasciatori Veneti*, Florence, 1839-63, Series 3, I, note on p. 35.

⁸Emo, *op. cit.*, D. 16, 29 December, 1720, ff. 79v.-80r. See *ante* p. 24.

⁹*Ibid.*, D. 24, 1 March, 1721, ff. 133v.-134v.

last occasion with the assistance of Rákóczy, but after "combining all things," Emo doubted the report.¹⁰ In August, when six months had elapsed without the envoy's having letters from his government, he presented some furs to mollify the sultan and the ministers.¹¹ Even after the arrival from Russia of the resident, Neptyneff, in September, there was no mention of the gifts by Emo.¹²

Thus far the greater part of 1721 had brought no outstanding change or event. The latter part of the year, however, produced a far more complicated set of possibilities. In October observations were being made in Constantinople that the naval preparations by Russia suggested a movement in favor of the Pretender [James III]. Mehemet Effendi had returned from Paris with the advice that aid to the Pretender would be a very good way of opposing Austria, and if he were restored, he would not fail to be well understood by Austria's enemies. The *kiaya* accordingly called an Austrian dragoman to ask about the state and circumstances of the Pretender, the sentiments of the emperor toward him, the relations of King George with the emperor, and the effect that would be derived from a change of rulers in England.¹³

The Porte was deliberating about sending a *kapuji* to the czar, a rather unusual method, because the envoy had replied to some inquiry that he and the resident did not have instructions. Whether this request referred to the maritime preparations or another subject, Emo did not know or state. He next told about the arrival of a Turkish subject from Asia, called [Martuloglu], which signified the son of the killed. Soon after his arrival a special divan was held with him, the *mufti*, and Mehemet Effendi, but the subject remained hidden. The ministers were watching closely the affairs of the Christian Powers: leagues, matrimonial ties, peace in the north, reports from Wallachia, and the next imperial election. Would there be war? Not with Malta, Emo decided. The Turks used the word "Malta" figuratively and made it conceal the real objective. As for Russia, they considered that power much differently from former times, and the relationship with her obscured their attitude toward Poland. The forces of Austria made so much of an impression that she scarcely seemed a probable enemy, especially during the term of Damad Ibrahim, who through artful ways had turned aside the ferocious policy of Achmet III.¹⁴

¹⁰*Ibid.*, D. 36, 19 June, 1721, II, f. 23r.-v. Francis II (Rákóczy), the Transylvanian claimant who lived in exile at Rodosto from 1717 until his death in 1735.

¹¹*Ibid.*, D. 42, 1 August, 1721, f. 50r.-v.

¹²*Ibid.*, D. 50, 28 September, 1721, f. 140r. For a biographical sketch of Neptyneff, the resident in Constantinople from 1721 to 1734, see Eugene Schuyler, *Peter the Great*, New York, 1890, II, pp. 452-456. For this spelling of Neptyneff's name, see *The Cambridge Modern History*, New York, 1902-12, VI, p. 304.

¹³Emo, *op. cit.*, P.S. of D. 53, written 31 October, 1721, ff. 174v.-175r.

¹⁴*Ibid.*, *Filza* 175, D. 55, 14 November, 1721, ff. 185r.-186r., 187v.-188r.

Later in November, after the confirmation of the peace of the north, the vizier's policy became more positive. He proposed an alliance with Peter the Great against Austria. The sending of the *kapuji* with the Russian envoy had been viewed as a means to promote such an alliance. One day the envoy spoke of this expedition in order to foster one idea, the next day, another idea. Just before he departed he took care to have it considered only as a personal honor to him. There was no doubt that the Turks had much respect for Russia. Although the friendship was mixed with jealousy, the Porte strongly desired to fortify itself against Austria either for defensive or offensive purposes. When complaints arrived about an invasion of Ottoman territory by the Kalmucks, the Porte was satisfied with the promise that the same severity it used the previous year against the Tartars would be meted out to the Kalmucks.

The relations with France were likewise friendly. More talk of the Pretender indicated another way of caressing France and Russia. "A secure source" told Emo of the sultan's recent deliberations against Venice. The vizier had asked the Russian envoy, if "a war of revenge" were started, what assistance did he think the Republic would have? The envoy repeated his reply to Emo: the conflict would not be with Venice only, but also with her allies. Although the sultan was not opposed to war, the vizier would not consent to it rashly on account of the [Ottoman] Empire, his own position, and his family, Emo reasoned.¹⁵

When the czarina's physician arrived with letters to announce the establishment of peace with Sweden, Emo resumed his account of the Porte's attitude. Although it hoped much from the treaties with Russia, it secretly stimulated the friends of Sweden. A Russian invasion of Poland was not feared so much as the revival of Peter's desire for Azov. Suspicions of him increased not a little. Had he not delayed a long time to ratify the treaty? Also before the conclusion of peace, did he not send persons to visit all the ports and bays of the Caspian Sea? Was Persia not in grave disorder? Rumor hinted too of relations between the rebels there and the czar, and his coming to Moscow had not been unobserved.¹⁶ In an audience, the Russian resident was granted permission to celebrate the Peace of Nystad, by illuminating the interior and exterior of the embassy, a practice not tolerated at other times, but he was asked not to use fireworks on account of the fire hazard.

Another courier from Moscow brought two letters: one telling the manner of Peter's assuming the title of emperor and the other how the Emperor Maximilian (*sic*) had used the new title. Neptyneff communicated their contents to all the foreign representatives except the English

¹⁵*Ibid.*, D. 57, 27 November, 1721, ff. 196v.-198v.

¹⁶*Ibid.*, D. 60, 29 December, 1721, ff. 217r.-218v.

ambassador. He had also the task to tell the Porte, not officially but simply, about the Usbegs' killing more than a hundred Russian merchants and robbing others of more than two million piasters.¹⁷

As the last months of 1721 brought fear to the Turkish ministry regarding Russia, they did also about Persia. In March and in July the reports of Husain's successes against the rebel prince of Kandahar, Mahmud, pleased the Porte.¹⁸ With the return of Dourry Effendi from Persia, the more serious condition became known. Mahmud's powers and fame were increasing, and Husain was sending an ambassador to Constantinople.¹⁹ When the Persian arrived in December, he brought in place of welcome news, the story of Mahmud's strength and of the Lesghians' rebellion in Shirvan.²⁰ His audiences with the vizier and the sultan produced neither announced nor rumored results except the Porte's agreeing to have Persian subjects leave Turkish territories.²¹ Evidently his stay in Constantinople was not being prolonged.²² When he sent flowers to Neplyneff and suggested a visit, he was so well guarded by the Turks that it was assumed the visit would not materialize.²³ Although the Porte gave permission to an Austrian dragoman to discuss commerce with him, he departed in April without any further communication with Neplyneff, and apparently without any known success for his mission.²⁴

Emo wondered if true hatred were not the real state between Russia and the Porte rather than friendship.²⁵ How much fear or how much wishful thinking existed among the Turks may be surmised by Emo's stating that "persons of esteem indicated as if they knew that the Czar would pursue his Baltic enterprise."²⁶ Again Emo concluded that the vizier would wage war only through necessity and only when a secure opportunity occurred.²⁷

The next despatches from Peter the Great contained two items: one, couched in the language of diplomacy, to the effect that the resident

¹⁷*Ibid.*, D. 64, 29 January, 1722, ff. 237r.-v., 238r.-v. Perhaps Emo meant Maximilian II Emmanuel, the elector of Bavaria.

¹⁸*Ibid.*, *Filza* 174, D. 26, [18] March, 1721, I, f. 146v.; D. 42, 1 August, 1721, II, f. 51r.-v. Instead of consistently using the name Mahmud, the Venetians more often called him Mirevis Oglu, that is, the son of Mirevis, or simply Mirevis.

¹⁹*Ibid.*, *Filza* 175, D. 55, 14 November, 1721, f. 187r. In his relation to Achmet III Dourry Effendi spoke of Persia as being very beautiful, but "lacking persons capable of governing," and quoted Persians who said, "the shah has finished his career, his empire is lost, he has reached the fatal period": *Relation de Dourry Effendi* . . . , Paris, 1810, pp. 54-55.

²⁰Emo, *op. cit.*, D. 60, 29 December, 1721, f. 218r. The ambassador's name was Mortaza Kuli Khan: Jonas Hanway, *An Historical Account of the British Trade over the Caspian Sea*, London, 1753, III, p. 92.

²¹Emo, *op. cit.*, P.S. of D. 63, [29] January, 1722, f. 236r.; D. 64, 29 January, 1722, f. 239r.-v.

²²*Ibid.*, D. 67, 23 February, 1722, f. 259v.

²³*Ibid.*, D. 69, 8 March, 1722, f. 265r.-v.

²⁴*Ibid.*, D. 72, 19 March, 1722, f. 277r.; D. 77, 9 April, 1722, f. 304r.

²⁵*Ibid.*, D. 67, 23 February, 1722, f. 258v.

²⁶*Ibid.*, D. 69, 8 March, 1722, f. 265r.

²⁷*Ibid.*, D. 72, 19 March, 1722, f. 277r.-v.

was to express to the Porte the constant sentiments of the czar for peace; the other bristling with hints that the czar would erect a fort in the extremity of his dominions near Azov. The ministry did not wish the people to hear the second item.²⁸ Emo found it more difficult than usual to discover the opinion of the ministers. In an audience Neplyneff maintained that the reports from the Crimea to the Porte were exaggerated. Emo believed it to be true that the occupiers of Shemakha had asked aid from the Turks to be used against the Persians and promised most ample conquests. Some of the ministers who were considered astute were rather inclined to give aid, but they weighed the jealousy of Peter the Great and sent the messenger back with only pleasant words. The Turks sought to depreciate the state of affairs on that frontier.²⁹

From this rather passive state the ministry was stirred into action by the news of Mahmud's capture of Ispahan and Husain's flight to Babylonia or Basra. After a special divan on May 15, 1722, orders went to the pashas of Babylonia, Basra, and other places to put their troops and supplies in readiness.³⁰ Then contradictory rumors about the victory arrived. Although merchants had received no news from their correspondents, the flight of Husain was fairly certain, but the rumor of his brother's accession was not confirmed. The pashas of Babylonia, Erzerum, and Van reported that Mahmud was in possession of the suburbs of Ispahan, and the city could hold out only a few hours. Emo was reasonably sure of some information regarding one of the many councils: the czar's ambition was estimated to be not less than his forces and he was not to be given time enough to act; the *kaziasker* and others replied negatively to the question if it were lawful for Turks to occupy Persian provinces; the *mufti*, probably guided by the ministers' inclinations, to which he always rendered obedience, said that pacts with rebels were not obligatory. According to Emo's view the sultan and vizier had made up their minds and held this council more to give authority to their maxims than to weigh reasons. He was assured that orders had gone to the pasha of Van to occupy Erivan, to the pasha of Erzerum to occupy Tabriz, and to Hasan, Pasha of Babylonia, to proceed to Ispahan. Orders also went to Syria, Asia Minor, and other regions. Thus by frequent conferences and activity the ministry sought to assure the people. Although the Lesghians offered themselves many times to the Porte, neither a messenger nor a letter came from Mahmud. Hasan of Babylonia was chosen as the principal *seraskier*—a rare and perhaps unheard of example of committing all the forces to a man who had been a rebel for twenty-five years³¹ and

²⁸*Ibid.*, D. 78, 18 April, 1722, f. 300r.-v.

²⁹*Ibid.*, D. 81 and P.S., 30 April, 1722, ff. 324r.-v., 327v.

³⁰*Ibid.*, D. 85, 23 May, 1722, III, f. 17r.

³¹A discrepancy and an error, see *ante* p. 87 and note 6.

against whom so many orders had been sent. There were doubts enough about the wisdom of this selection, but he would not subordinate himself to others and there were no means of retiring him. Much hope was placed in his talent and in the effect of all the responsibility which had been given to him.³²

PETER THE GREAT'S ADVANCE ON THE CASPIAN SEA

EARLY in June, 1722, rumors began to circulate about the czar's expedition toward Astrakhan. The Porte sent troops and supplies, yet seemed not to wish to admit any quarrel and gave more credence to Neplyneff's assurances than to the appeal of the khan of the Tartars. Emo saw two letters from the khan to the vizier and a reply explaining the disputes and expedients, and he was assured that another letter from the khan plainly put before the Porte how much harm would come if the czar's power was not restricted. Some wished for a precise reply by the vizier; he, however, threatened the khan with deposition if he were not obedient to the Porte's maxims, and there were rumors his brother was to be substituted.³³

In the same despatch Emo had nothing to report about Persia except Mahmud's besieging the suburbs of Ispahan and the last rumors about another defeat of the Persian army.³⁴ Five days later Emo summarized the contents of letters from Aleppo to English merchants: the army of Mahmud was by no means so powerful as reports had announced; he had first attacked Bander Abbasi, which was inhabited by many English, and through their prodigious indulgence, he had obtained the greater share of the revenues; he had defeated the Persian army, although it was superior in numbers; then he had proceeded to Ispahan. Whether Husain remained in Ispahan or had departed did not appear.³⁵ A month later Emo wrote: "So obscure are Persian affairs and so differently narrated and supposed are the Moscovite movements that it is not possible to form any judgment of the future when there is no knowledge of the present state." The item most often heard was that some Georgians had occupied territory with the czar's knowledge. Couriers arrived in Constantinople, but Emo had no means of confirming their reports. The Polish envoy found the Porte more easy to appease than formerly. The czar's activity had probably been verified; consequently, the air in Constantinople was more mild than the Pole had hoped. Frequent conferences among the Turkish ministers, the despatch of troops and artillery for

³²Emo, *op. cit.*, D. 90, 5 June, 1722, ff. 30v.-33v.

³³*Ibid.*, D. 92, 23 June, 1722, ff. 47r.-48r., and enclosures Nos. 2, 3, 4.

³⁴*Ibid.*, D. 92, f. 48r.

³⁵*Ibid.*, D. 94, 28 June, 1722, f. 52r.-v.

Trebizond and Azov, and watchful observation of Russia and other European Powers were the methods being used.

Something more concrete was the sending of Besich Agha, a man with expert knowledge of Persia and in the vizier's confidence, with letters to Husain and to Mahmud, who was eighteen hours from Ispahan and not yet master of the city. After ascertaining the true state of affairs, especially the intentions of Mahmud, Besich was to communicate with Hasan in Babylonia and ask his opinion about the means of introducing a settlement and ending the war.³⁶

The Turks' opinion of the czar's forces and their knowledge that they had much to lose and little to gain in a war meant a cautious policy. They wished still for a war in Europe which would leave them free and unhampered. With the return of the *kapuji* from Russia, Emo heard that Peter again assured the Porte of his friendship and of his using the forces which God had given him to punish some neighbors who dared to bother him. The more secret communications, which the *kapuji* might have brought, were not easy to discover, but apparently the Porte was surprised at the czar's accompanying the expedition to Astrakhan. The vizier sent Ghika to Neplyneff to accuse him of insincerity in hiding facts. In a second interview Ghika used bitter words; nevertheless, when the khan of the Tartars wrote about the menace in the growing power of Russia, the Porte's replies always imposed moderation and peace.

News arrived that beyond doubt Husain had abdicated, not in favor of his brother but of his young son, who had beheaded four of his father's principal advisers. Mahmud was in Julfa, and Ispahan had been reduced to extremities. No report announced any participation by the Turks; the pasha of Erzerum was merely observing, and all the pashas were ready for action.³⁷

In September, 1722, many rumors circulated about Peter's activity: the appearance of Russian troops in Georgia; the arrival of the czar in Astrakhan; and the invasion of Shirvan by a large corps, of which a small detachment had pushed inward and had been pushed back by Lesghians. At the appearance of the Russian flag the people of Georgia, Imeretia, Guria, and other places had offered to surrender to the czar. Another corps had appeared in Circassia and Terek, and planned an invasion of Daghestan. If all these reports were true, Emo commented, the czar's ideas were not moderate and the patience of the Turks would have no little exercise. All these populations on the shores of the Black Sea recognized in some manner, either through vassalage or protection, the sovereignty of the Porte. Fundamental in such violations was the Rus-

³⁶*Ibid.*, D. 96, 28 [July], 1722, ff. 62r.-63v., 70r.-v.

³⁷*Ibid.*, D. 100, 29 August, 1722, ff. 94v.-97r.

sian-Turkish jealousy over the domination of the Black Sea. The khan of the Tartars never ceased to hint at the ruin involved in the czar's objectives: Russian troops surrounded the Crimea, fortresses built along the Volga were a manifest infraction of the treaties, the khan wished to be dismissed, and he loved private life better than so infamous a position. The vizier considered action neither opportune nor necessary and confirmed to the khan the first orders of moderation and patience. It was quite clear that the Turks strongly desired not to be involved in a war with the czar and not to be offended by the fortune of Mahmud. Religion was more potent than arms. To procrastinate after such irritating circumstances contributed much to an understanding of their real desires. They were not wearied by the Asiatic situation. They watched the western European Powers. Rumors of war among those nations led the Turks to resume vigorously the work in their arsenal. Would they attack Austria, Poland, or Venice? There would probably be no formal siege of Malta.³⁸

In October, Achmet Agha, one of the many messengers sent to Persia and the Crimea, returned from his mission. After his long conference with the vizier, *kiaya*, and *reis effendi*, they sent Ghika to Neplyneff in Belgrade, where he arrived at midnight. He returned directly to the court for a special council with the *mufti* and others. A courier was sent to the Tartars' khan, and Neplyneff called for an audience, from which he excused himself for the first day. On the second day, he had a two-hour audience, and he visited Emo the third day. From many sources Emo pieced the account together. The vizier used surprisingly temperate and mild expressions in regretting that friendship did not exist. Neplyneff protested against the czar's sincere intentions being doubted, and suggested that if he were not believed, a courier might be sent. This proposal pleased the vizier. Nisli Mehemet Agha was selected, and strict orders were sent to the Tartars to abstain from any action. Although the distance was not great, news could not have been more confused and uncertain, Emo stated. First he heard about a defeat of the Russian army in Daghestan, then how the czar was hailed as a liberator when he arrived in Georgia and his protection requested. Without doubt he was oppressing the Lesghians and other peoples, yet the Porte resolved to impose patience on the Tartars and to send an envoy to Peter the Great. Some held the opinion that there ought to be war. Some thought the czar had planned a huge enterprise for a long time, but while the war with Sweden continued, the Caspian Sea was not a focus. As soon as the peace of the north was signed, he ought to have ratified the treaty with the Porte. The

³⁸*Ibid.*, D. 104, 15 September, 1722, f. 121r.; D. 106, 25 September, 1722, ff. 125v.-128v.

Turks found comfort in knowing that the points of dispute between England and Russia were not yet composed and in thinking about the jealousy which the czar's plan to open the commerce of Asia would arouse in the English and the Dutch. The arrival of the news that the Russians had defeated the Lesghians and were masters of Tiflis and that Peter had been received by the khan and the patriarch of Georgia led to a new conference, followed by the departure of the envoy with a Russian dragoman and a Turkish *agha*.³⁹

The Turkish ministers decided to order General Ibrahim⁴⁰ to go into Georgia with the army which was massed in the vicinity of Erzerum, in order to force the khan of Tiflis to return to his obedience, even if he had placed himself under the czar's protection. Troops and supplies of every sort were to be despatched to Trebizond and Azov. That Achmet III and the vizier believed war inevitable was a common opinion. One report said that the *agha* of the Janissaries wished to avoid war and another that the assurance of the Holy Roman Emperor was needed. Until now there had been hopes for a conflict among the Christian nations. Murmurs were also heard against the ministers. Their negligence and love of luxury and amusements had permitted the czar's advance. If the murmurs grew louder, the sultan might become alarmed and offer a victim. Emo had some verification that the vizier realized his danger. To counteract the ill-will he postponed a procession from the royal palace and the *selicter's* marriage with a princess; he mixed secret executions with public blandishments and liberality. Though Ghika visited Neplyneff frequently, confirmed the good intentions of the Porte, and expressed faith in those of Russia, the Porte at the same time attempted to discover England's attitude, but Stanyan, the English ambassador, gave no encouragement.⁴¹

Word was to be sent to the principal khan of Daghestan that the sultan would come to his defense. When the *mufti* was consulted whether the khan of Tiflis and other Georgian princes who had been subjugated by the Russians and had thus repudiated their sovereign and their religion, ought not to be persecuted, he answered with the affirmative. Other unfavorable reports arrived: the Georgians under the Russian standard had overrun Shirvan and a portion of Gilan; the khan of Komush had submitted; the czar had decorated the principal khan of Georgia with the cross of Saint Andrew.⁴² He requested that Gilan, Shemakha, and all territories adjoining the Caspian Sea be ceded to him;

³⁹*Ibid.*, D. 108 and P.S., 22 October, 1722, ff. 137v.-142r., 144r.-v.

⁴⁰The phrase "General Ibrahim" is used hereafter to distinguish Ibrahim Pasha in the army from Damad Ibrahim, the vizier.

⁴¹Emo, *op. cit.*, *Filza* 175, D. 110, 24 October, 1722, III, ff. 146v.-149v.

⁴²*Ibid.*, P.S. of D. 110, [27] October, 1722, ff. 151v.-152v.; D. 113, 2 (?) December, 1722, f. 167r.-v.

otherwise he would wage war. There was no longer doubt about his activity near the Caspian Sea.⁴³

The announcement about the defeat of the Russians at the hands of the Lesghians sounded pleasant. How different the real story! Soon after Neplyneff received despatches from Moscow, Ghika went to see him. Neplyneff, at the vizier's request, said his despatches did not reveal that the Russians were marching and some were already in Komush, but he told Emo that the Lesghians were defeated, Derbent and Baku were in Russian hands, and the Georgians were in close contact with the Russians. Emo also saw a letter whose contents were similar to this explanation. In spite of care the facts became known, and public opinion cried out against a government which offered to negotiate. When it was rumored that the envoy to Russia had not been permitted to cross the Russian frontier, and that General Ibrahim had replied to his orders to advance against the Georgians with the excuse that snows prevented him, petitions were presented to Achmet III which almost reproved him for being fascinated by ministers whose luxury and amusements would ruin the empire. The vizier made it clear there was to be no discussion, and his secret executions produced silence. In reply to the sultan's reproof, he offered a war plan, stating that he was not shunning war now when it was necessary, but the enemy ought not to be warned of action simply to please the people. Then he staged an act. Could there have been a more opportune moment than on November 24, in the presence of the principal officials, for the arrival of two pashas from Erzerum bringing the news of a Russian defeat with over fifty thousand dead? Signs of incredible happiness on his face while he read the letters! Demonstrations of exultation! Similar scenes took place in the rooms of the *reis effendi*, *kiaya*, and every other minister. In the streets men embraced one another "as if they had escaped from a shipwreck." Details were circulated and believed. The vizier had saved himself and there was praise for him. Then came the revelation that the couriers had arrived the day before and were hidden by the vizier, and two days later new messengers failed to confirm the reported victory. The general spiritlessness which follows great joy prevailed in Constantinople, and some of the more wise doubted the report, although they were forced to show the contrary. Neplyneff received the news that only a party of Cossacks was defeated and not the czar's own troops. Although daily expeditions departed for Asia and work in the arsenal continued, Emo felt that the vizier was determined not to break peace with Russia.⁴⁴ The defeat of the Russians was no

⁴³*Ibid.*, enclosure No. 4, a paragraph from a letter written by a Capuchin priest, residing in Tabriz, 5/16 September, 1722, with D. 111.

⁴⁴*Ibid.*, D. 113, 2 (?) December, 1722, ff. 168v.-176r.

longer sustained; even if it had been administered to any of his followers, the czar would have to abandon the enterprise.⁴⁵

Twelve days later, obscurity and doubt remained. Although the *kiaya* told an Austrian dragoman that Dirling could write to Vienna that the czar would be obliged to abandon his plan, news of the czar's progress contradicted the evident hopes of the Turkish ministers, and all men coming from Asia were kept hidden. Janum Khoja reported his having seen a letter in the vizier's hands from Daud Khan about his victory; Emo had Janum Khoja questioned, and found the letter was from General Ibrahim, who said the *Daghestani* had defeated the Russians and that his own troops were too weak to oppose the Russians. If this version were true, the vizier was not deceived, but wished to deceive. The Porte still maintained its account of the victory, yet concealed a person from Erzerum and other messengers. Emo recalled a similar deceit used by Murad IV regarding a victory in Georgia and by Achmet I in Anatolia. The vizier evidently planned either to be ready if war started or to reestablish a new peace. A person in his confidence said the vizier thought that the czar had not given the Porte cause for a just war, since he had not violated the boundaries.⁴⁶ In January, 1723, despatches from Astrakhan to Nepllyneff and from Moscow to Bonnac helped the vizier to procrastinate; the czar was returning to Moscow and the Porte might rest assured of his sincere intentions. There was incomparable exultation in Constantinople again. Nepllyneff told Emo that "the lack of food had conquered the Army and confused the design of the Czar; consequently with sudden resolution he had abandoned an enterprise long meditated and begun with happy auspices," and Derbent was evacuated. This last point Bonnac contradicted. Such news called forth varying views in Constantinople: either discord at home in his absence or the defeat of the shah of Persia made the czar fearful of being among such barbarous people.⁴⁷ The Turks, however, remained doubtful about the withdrawal from Derbent.⁴⁸

MAHMUD'S USURPATION OF THE PERSIAN THRONE

IN December, 1722, news had come about Mahmud. Having received sixty thousand men, he was confident he could take Ispahan.⁴⁹ Both he and the Porte were governed by Russian activity. In January, 1723, two messengers from Babylonia brought the news of Husain's surrender

⁴⁵*Ibid.*, P.S. of D. 113, [2] December, 1722, f. 177r.

⁴⁶*Ibid.*, D. 114, 14 December, 1722, ff. 178r.-179v., 180v.-182r.

⁴⁷*Ibid.*, D. 117, [22] January, 1723, ff. 191v.-193v.

⁴⁸*Ibid.*, D. 120, 23 January, 1723, f. 211r.

⁴⁹*Ibid.*, P.S. of D. 113, [2] December, 1722, f. 177r.-v

(November 23, 1722). Many consultations of the Turkish ministers followed. War with Russia would be a grave matter, one with Mahmud even more serious. Two plans resulted: to let Mahmud advance as little as possible; if that did not succeed, then to require him to acknowledge the sultan as emperor of Mecca and Medina. In the meantime the frontiers were to be fortified.⁵⁰ Although the Turks pretended his victory had some favorable points, Emo considered the Persian situation still rather uncertain. According to the Porte's version, Hasan Pasha's letters described Husain's giving to Mahmud "the scepter, the Crown, and all the royal Insignia, saying that it was less grave to be deprived of his Kingdom than to fight to maintain it at the cost of his subjects, already reduced to eating human flesh. Having heard that Mirevis [Mahmud] made a gracious reply . . . and then—to make the story more admirable" Mahmud prayed neither for Husain nor for himself, but for Achmet III. Such prayers would signify "subordination and dependence" in relation to the Porte. Ghika repeated all in the Venetian embassy, confirming every point from a witness as well as from Hasan's letters. But letters of Armenian merchants differed about certain points, especially the prayer for the sultan, and all the preparations and the conferences in Constantinople belied the idea. A man who had been sent by the vizier, upon returning from Erzerum, reported that many of the best Turkish troops were offering themselves to Mahmud and that the pashas had hard work to restrain others. The ministers suspected Mahmud's modesty and questioned if their protection to the khan of Daghestan were not an argument for the acerbity of Mahmud; nevertheless, as Ghika told Emo, they planned to unite with the khan in occupying the territory between the two seas. Apparently the report of the prayer for the sultan by Mahmud was false. The proposal to declare him a rebel by a *fetva* of the *mufti*, Emo believed to be offset by the prudence of the vizier, who was less disposed to commit himself decisively than to draw profit from accidents and to use a thousand artifices. From Ghika again Emo learned the vizier's plan: to make Mahmud a friend, if not a subject; not to have him too close because of his power; to act as a mediator between him and Shah Tahmasp, the son of Husain, who had spirit enough but was too badly provided with forces even to concede him a principality between the Ottoman Empire and Persia.⁵¹ Two days later Emo wrote that Mahmud "had made himself King without any indication of dependence on, or regard for the Porte."⁵²

Connected with both the Persian and Russian situation was the design of union with the khan of Daghestan. That would increase the power of the Porte besides weakening the control of Mahmud, and the czar could

⁵⁰*Ibid.*, D. 120, 23 January, 1723, ff. 213r.-v., 214v.-215r.

⁵¹*Ibid.*, D. 121, 5 February, 1723, ff. 222r.-226r.

⁵²*Ibid.*, D. 123, 7 February, 1723, f. 240r.

not pursue his plan of the preceding year without breaking with the Porte after the khan had accepted its protection. Evidently fear of Russia was diminishing or the risk of war was not desired.⁵³ Suspicions grew again when it became known that the courier had left Moscow after the czar's return instead of before.⁵⁴ The return to Moscow might have been a hopeful sign in itself, yet if one statement were known to be false, what might be the hidden object?

This complicated state of affairs was discussed in a special divan held on February 9, 1723, and reported at length by Emo after he had gathered his information from more than one who was present. The supposed subordination of Mahmud was no longer believed; he was being both neglectful and superb toward the Porte. The inhabitants of Armenia and Erivan had asked General Ibrahim to take them under protection. The ministers agreed by a uniform vote to establish garrisons in Tabriz, Erivan, and other places; those provinces, having been Turkish once, became Turkish by right when the Persian crown passed to Mahmud. If he or Tahmasp, who was in Kazvin, dared to attack places embraced by the Porte, they would be punished as rebels. The influence of Mahmud was feared more than his arms; people from all parts of the frontiers were marching to join him at Ispahan. Some hoped that the vizier would be induced to denounce him and to deprive him of his followers by a *fetva*, and the officials discussed the advisability of invading Persia and driving Mahmud from Ispahan. But rationalizing prevented action. If the Porte should undertake open violence against Mahmud, the favorable attitude toward him would increase. Were there not rumors that he wished to retake those Persians who were held by the Turks? The best plan was to prevent his advance. The repugnance of the Turks to activity led Emo to reason that if Mahmud did not attack or if he would render himself obedient in any form, they would be most happy.⁵⁵

Emo, consequently, described the vizier as nourishing dreams about the dependency of Mahmud and the modesty of the czar. When a letter came from the khan of the Tartars regarding the czar's violent designs, Neplyneff was called on February 21 for an audience, and the vizier used heated expressions. In a special council the following day, the vizier was again fiery and a declaration of war debated. Ghika hinted to Neplyneff of war while he induced Bonnac, the French ambassador, to intervene to prevent a conflict. The vizier wrote letters to both of the ambassadors. From extracts of these, Emo concluded that the threat was made only to obtain an opening for negotiations.

⁵³*Ibid.*, D. 121, 5 February, 1723, ff. 226v.-227r.

⁵⁴*Ibid.*, D. 123, 7 February, 1723, f. 239r.

⁵⁵*Ibid.*, D. 124, [20] February, 1723, ff. 242r.-246v.

The reported orders to the pashas of Tabriz, Erivan, and Georgia were now considered false. They had been announced as mere artifices to test the people's faith. Mahmud's fame increased day by day. Some of his followers had gained possession of Kazvin, and Tahmasp had fled to Tabriz. The latter had received some assistance from the khan of Georgia, who having seen the vacillation of the khan of Erivan, had introduced garrisons to maintain the devotion of that city to Husain's son. The vizier proved to be so fertile in inventions, one after the other, that the populace did not have time to recognize them. The grief over an exploded delusion was succeeded too rapidly by the happiness of a new delusion. Emo sent Corner, a Venetian who had accompanied him, to visit the *kaziasker*, who was first in the confidence of the vizier and the *kiaya*. The *kaziasker* grieved that the Porte could not object to the acquisition by Mahmud of so beautiful a kingdom as Persia, of which he was unworthy, and asked if there were no way whereby France and England could oppose him. The increase of troops, the rumor that the vizier would join the army and the sultan go to Adrianople or Anatolia suggested some plan, yet all was uncertain, including the theater of the war.⁵⁶

About three weeks later, Neplyneff and Bonnac sought to calm the vizier and to persuade him to use the Russian courier instead of sending a *kapuji* or *agha* to Moscow. When Emo heard that the czar was going to St. Petersburg from Moscow, he commented that he knew how the Porte would interpret the change in residence. Mehemet Effendi, returning from France, had, however, given a warning against wishful thinking by saying there was nothing more obscure in the world than the conduct of the czar. At this time his triumphs at Derbent and widespread preparations were in the gazettes. Bonnac was exerting a great deal of pressure. Before an audience with the vizier, he had a conference with the *kiaya* and *reis effendi*, where certainly less water was consumed than wine, Emo and the other foreign ministers having been asked for something for the occasion. Emo had not discovered what had happened, but he knew Bonnac sought to make the officials believe that the czar would not disturb affairs. In an audience with the Dutch ambassador the vizier called Mahmud "an usurper, the Son of an infamous Father who had acquired Kandahar by assassination," and spoke of the fugitive Persian princes as "too troublesome." Some interpreted Mahmud's staying in Ispahan as a method of establishing himself firmly, others as an indication of his weakening because of the climate. There were no doubts about the occupation of Kazvin by his followers. Yet the vizier's amusements had increased. It was manifest the Porte did not wish to be the first to

⁵⁶*Ibid.*, *Filza* 176, D. 127, 2 March, 1723, ff. 263r.-270r., and enclosure No. 1.

move regarding Russia. Of the precautionary measures, there was no part of the empire which had not received repeated orders for the pashas to enroll Janissaries and to hold themselves in readiness to march at a signal. In the Venetian embassy Ghika did not deny that if the czar attacked the Ottoman Empire, the Porte would join Mahmud, release the Tartars, and wage a defensive attack, hoping to fatigue the czar or to make him falter. Provisions continued to be sent to Azov, and Janum Khoja was supposed to depart for Sinope to command on the Black Sea in case of a conflict. Mehemet Effendi's report seemingly made Louis XV prefer war to peace. The vizier was said to have thought that France, Spain, Holland, and England had considered waging war against the Holy Roman Empire, but they lacked the necessary money.⁵⁷

Although Dirling had been told that troops were to march to occupy Erivan and to subject the Georgians, "a person worthy of some faith" informed Emo that those orders had been countermanded. A request from the *kaziasker* for Austrian assistance was brought to the embassy by an unknown person. Bonnac attempted to persuade the Porte to be served by Russia in dislodging Mahmud.⁵⁸ Both Neplyneff and Bonnac indicated the czar's reply would soon arrive, but Emo suspected that Neplyneff did not expect a courier. Troops, munitions, food supplies, and orders had been sent. Ten small galleys were ready for the Black Sea, and others were being put in readiness. Janum Khoja was about to depart for Sinope and four other men for Azov.

The same obscurity as before surrounded the Persian situation, no less in facts than in the intentions of Mahmud, and likewise in those of the Porte toward him. There were varying rumors about Tahmasp, but Emo believed they were started by the vizier. Emo had two definite reports which would make him suspect Damad Ibrahim. The son of the *kapuji* who had departed with the flags and gifts for the khan of Daghestan came to see Emo and spoke of his father's letter. The *kapuji* had written that he had not gone beyond Kars, because he had word that the khan had left to interview Mahmud. The other report, which came from Hasan Pasha, was that Mahmud said his intention consisted of "the entire occupation of the Kingdom of Persia." The Porte published, however, only those announcements which pleased the populace, but it had stopped executing critics.⁵⁹

Among the announcements was one which said Mahmud would recognize the Porte's superiority. But, Emo argued, if that were so, it was unreasonable for the vizier and other ministers to speak of him as a usurper unworthy of so illustrious an empire or for them to make so

⁵⁷*Ibid.*, D. 130, 23 March, 1723, ff. 277r.-283r.

⁵⁸*Ibid.*, D. 129, 4 March, 1723, f. 276v.; D. 133, 24 March, 1723, f. 296r.-v.

⁵⁹*Ibid.*, D. 134, 29 March, 1723, ff. 299r.-301r.

much preparation. Some letters said that Tahmasp was at Tabriz with seventy thousand men, others that he had gone toward Ispahan. It was also uncertain whether he had sent an ambassador to the Porte and another to Moscow.

Almost all letters of Armenian merchants agreed that Russian troops were pouring into Gilan and reinforcements arriving at Derbent. On April 13 a courier arrived from Moscow, not having been more than twenty-five days en route and probably urged by the czar to hasten. He was questioned by the *reis effendi*, and Neptyneff assured Ghika that the *agha* and the envoy would give an account of the czar's sincere and amicable intentions. A special council met on April 17 and Bonnac in an audience asked for a continuation of peace in the name of the czar. When the *agha* arrived, April 21, even though the hour was late and the night stormy, he was conducted to the palace of Beshiktash, where the sultan was residing. The sultan, disposed to peace, heard with joy the most ample declarations of friendship. Ghika had conferences first with Bonnac and then with Neptyneff. For preliminary negotiations the possession of territories acquired was seemingly to be accepted. Either the Porte did not know or disregarded the fact that such a basis meant first, that Russia would possess Derbent and Baku, the principal port on the Caspian, and second, that Russia would dominate the sea and the province of Shirvan, already disposed of by the Porte to the khan of Daghestan and in part occupied by him.⁶⁰ When news of the Georgians' submission to the Porte arrived, Neptyneff sent a courier to the czar. Even so their submission was doubted. Not a day passed without the sending of an *agha* or a *kapuji*. The fortification of ports was pretended to be permitted because the czar had erected new fortifications.⁶¹

The decision not to detain the ambassador of a claimant to the Persian throne had been made. The vizier consented to admitting Tahmasp's ambassador.⁶² A rather startling report from an Armenian merchant contained two essential articles: first that Russian troops had arrived in Gilan mounted on horses sent by Tahmasp, en route to Tabriz; and second that Mahmud at the head of a most powerful army was marching toward Tabriz.⁶³ A report of a month later from the capitan pasha said that Mahmud was not far from the city, with a strong army well provided for, while penury existed in Tabriz; and that it was difficult for the Porte to hinder him inasmuch as he was a true Moslem. This view, Emo noticed, differed from that of the ministers. Again orders instructed General Ibrahim to invade Georgia. Talk about the Georgians' submission to the

⁶⁰*Ibid.*, D. 137, 25 April, 1723, IV, ff. 4r.-8r.

⁶¹*Ibid.*, D. 138, 30 April, 1723, ff. 14v.-15v.

⁶²*Ibid.*, D. 137, 25 April, 1723, f. 7r.; D. 138, 30 April, 1723, f. 15v.

⁶³*Ibid.*, D. 139, 30 April, 1723, f. 18r.

Porte continued, but General Ibrahim doubted the sincerity of the khan, Vakhtang.

Upon returning, May 25, Nisli Mehemet Agha reported his seclusion in Russia; the presence of Georgians and Armenians; the probable return of the czar to Astrakhan; the czar's design of opposing Mahmud, aiding Tahmasp, retaining the dependence of the khan of Komush, and permitting the Porte only an apparent protectorate in Georgia.⁶⁴ The envoy repeated the czar's declaration about peace, and said it was no more to the Porte's than to Russia's advantage to let the fortune of an ambitious usurper, like Mahmud, grow.⁶⁵

More obscurity clouded the relations between Mahmud and the Porte. Hasan Pasha sent an *agha* to ask Mahmud if he recognized the sovereignty of the sultan. Mahmud replied that the sultan was honored as the first emperor of the Moslems, but he wished to maintain his independence. Then from "a source worthy of some credence" Emo learned of Mahmud's first letter to the Porte, in which he quoted two verses from the Koran and thereby deduced the duty of the Porte to aid him. Until now he had been far from the Ottoman frontiers and had not asked for assistance. When he reached Tabriz, he would be near enough to be able to pursue their common enemies as a brother. This letter and one from General Ibrahim, who still detained Tahmasp's ambassador, were the topics discussed in a special council, which many attended. The religious tone of Mahmud's letter made an impression. After the *mufti* had spoken, the general sentiment was for aiding Mahmud, but the vizier moderated such hastiness by suspending the council.

Contradictory reports circulated about General Ibrahim. The first one said that more than six thousand of his troops had been routed by a rebellion of Georgians and Armenians. The second, from men of the Porte and in part even from the vizier, said that General Ibrahim had taken Tiflis. Emo sought the true state of affairs through a man faithful to Adjy Mustapha. This Turk was unfavorably impressed by the complacency of the vizier and the new species of bacchanal of the ministers, deplored the lost opportunities, and asserted that because of the lack of notices, all reports, good or bad, were simply inventions. On the other hand, a wise and sincere man, near the ministers, affirmed to Emo that he had seen a letter, which was signed at Tiflis, from General Ibrahim. Neplyneff maintained the Russians were near Baku, had occupied all the province of Shirvan, and had driven out the Lesghians. Daud had fled to the mountains or to General Ibrahim. A defeat of Mahmud's detachment by the combined forces of Russia and Tahmasp lacked confirmation. In

⁶⁴*Ibid.*, D. 141, 31 May, 1723, ff. 29r.-33r.

⁶⁵*Ibid.*, D. 142, 9 June, 1723, ff. 37v.-39r.; enclosure No. 1, letter of Count Golofkin, 28 February/11 March, 1723, with D. 141.

view of such contradictions Bonnac confided to Emo that nothing of any moment was occurring on either side, that the movements of General Ibrahim tended to divert, not to engage, and that the czar had gained territory near that already acquired but not according to the explanations. The only certain fact was the Porte's resumption of the despatch of reinforcements to Azov.⁶⁶ Why the vizier had not made the general's letter public immediately was not known. He did so some days later, announcing the capture of Tiflis by doubling the illumination for Bairam. The appointment of a *vice-defterdar* for Tiflis, according to a custom after conquests, and the preparing of caftans for the five pashas, furthermore, indicated the victory. As usual there were different versions of the capture of Tiflis; all agreed, however, about the flight of Vakhtang, khan of the Georgians. He had supposedly sought safety at Derbent or some other place near the Russians. The Turkish victory meant the acquisition of all Georgia, to be followed soon by that of Mingrelia, Imeretia, Guria, and Abkhasia.⁶⁷ Then came another version to Emo: Bonnac said that General Ibrahim's letter reported he had taken only two castles and he hoped to occupy Tiflis.⁶⁸ This last report, however, in time proved to be false. Tiflis had been taken by the general. Among the details which either corrected or supplemented the earlier accounts were the items that the khan of Erivan was not in the army but had come as Tahmasp's lieutenant to oversee those provinces, especially Georgia; that when General Ibrahim left him partly in charge he exercised such hatred against the principal Georgians, that the general had him decapitated, along with several others; and that Vakhtang, khan of Georgia, had fled to the mountains instead of to the Russians, and his son had been promoted by General Ibrahim. The general had been made *seraskier*. The Porte's sending of troops to him increased the belief that there would be further progress; the ministers, however, spoke of Erivan neither as a secure gain nor as a place offering resistance.

A résumé of the relations with Mahmud and Russia was given by the *kiaya* to someone in whom he had an interest in confiding:

When Mirimamud (*sic*) left the mountain slopes of the Mogul, he was not considered because of his obscure name, then because of his alleged religion.

While he occupied the Capital of Persia, the Porte, thinking him a true Moslem and as such obedient to the prince of Moslems, had not thought of opposing him, but now that he had shown himself to be without religion and without due reverence for the Sultan, all respect for him ceased.

After concluding the peace [of 1720] the Czar had asked the Porte not to object if he undertook revenge against the Daghestani, and the Porte had agreed.

Under this pretense he occupied Derbent.

He then withdrew, making believe that his plan was finished, but really hiding his most ample designs. At first the Turks feigned not to comprehend all, then seeing his thoughts become more determined, they were forced to undertake action.

⁶⁶*Ibid.*, D. 146, 10 July, 1723, ff. 59r-62v.

⁶⁷*Ibid.*, D. 147, 14 July, 1723, ff. 64r-65r.

⁶⁸*Ibid.*, P.S. of D. 147, f. 67r. Emo began this postscript, "In these minutes"; evidently he was just closing his despatch.

Ibrahim, Abdullah, Pasha of Van, and Hasan, Pasha of Babylonia, were, accordingly, ordered to occupy and protect Persian provinces, which would be restored in part to the Legitimate Ruler.

A declaration will be made to Moscovy, and she will have to decide on peace or war.

The Turkish ministers were neither lazy nor timid, as perhaps the Czar thought. . . .

Only the prudence of Venice had prevented a war two years ago. . . .

If the Czar did not take care to avoid one, it would not be difficult at present for the Porte to act.

Although it was true the Ambassador of France had offered his services, there was no need for mediation. If the case should arise, the Porte was not without friendly princes and it was not customary to let mediation be in the hands of only one.

The *kiaya's* explanation or rationalizing having ended, Emo added other facts. Being eager for an audience with the vizier, Bonnac tried various artifices. When all failed, he sent a note to Damad Ibrahim in which he called attention to the sending of troops as dangerous to a settlement. The ministers considered they were being intimidated and were confirmed in their opposition to both the audience and the offer of mediation. When Ghika notified Neplyneff that he would be called for a conference with the *reis effendi*, Neplyneff said his instructions were for him to act only with Bonnac. Then the Porte asked both, not in the usual way, but simply by one of Ghika's domestics. Bonnac replied that inasmuch as the function was solemn, he did not intend to present himself without a note from the vizier. The note which the vizier sent said that he would be pleased to have the minister of France present as a mutual friend. The first conference took place on July 15 (?). According to both Neplyneff and Bonnac, general subjects were mainly discussed, except for the indication that the Porte would occupy Georgia and would adhere to the demands presented by the envoy at Moscow. In the second conference on July 16, the Turks explained themselves more clearly and asked for the evacuation of all places occupied by Russia.⁶⁹

Emo procured "in their entirety from a secure source," the demands presented at Moscow, the replies, and the rejoinders. The Porte declared:

1. Daud Khan of Daghestan had submitted to the Ottoman Empire; therefore Moscovy's action violated the treaty.

2. The abandonment of Derbent [by Russia] was the sole means of maintaining friendship.

3. The Russian Army must not enter Persia under any pretext, and the Czar must not meddle in those affairs.

4. He must not lend arms to the Georgians.

5. The Caravan taken by Topal Juan must be paid for; he and other Cossacks must be punished.

⁶⁹Emo, *op. cit.*, D. 149, 31 July, 1723, ff. 74v.-78v. The dates, July 15, 16, do not correspond with Bonnac, who gave July 25, 29, although it is apparent that Emo and Bonnac were speaking of the same conferences: Charles Schefer, *Mémoire Historique sur l'Ambassade de France à Constantinople*, Paris, 1894, "Relation abrégée de la conférence . . .", pp. 201-212.

Peter the Great replied:

1. The enterprise against Daud Khan was not completed; as the Porte had undertaken his cause, it must reimburse [the Czar] for the damage and the expense of the last Campaign.

2. The Czar would not abandon Derbent or a palm of the new acquisitions.

3. [The Czar] proposed a suspension of arms in Persia by the Porte and Moscovy and meanwhile gave orders to the Resident [Neplyneff] to start negotiations for the convenience of both Empires. He declared, however, his plan of occupying certain ports and places on the Caspian Sea, professing that there he was not fighting the Porte or any other power.

4. As Georgia was a dependency of neither the Porte nor Russia, the Czar did not wish to enter any Conference about that subject.

5. The effects of the Turkish Caravan had been consigned to the Turkish Commissioner and the Cossacks punished. The Porte ought to restore the 30,000 persons enslaved by Deli Sultan. . . . Deli was being protected by the Sultan in violation of the Treaty.

In the discussion of the *reis effendi* and Adjy Mustapha with Neplyneff and Bonnac, Adjy Mustapha said the Porte intended to recover the territory of Astrakhan from Russia. Bonnac replied that if the demands were carried to such extremes, there could be no mediation. This conference ended without a decision. Bonnac was called for another without Neplyneff, and the haughtiness manifested earlier by the Turks was moderated, perhaps to discover the powers granted to Neplyneff or to give the czar an opportunity to avoid war.⁷⁰

A series of unfavorable items against General Ibrahim came to Constantinople, among which were the unconfirmed death of the khan of Erivan, the delay in seizing Erivan, the appointment of the Georgian khan's son. These led Achmet III to the point of dismissing the general and even of having him beheaded. The vizier averted the sultan from that design. He also modified the sultan's idea of the possibility of acquiring all Persia and his repugnance to moderation with Russia. In a conference on August 20 with Neplyneff and Bonnac, Adjy Mustapha announced the Porte's plan of reoccupying all the territory that had once been in its dominion; whereupon Neplyneff asked for a more specific statement. Adjy Mustapha replied: "It was unnecessary to repeat that which is recorded in the histories of all nations." Neplyneff sustained the Russian possession of all territory acquired, proposed a suspension of arms in order to make a treaty, and declined to speak of Georgia, as that was not included in his commissions. The Porte agreed to a suspension of arms and granted him three months to obtain sufficient powers. Ghika told Emo that the pasha of Diarbekr had been ordered to occupy all places not in Russian hands, and named Baku as one such. Ghika reasoned that the czar would not wage war, as the state of affairs differed from the pre-

⁷⁰Emo, *op. cit.*, D. 150, 6 August, 1723, ff. 79r.-82r. Adjy Mustapha was also present in the second conference.

ceding year. He also confirmed the designs against Persia, to hasten the execution of which orders had gone to the pashas of Babylonia, Basra, and Van, and asserted Tahmasp had been alienated from Russia and was pledged to the Porte. Passports had been sent to Tahmasp for a new ambassador.⁷¹

Many advices agreed that Mahmud had left Ispahan, where he had used extreme cruelty. Others told of his defeating Tahmasp. The Porte officially announced two items: Hasan was about to march, not having been able to do so before because of the climate, and the Georgian army had entered Nakhichevan, which would serve as a beginning for the conquest of Erivan. The Porte still hoped for England's restraining Russia.⁷²

After all the reports about Mahmud and Tahmasp's being en route or in action, the last one said they were still in Ispahan and Tabriz respectively. As a consequence Turkish hopes increased, and also no less from the notices that the czar's ponderous armament had as an objective some extraordinary enterprise, which the Turks flattered themselves easily was to replace King George by the Pretender. They did not depend too much, however, on their hopes, but continued preparations for war.⁷³

More than a month, from September 9 to October 25, passed without any major action or decision by the Turks being known. They were no doubt awaiting the reply from the czar. The special conference on September 13 showed they were marking time. They wondered whether General Ibrahim had ability enough to be the first *seraskier*, and whether it had been wise to decide against Mahmud, yet in neither case was any resolution made. After this council Emo wrote:

I have been assured by a person, who can have some indication of the true state of affairs, it would be easy to occupy Persia, but the Porte has been warned by one of the Pashas, such an enterprise would give Moscovy an excuse to erect strong fortifications. What would be a secure task would not be a favorable one. . . . it seems to me . . . it is probable that the Vizier does not abandon the hope of accomplishing his plan, if it be possible, without breaking with Moscovy.⁷⁴

When Emo had a private audience with the vizier in his garden on the evening of October 10, they had a very amusing conversation about the Russian and Persian situation. Although, as it might be expected, nothing new was revealed, the conversation summarized the vizier's policy. The vizier said he had a sincere friendship for the czar; he had taken such measures and put things in such order he could await the

⁷¹Berchordar was still detained in Erzerum: Hammer, *op. cit.*, p. 303.

⁷²Emo, *op. cit.*, D. 154, 30 August, 1723, ff. 101r.-105v.

⁷³*Ibid.*, D. 155, 9 September, 1723, f. 110r.-v.

⁷⁴*Ibid.*, D. 156, 27 September, 1723, ff. 113v.-114v. Within a month General Ibrahim was replaced by Aarif Achmet as *seraskier*: *ibid.*, D. 159, [13] October, 1723, f. 133r.

czar's resolutions. His tone regarding Mahmud was more menacing than that regarding Peter the Great. Mahmud had neither the ability nor the merit to rule Persia. After his massing of an army of malcontents, who were incapable of constancy and discipline, and after his thousand cruelties, his iniquity could no longer be tolerated by the Porte.

[Emo said] "Your Excellency could still do him [Mahmud] a favor, and that would be to provide him with the Horses with which he could return to Kandahar."

[The vizier replied] also wittily [that he] had recommended that to the Pasha of Babylonia, who was marching with a hundred thousand Men toward Ispahan but that Mirevis [Mahmud] had not been bold enough to wait for him.

"But," he continued, "this is not the only Army in action. We have another under Abdullah, Pasha of Van, and there is the Army of Georgia, a part of which has already occupied Ganja."

I showed my awareness by remarking that Ganja is a city of business and size, not far from Sumacchi [Shemakha].

The Vizier replied with a cheerful air that it was large and there was much commerce. . . .

From there they would proceed without resistance. . . .

Emo concluded that the vizier's plan was to act against Mahmud while the agreement not to fight existed with Russia.

The arrival of a courier for Neptyneff excited extreme curiosity, but the reserve of both Neptyneff and Bonnac implied the czar had neither the intention of withdrawing from the task nor the inclination to consent to the Porte's acquisition of Georgia.⁷⁵

After the three despatches of September 9, September 27, and October 13, which suggested Turkish passivity, Emo wrote one on October 27 which was in contrast. An envoy arrived from Tahmasp. His conferences with the *kiaya* and the vizier were succeeded by a series of almost continuous consultations between the ministers. The letter which he brought recalled the peace between Persia and the Porte, its confirmation by means of the last ambassador, the attitude of Persia when the Porte was at war, and the restitution of Basra to the Porte. Tahmasp was grieved about the invasion of Georgia and general movements against Persian provinces without any cause. Persia was not without a king and a royal family; forces were not lacking with which the rebels would be punished and the land defended against aggressive foreigners. Emo did not know whether there was any mention of Russia in the letter. He learned that the envoy suggested no treaty existed between Tahmasp and Russia, but some of his followers said that Tahmasp was advised by a Russian, who was in Tabriz as an ambassador. The departure of the envoy on October 26 without any precise reply indicated the Porte had no desire to change its plan.⁷⁶ In the postscript of the last despatch Emo gave more precise

⁷⁵*Ibid.*, D. 158, 13 October, 1723, f. 125r.; D. 159, [13] October, 1723, ff. 130v.-133v.

⁷⁶*Ibid.*, D. 161, 27 October, 1723, ff. 140r.-141r. Murtesa Kulibeg was the envoy's name: Hammer, *op. cit.*, p. 303.

information about the reply to the envoy. The Porte chided Tahmasp for his relations with Russia and promised him if he would accept the Porte as arbitrator, it would place him on his throne.⁷⁷

Letters from the generals, especially from Abdullah, Pasha of Van, told of the hazard for the Porte in opposing Tahmasp with small forces. The army of Georgia was in the field before Erivan, and Hasan had already entered and occupied a part of Persian territory. All the old feeling about Hasan had not disappeared; still, Emo believed, if he did not offer a new occasion, the vizier would not deprive himself of so necessary an instrument. Emo collected statements about the Porte's preparations. One group of Janissaries had left Constantinople for Erzerum or Van, the pashas of Rumelia had new orders to be ready with their troops, warehouses were being built at Adrianople, Bender, and other places looking toward Russia. The trimester of the armistice with Russia was about to end. Advices via Wallachia said the czar had arrived at Moscow en route perhaps to Astrakhan, and troops were marching from all parts of Russia toward Asia. From someone "near to the Capitan Pasha," Emo heard of Damad Ibrahim's confiding that in the spring he would join the army in Asia. Emo's informant added that the capitan pasha believed the sultan

. . . after more mature reflection would be persuaded that the worst thing for the Vizier and for himself would be for them to fail in this task. . . .

Among such grave and vast thoughts the Vizier maintains an air of perfect tranquillity. . . .

He has suffered the last few days from a fever, which he sought to hide, and soon after he appeared with his usual cheerfulness in the Divan, but he conducted it with so much carefulness that a rumor circulated he was in disfavor with the Sultan.⁷⁸

As November 22 drew near, the end of the armistice, the relations with Russia appeared rather serious. The immense damages incurred from the insurrection of Deli Sultan were used not only to counteract every Turkish proposal but also as a complaint according to the occasion. Such acts as the celebration of the occupation of Baku and the reception of a Persian ambassador indicated that the czar was determined to maintain for himself the conquests around the Caspian Sea and to defend Tahmasp. Still the Turkish ministers flattered themselves that Peter the Great was not inclined to engage in a formal war with the Porte.

A Tartar came to Emo with a letter from Hasan Pasha, a gracious gesture in return for Emo's sending the physician Testabusa.⁷⁹ The Tartar told about Hasan's having started to march with a large army in the middle of September, being joined by eight thousand Tartars, and

⁷⁷Emo, *op. cit.*, P.S. of D. 161, 27 October, 1723, f. 143v.

⁷⁸*Ibid.*, D. 161, ff. 141r.-143r.

⁷⁹Hasan Pasha had asked for a physician: *ibid.*, D. 155, 9 September, 1723, ff. 111v.-112r.

having acquired the territory around Kermanshah. When Emo asked about the plan, the messenger replied:

[Hasan] would be contented to remain there during the Winter in order to be ready to go into action in the spring.

Mirevis (*sic*) had only a few Followers, but they were brave and well-armed and included Turkish Subjects who had offered themselves to him.

After the acquisition of Ispahan, neither Mirevis (*sic*) nor any one of his Generals had attempted an enterprise.

More than him the Persians must be considered.

A goodly number of them was at Hamadan in addition to those with the Prince of Persia at Tauris [Tabriz]. . . .

Hasan's son, the Pasha of Bassar [Basra] . . . would take no active part in the campaign, not because of the lack of men, but because of the necessity of guarding the Arabs.

The foregoing, Emo said, was the best report which had been received for some time.

Although it was asserted that the army of Abdullah Pasha had advanced toward Tabriz, Emo believed differently. The Porte had postponed the march until Abdullah Pasha received the addition to his army which would give him a sense of superiority over the Persians who through necessity might recall their lost valor and fight accordingly. Ten groups of Janissaries had left as well as almost all the officers who were ordered to be ready with their troops, and others who had received new instructions; consequently, there were departures every day.⁸⁰ Some persons confirmed the occupation of Ganja and Nakhichevan; others doubted it. The supposed siege of Erivan had not been verified. Rumors still circulated about the union of the Georgians with the Russians and of serious disorders in the Turkish army, but they merited no credence until better reports arrived. A special council of the regular ministers was also attended by the *mufti*, a few other officials, and two *aghas*, Dervish Mehemet and Bonasi Mehemet, from Georgia. The promotion of Daud Bey to a khanship in Daghestan had excited so much envy among the other beys that Dervish Mehemet was forced to encourage their hopes of benefices from the Porte. The council evidently did not essentially change the plans about reinforcing the army of Georgia and about the government of those provinces. Emo diligently reported the promotions of officers, the continuous work in the foundries, which the vizier visited frequently, the daily despatch of munitions to Asia and Azov, the orders to all officers in Anatolia and Rumelia to hold their troops in readiness, the orders to many other officials to increase their troops with volunteers, and the rumors that the vizier would join the army at the beginning of the campaign. "But," Emo added, "how much information can be easily collected without any certainty."⁸¹

⁸⁰See *ante* p. 109.

⁸¹Emo, *op. cit.*, D. 163, 8 November, 1723, ff. 148v.-152v.

Although the three months' armistice ended on November 22, no courier from Russia had arrived by November 28. Both Neplyneff and Bonnac encouraged the Porte to believe the delay did not mean anything unusual. The Turkish ministers believed the czar would not go to war, yet they continued preparations. Among the frequent councils, the sultan attended one in the old palace under the pretext of going to see a game, and heard the latest advices from Georgia, from Persia, and about the Russian occupation of Baku. At another council the vizier spoke of his orders for a hundred thousand horses, mules, and pack horses, for the increase of the artillery, and for storehouses in Anatolia. Other orders pertained to Moldavia and Wallachia. Since the wish was to draw from the parts most secure and nearer the frontiers, Candia and the Morea would be without any troops except simply the guards. Hasan had been sent twelve hundred purses, and the Tartar khan of the Crimea forty thousand sequins. The sultan, most avaricious during peace, did not make up his mind quickly, then finally denied nothing and became almost prodigal.

The *kapuji*, returning from taking the flags of *seraskier* to Hasan, brought news of a victory over fifteen thousand Persians by a detachment of Hasan's near Hamadan. As at other times, some believed, others affirmed, that the city was in his hands. In contrast the news from Georgia was bad. Vakhtang, khan of Tiflis, after having hidden in the mountains, had inflicted a defeat on the Turkish army en route to Ganja. His large army included some Russian officers and many persons from Daghestan, who had joined him because of the promotion to the khanship of Daud and the severity of General Ibrahim. Immediately after Dr. Fonseca's return from France and Holland he was interviewed by the vizier and others about Russian interests in and beyond the Baltic and about the French attitude.⁸²

A month later men coming from Georgia and letters reported the defeat of the Turks as having been more serious than announced. The defeat was administered by Mehemet Kuli Khan of Erivan instead of Vakhtang. It was a severe one for General Ibrahim, who lost two-fifths of his fifty thousand men. As the Porte could not deny the loss, it sought to temper the circumstances, by maintaining the loyalty of Ganja. New letters darkened the outlook; Aarif Achmet Pasha, before he received his appointment as *seraskier*, had been similarly defeated. As "a sequel" to the rumors, Emo and Gritti⁸³ talked with a Dominican missionary from Nakhichevan, who had heard in Erzerum about General Ibrahim's defeat and who had spoken with fugitives from Aarif Achmet's army. The sultan and the ministers attributed the defection of Mehemet

⁸²*Ibid.*, D. 166, 28 November, 1723, ff. 160r.-162r.

⁸³"... parlissimo noi medesimi."

Kuli Khan to General Ibrahim's avarice, and had been considering sending Dervish [Mehemet] Oglu to win Mehemet Kuli Khan's allegiance.

Two special councils met to discuss Russian, Georgian, and Persian affairs. Messengers and letters from Hasan Pasha told of his determination to return to Babylonia after suffering hardships. Whether the difficulty of obtaining supplies or his infirmity was the cause, "time will reveal the truth," Emo wrote. Meantime the preparations for war continued in Constantinople.

On December 16 the Russian courier arrived. According to a preliminary announcement to a Turkish dragoman, the courier brought Neplyneff full powers, confirmed the mediation of France, and reconfirmed peace with the Porte. Neplyneff and Bonnac were invited for a conference on December 20. In a short conversation with them Emo learned that the resident reiterated the pacific intentions of the czar and considered an armistice the only way to proceed with negotiations. Without reporting his source Emo wrote:

It seems that there had not been declared a firm union with Persia and that [Neplyneff] was not pressed much by the Turkish Ministers, although the Porte has verifications of a sworn alliance between the two powers, with cessions by Persia to Moscovy of the Caspian littoral and of provinces between the two Seas, which would include Georgia, and with the obligation of Moscovy to reestablish the kingdom of Persia in its first state.

When Achmet III soon after the conference heard about the suggested armistice, he wished to accept it that day with the terms already conceded, that is, Russia was to have those places she had garrisoned and the Porte those where the Turkish flag flew. The vizier, however, sought to moderate such haste and Neplyneff was called for a conference on December 23. Emo questioned the value to Russia of a particular armistice which would give the Turks a chance to surround all the places in dispute and to tighten its acquisitions on the Caspian Sea. Likewise, he reasoned, a general armistice including Persia would deprive the Porte of its conquests, and nothing was more feared by the Porte than a union between Persia and Russia. "If from such opposite principles, agreement would result, one of the nations must sacrifice honor and interests," Emo concluded.⁸⁴

THE RUSSIAN-PERSIAN TREATY

NEPLYNEFF did not succeed on December 23 in winning the Turks to a general armistice. They perceived that it would prevent their proceeding in Persia and also would be a concession to the czar. When the Russian-

⁸⁴Emo, *op. cit.*, D. 168, 23 December, 1723, ff. 166v.-169v. For an account of the English ambassador's role in Constantinople in 1723 to promote war between Turkey and Russia, see J. F. Chance, "George I and Peter the Great after the Peace of Nystad," *The English Historical Review*, vol. 26, pp. 298 *et seq.*

Persian treaty (of September, 1723) appeared in the journals which came via Vienna to Constantinople, the Turks could no longer be deceived. Ghika asked the resident if the terms of the treaty were as they appeared to be. Nepllyneff reserved his reply until the conference. There the Turkish ministers complained about insidious, secret, and illusory affairs, "the disposing in Petersburg of the same matters which were being negotiated in Constantinople." They also declared Tahmasp incapable of making the treaty as ruler of Persia, because his father's death was not known. The excessive cessions to the czar and the fifth article, which declared the enemies of Persia also those of Russia, were especially cited. Both Nepllyneff and Bonnac sought to rationalize: the cessions were not too great as compensation for the czar's undertaking the task of redeeming Persia from a general revolution; the fifth article pertained to the rebels in Persia. Bonnac said that the Porte had not been told about the treaty, inasmuch as Nepllyneff gave information only when he was precisely asked.⁸⁵ Although these reasons did not find credence among the Turks, they did agree to a particular suspension of arms. Having plenipotentiary power, Nepllyneff sent an order to the commander of the new acquisitions not to use force where the Turkish flag was. The Porte prepared a similar order. Each of these instructions necessitated some discussion and many interviews of Ghika with Bonnac and Nepllyneff. Nepllyneff softened his terms somewhat, but the Porte made no change in its orders to continue to occupy all places where there were no Russians. No time limit was set as before for the suspension of arms.

In the meantime the vizier awarded a messenger from Hasan Pasha a caftan, and let him wander among the people to spread the news of the acquisition of Hamadan. Letters seen by Emo and Gritti revealed, however, that Hasan was at Kermanshah, some places had submitted to him, and perhaps some in the province of Hamadan. Another story circulated about the advance of Mirtucin Azi with eighty thousand men, well-disciplined, toward Hamadan and the defeat en route of some Persians. Were such reports made to intimidate the Russians about meddling in Persia or to be of use to Damad Ibrahim in changing the spirit of Achmet III? Certainly so great a movement was without verification, and already the rumor had commenced to lose its first effect. If such victories had not occurred, they might come as the result of the Persian-Russian alliance, which would arouse the Moslems.

In conferences Nepllyneff and Bonnac sought to show that the Russian-Persian treaty rather than being damaging was useful to the Porte.

⁸⁵See Bonnac's letter of 14 January, 1724, to Count Morville: Schefer, *op. cit.*, p. 208; Mohammad Ali Hekmat, *Essai sur l'Histoire des Relations Politiques Irano-ottomanes de 1722 à 1747*, Paris, 1937, pp. 102-103.

The Turks maintained that what once had been theirs should be so again and proposed that the Russians evacuate Derbent and Baku as a beginning, and the Porte would then discuss the remaining territories. On January 13 the vizier answered Neplyneff's firmness and Bonnac's attempt to procrastinate with a note saying that as long as Neplyneff persevered in denying the Porte's request, it was no longer convenient to communicate with him and he might remain in Constantinople or leave. Neplyneff asked permission to go to the czar and to return in seventy days. The Porte neither refused nor assented to this request. After hearing in a general council on January 15 letters from the khan of the Tartars, from the pasha of Bender, and from others, who maintained Russia opposed peace and plotted against the Ottoman Empire, the lieutenant general of the Janissaries (the *agha* being ill), and all the other officers of the army and of the government unanimously disapproved of the czar's attitude. They asked the *mufti* if he would give "the noble *fetva* for war," and he consented to do so. After the council ended, the chief ministers gave Achmet III an account of the meeting and affirmed the signing of the *fetva*. This order was, however, simply for the army to march to the frontier and not a declaration of war. The step taken appeared less sinister when the vizier arranged a conference with Neplyneff and Bonnac for January 17. Seemingly hoping for a diversion in the Baltic, the vizier visited the English ambassador. In Dirling's audience, hints about the good relations between the Ottoman and Austrian Empires were made.⁸⁶

The audience of Neplyneff and Bonnac on January 17 lasted four hours, according to Emo. The latter agreed to send his nephew, D'Alion, at utmost speed to the czar. In a visit to the Venetian embassy, Neplyneff said "all had passed with great tranquillity." He would remain in Constantinople, hoping for the best. Although Neplyneff "did not explain himself more precisely," Emo and Gritti heard from an unnamed source that the Porte agreed to the czar's possessing the places on the Caspian but not to his extending dominion over the adjoining provinces; in addition to the acquisitions made, the Porte would acquire others in the name of the Persian King, and there was a rough plan regarding commerce whereby the Russians would not have the usual course in the Turkish provinces. All these items needed to be verified. Meanwhile war preparations continued. Before the audience of Neplyneff and Bonnac an expedition departed to Hasan, evidently in case Mahmud should be

⁸⁶Emo, *op. cit.*, D. 169, 17 January, 1724, ff. 171r.-179v. See translation of the letter written to M. le Marquis de Bonnac by Ibrahim Pasha, grand vizier, 13 January, 1724: Schefer, *op. cit.*, pp. 214-215. Bonnac's reply after interview with Neplyneff, 13 January, 1724: *ibid.*, p. 216. Bonnac's letter to Morville, 14 January, 1724, which was not sent until January 17 or later: *ibid.*, pp. 216-224.

tempted to a regular encounter. In spite of all the foregoing, Emo and Gritti wondered what the true intentions of the vizier were.⁸⁷

Before D'Alion departed, he saw the *kiaya* and vizier many times, and Ghika went to Bonnac's house. The event which excited the most comment was the vizier's invitation to Bonnac, D'Alion, and Neplyneff to dinner in his palace on the Bosphorus. The *kiaya*, *reis effendi*, Adji Mustapha, and others were also present. In a loud voice the vizier told Neplyneff he had planned this reunion to show how ill founded were the rumors that peace was broken between the Porte and Russia.⁸⁸ He was most gracious in thanking Bonnac and urged D'Alion to fulfill his commission with the promise of large recompense. It now appeared to Emo and Gritti how successful Bonnac had been in demonstrating the disadvantage to the Porte of allowing Mahmud to increase in power. Bonnac and Neplyneff had also explained the article in the Russian-Persian treaty regarding common enemies by assuring the Porte that the czar had premissed an article excepting the Ottoman Empire.

THE RUSSIAN-TURKISH TREATY

AMONG the confirmed articles of the treaty between the Porte and the czar were the following: The boundary was to begin from the old dominion of Moscovy, "proceed through the Caucasus Mountains, along the coast of the Caspian to Derbent," Baku, Gilan, Mazandaran, and Astarabad,⁸⁹ "to the Osso [Oxus] River, where is the kingdom of the Usbeks." All this was to be ceded to the Russian Empire. In the southern parts, that is, from Gilan to the Oxus River, the czar would be satisfied with the river banks, the Porte evidently flattering itself that he could not then dominate the internal regions. A moderate jurisdiction was to be assigned to Derbent. The frontier between the two empires was to be between Shemakha and Baku. No restriction was placed on the czar's aiding the shah of Persia. The Porte was to have, in addition to the parts acquired, Erivan, Tabriz, and Kazvin. Again the Venetians expressed doubt about the real designs of both the Porte and the czar.

Men from Erzerum and Georgia brought the news of Mehemet Kuli Khan's being near Tiflis with many Persians, Georgians, and Lesghians, of the flight of Vakhtang's son, from Tiflis, to his father, of their union with Mehemet Kuli, and of Russians being with them. After Ghika's

⁸⁷Emo, *op. cit.*, D. 170, 18 January, 1724, ff. 180r.-182v., repeated by Francesco Gritti, *Dispacci*, A.S.V., *Filza* 177, D. 14, 18 January, 1724. Dusson D'Alion's report of 15 January, 1724, and Bonnac's letter to Morville, 22 January, gave a fuller account than Emo: Schefer, *op. cit.*, pp. 224-243. See Louis André de La Mamie de Clairac, *Histoire de Perse*, Paris, 1750, II, pp. 188-190.

⁸⁸A detail not given by Bonnac in his letter of January 22; the other remarks in the Venetian despatch were repeated by Bonnac: Schefer, *op. cit.*, p. 224.

⁸⁹"Derbent, Bacu, Ghillan, Massan, de Zan, e Marabat" in the H. MS.

conferences with Neplyneff and Bonnac, they decided to send Dr. Pilarino within two or three days on a special expedition. Whether this messenger would take orders for all such Russians to leave the troops or ascertain if they were really enrolled was not known by Emo and Gritti.

Although the inclinations of the vizier and the published opinion of Bonnac suggested peace, no lull occurred in the preparations for war, such as the plan for the vizier to go with the army, the distribution of stipends to the soldiers, the work in the arsenal, the orders to twenty colonels of the Janissaries to assemble their troops in Anatolia and go to Tiflis, the orders for two hundred men to go to Azov, the firmans for camels in Anatolia and for wagons in Rumelia, and the plan to convoy troops from Alexandria.⁹⁰

The mission of Dr. Pilarino to Russia did take place, but to show faith or good will, the Porte gave Neplyneff a firman for the pasha of Azov, in which the latter was warned not to entertain vain suspicions, not to give occasion to any disturbance of peace, and only to guard the region assigned to him. A courier from St. Petersburg brought to the Porte, which was "not desirous of having him nearer," the pleasant news that the czar was still there. After many visits of Ghika to Neplyneff and Bonnac, the ambassadors met to confer with the usual ministers. The courier's despatches had increased the hope of the two foreign ministers, who did not, however, reveal the request of the czar for the Porte to send another rather than Mustapha as commissioner for the boundaries. Afterwards the vizier sent an order to the arsenal to suspend work on the ship for the Black Sea. No one doubted that the vizier was doing everything to mitigate the opinion that there would be war with Russia. The sultan also desired peace and did not have a good opinion of those who urged him to make war. Even if the reports from Russia spoke of many preparations, the instructions of the czar to Neplyneff certainly tended to defer, if not to divert, the rupture with the Porte. Thus confidence had grown among the ministers until they almost did not mention war. Rumors of war declined among the people after some of the most loquacious and less cautious were taken from their midst.

Reports from Asia said that Mahmud, having been strengthened by troops from Kandahar and elsewhere, had despatched a large detachment toward Kazvin and remained himself in Ispahan. Meanwhile the Porte's sending of men and supplies to Van and Trebizond did not cease.

After receiving something from the *ragionateria*, Dervish Agha, who was ready to depart as general inspector of the army commanded by Aarif Achmet Pasha, in part explained and in part indicated information for Emo and Gritti. His commissions pertained to the loyalty of the

⁹⁰Emo, *op. cit.*, D. 171, 29 January, 1724, ff. 183r.-186r. Date of departure of D'Alion, January 20, Bonnac's despatch to Louis XV, 30 May, 1724; Schefer, *op. cit.*, p. 251.

Lesghian beys and to the reconciliation of Mehemet Kuli Khan. He was carrying orders to Aarif Achmet to depart for Erivan to receive its submission or to take it by force. Abdullah, Pasha of Van, was to proceed toward Tabriz and Hasan Pasha was also to march.

The Turkish ministers believed that through an agreement with Russia, the czar would not oppose the Porte's acquiring the states once held, while the Porte would not obstruct the czar's holding those provinces accorded him in his treaty with the new shah of Persia. Emo and Gritti heard that there had been some agreement between the czar and King George, which had in part something to do with the conversations of King George with the king of Prussia and also involved the late regent of France, but the *baili* did not know if the vizier had shown displeasure, although they could not believe that he was uninformed. To avert the populace from thinking about war, preparations for the weddings of three princesses had been made.⁹¹

According to letters received by Bonnac, ice was delaying D'Alion at Derbent; meantime the relations with Russia lay dormant. The Persian situation was almost separated from the negotiations with Russia because of the suspension of arms and expedients in the conferences. As already reported, the ambassador of Tahmasp was detained by force in Erzerum and still was there. He had sent an *agha* with a letter, in which he begged to be allowed to execute his office, that bloodshed might be spared and a due report of his master might be made. The *agha* told Brutti that Tahmasp, seeing himself abandoned, had thrown himself into Russian hands, and if the ambassador should come to Constantinople, the *agha* did not doubt his ability to persuade the Porte to undertake Tahmasp's cause against the rebels.

Again Emo reasoned that since the Porte hoped to meet with no obstruction from Russia, likewise it would not object to the portions appropriated by Russia. In accordance with these principles would be the Turkish occupation of Hamadan, so many times falsely announced but now for certain accomplished by Hasan Pasha. Varying reports circulated about Mahmud, and even the ministers declared they were not informed. All agreed, however, that he was still at Ispahan, and there had been no dependable confirmation of the detachment to Kazvin. Dervish Agha had departed with his orders, and there had been no cessation of the flow of troops and munitions to Asia. Tranquillity reigned in Constantinople. "This way of illusion is managed by the Vizier as his own art."⁹²

After the usual conferences, new commissioners for the boundaries were agreed upon. On April 13, a man from D'Alion's suite returned

⁹¹Emo, *op. cit.*, D. 173, 10 February, 1724, ff. 189v.-193r.

⁹²*Ibid.*, D. 174, 4 March, 1724, ff. 194r.-196r.

from Moscow. He brought no important information; the interview of D'Alion had been only arranged for, although the man from Rákóczy had been received.⁹³ The Russian forces were strong, yet they were insufficient for an Asiatic enterprise or for fulfilling the pledges to Persia. The czar thought only of fortifying himself in Gilan and obtaining a footing in Mazandaran, but would abstain from giving the aid promised.

Rumors increased about Mahmud's occupying territories at the Babylonian frontiers, not far from Basra, about a large detachment of his troops being near Hamadan, and about another being in the neighborhood of Kazvin. Motives of religion or profit had incited many from the Turkish armies to join him.

The ruin and death of Mehemet Kuli Khan had been announced. "That would be of great moment," yet Emo suspected a false report. No fear of Russia existed for this campaign, still preparations continued. Ghika confirmed to the *baili* the plans for the army of Georgia to attack Erivan and for that of Van to acquire Tabriz. The third part, to have been carried out by Hasan Pasha, was prevented by his death. His son, Achmet, was chosen as his successor and ordered to proceed from Basra to Kermanshah. This part of the plan would be delayed until advices from Russia and Mahmud were received.⁹⁴

One report from the Turkish ministers about Tahmasp said that he thought of retiring, another that he had withdrawn to Gilan. His nearness to the czar would give more importance to the treaties and also more liberty to Mahmud. In addition to the distance, the ministers' reports made facts difficult to obtain.⁹⁵

When D'Alion returned from Moscow, he saw the sultan.⁹⁶ Neplyneff's letters evidently changed the tenor of the reply brought by D'Alion.⁹⁷ Gritti, however, was unable to discover the true intentions of the two Powers. Neplyneff announced the arrival of an abundance of furs for the ministers. Between May 21 and 24 he had three long conferences.⁹⁸ Ghika went many times to Bonnac's residence, where Neplyneff was. Unable to obtain information from the allies, Gritti reported anything which he heard, as follows: Russia proposed that (1) the Ottoman Empire relinquish all protection over Daghestan, thus it would be free and independent; (2) Derbent with its ancient boundaries be under the czar's protection; (3) Gilan, Mazandaran, and Astarabad be subject to

⁹³See *ante* p. 88.

⁹⁴Emo, *op. cit.*, D. 175, 19 April, 1724, ff. 197r.-201r.

⁹⁵Gritti, *op. cit.*, D. 29, 7 May, 1724.

⁹⁶*Ibid.*, D. 34, 16 May, 1724. D'Alion returned May 13. Bonnac's despatch to Louis XV, 30 May, 1724: Schefer, *op. cit.*, p. 251.

⁹⁷Gritti, *op. cit.*, D. 35, 19 May, 1724.

⁹⁸Gritti or the French account was incorrect in dating: "Relation abrégée des trois conférences tenues à Constantinople, entre les commissaires turcs et le résident de Moscovie, les samedi 20 et lundi et mardi 22 et 23 mai 1724": Schefer, *op. cit.*, p. 254.

him, as they had been renounced in his treaty with Persia; (4) the Porte would not interfere in his treaty with Persia; (5) the Porte be allowed to acquire Erivan with dependent provinces. Ramazan having begun on May 25, the Turks declined to discuss such topics during the month and during Bairam. Falsehoods and the announcement of probabilities as certainties were the Porte's methods.⁹⁹

In conferences on June 13 and 23 Neplyneff and Bonnac exchanged heated and pungent words. The essential parts of the treaty, however, were agreed upon, Gritti learned from unofficial persons, Turkish ministers, and Bonnac. One who had seen the document assured Gritti it contained six articles and the treaty was one of perpetuity.¹⁰⁰ Finally it was signed and the exchange of copies made on July 8. From the copy obtained, Brutti and Masselini, dragomans, made a translation which the *bailo* enclosed, and he called attention to the terms as not being essentially different from those he had sent in the preceding despatch.¹⁰¹ The chief articles were as follows: (1) an equal division of the banks of the Caspian Sea among Achmet III, Tahmasp, and Peter; (2) no advance of the Turkish armies from Shirvan and Georgia without notification to Russia; (3) the beginning of the boundary between the Ottoman Empire and Persia to be an hour's march from the extremity of Ardebil toward Tabriz; the Porte's possessions to include Urdabad, Tabriz, Lake Tabriz, Marand, Maragha, "Kussine, Hov, Zuret, Simas, Chenze Reszagh,"¹⁰² Karabagh, Nakhichevan, Revan, Ardelan, and Kurdistan; (5) the recognition of Tahmasp by the Porte after the cession of the regions enumerated in the third article.¹⁰³

Little applause and unhappy prognostications were Damad Ibrahim's rewards for this treaty. He did not mind, however, and continued to distract Achmet III by incessant diversions.¹⁰⁴ The treaty had been signed and sent to Moscow for ratification. There were hints about secret conventions pertaining to aid for the shah against Mahmud, and every ambassador was most diligent in trying to discover their contents.¹⁰⁵

Unfavorable items about Mahmud, such as his advance toward Kazvin and his bad attitude toward the Turks, came to Constantinople. During May and June the Porte had forwarded large sums of money and many animals.¹⁰⁶ Two months later other reports arrived. His army was not large. He had left his mother and younger brother in Ispahan. When an

⁹⁹Gritti, *op. cit.*, D. 40, 10 June, 1724.

¹⁰⁰*Ibid.*, D. 43, 3 July, 1724.

¹⁰¹*Ibid.*, D. 44, 17 July, 1724.

¹⁰²For differences in names, see Schefer, *op. cit.*, p. 270; Hekmat, *op. cit.*, pp. 274-275; and Noradjounghian, *op. cit.*, pp. 233-238.

¹⁰³Gritti, *op. cit.*, enclosure and map with D. 44; *Filza* 178, enclosure with D. 50, 6 August, 1724.

¹⁰⁴*Ibid.*, *Filza* 177, D. 45, 17 July, 1724. See Clairac, *op. cit.*, pp. 104-100.

¹⁰⁵Gritti, *op. cit.*, *Filza* 178, D. 50, 6 August, 1724.

¹⁰⁶*Ibid.*, *Filza* 177, D. 40, 10 June, 1724.

usurper appeared there, Mahmud's mother notified him and he sent reinforcements. Before his departure he cruelly killed Shah Husain and all the princes.¹⁰⁷ The Porte scattered a variety of reports about Persia. The vizier appeared agitated, despatched additional troops and one of his most trusted *chokadars* to each of the armies, and frequently held secret meetings with his colleagues. The news of Achmet Pasha's successful advance toward Hamadan was followed by the report that he was forced to recede. The people grumbled; they thought the war unjust and without legitimate cause.¹⁰⁸ While such uncertainty prevailed, good news arrived from three sources. After a siege of fifty days Hamadan was in the hands of Achmet Pasha. Guns were fired from the palaces and the arsenal, the people rejoiced in the streets, the other ministers congratulated the vizier, and the sultan presented him with a buckle which was valued at 120 purses because of its many jewels, one of which was a large diamond used as a button. A seven-day festival was ordered, and the foreign ministers were notified of the victory. The other pleasing items announced the acquisition of Urdabad (?) and the czar's despatch of the ratification.¹⁰⁹ Then, as so often in Constantinople, conflicting reports about Persia circulated, but confirmation came of the conquest of Urdabad (?) and of a Russian envoy's being on his way with the ratification.¹¹⁰ Thus began the best period in the war and in the relations with Russia. For nine months a few Turkish victories in Persia and the inactivity of Mahmud and of Russia favored the Porte.

When Erivan surrendered after ninety days of resistance, the victors sent Achmet III the sword Sultan Murad had taken and then soon lost in 1635. The celebration in Constantinople consisted of fireworks, illumination, and 126 volleys from two French ships of war.¹¹¹ Another victory, Achmet Pasha's acquisition of Nēhavend (✕), was celebrated for three consecutive days at the palace. Now, only Tabriz and Ganja remained of the conquests assigned.¹¹²

In December, 1724, no one spoke of Persia for several days, although troops departed for every part of the empire, different reports were heard, and a special messenger was going to Vienna with the notification of the conquests in Persia.¹¹³

When the arrival at Bender of the Russian envoy, Romanzoff, with the ratification became known, one of the best lodgings in Pera was

¹⁰⁷*Ibid.*, *Filza* 178, D. 55, 12 August, 1724.

¹⁰⁸*Ibid.*, D. 58, 11 September, 1724.

¹⁰⁹*Ibid.*, D. 60, 5 October, 1724. See Clairac, *op. cit.*, pp. 177-178.

¹¹⁰Gritti, *op. cit.*, D. 64, 11 October, 1724; D. 65, 25 October, 1724.

¹¹¹*Ibid.*, D. 66, 29 October, 1724, and enclosure No. 1, copy of letter of congratulation from Gritti to Ibrahim. See Hammer, *op. cit.*, p. 322.

¹¹²Gritti, *op. cit.*, D. 71, 25 November, 1724.

¹¹³*Ibid.*, D. 78 and P.S., 16 December, 1724.

prepared for him.¹¹⁴ The day before his entrance into Constantinople Neplyneff asked Gritti for a carriage, five horses, and followers.¹¹⁵ Romanzoff had two audiences with Achmet III and two with Damad Ibrahim.¹¹⁶

Such cordial relations with Russia were, after all, one might say, forced upon the Porte. Its attitude could and did become more independent after the death of Peter the Great. When that event was known in Constantinople, Gritti wrote that the Turks flattered themselves that vast plans had fallen, since they considered the czar only an apparent friend and really a hidden enemy.¹¹⁷ Ghika visited Romanzoff frequently and the French ambassador, D'Andrezel, conferred often with the Russians, but the Porte sought to diminish the czarina's credit. Although D'Andrezel sustained belief in her forces and Romanzoff had an audience in May, the Porte maintained its independence.¹¹⁸ Three weeks later Romanzoff had not received the sultan's reply to the czarina's announcement of her accession.¹¹⁹ The envoy was treated well, but neglected. When the patriarch of Georgia arrived with a numerous and noble following in Constantinople, Romanzoff and Neplyneff were disturbed because they were not allowed to compliment him.¹²⁰

During the winter and spring of 1725 Gritti referred to Persia only a few times. In February he recorded the despatch of troops and provisions, and in March, their departure every day. Orders for them went to Wallachia, Moldavia, and Rumelia. The expenses for this campaign exceeded those of its predecessor by one-third.¹²¹ In April he sent a summary of the relations of the Afghans with Persia from 1707 to 1725.¹²² In May he described Mahmud as being "melancholic, desirous of being alone, cruel, avaricious, and unorthodox in religion. He secluded himself in the Royal Palace and remained inaccessible to all except a few Ministers." Secret conferences, daily departures of troops and supplies, and rumors about war continued.¹²³ Two months later the *bailo* heard that Mahmud was retiring. Although there were some minor Turkish successes near Tabriz, the Persians and Tahmasp were not dispirited by the events.¹²⁴

¹¹⁴*Ibid.*, D. 81, 26 December, 1724.

¹¹⁵*Ibid.*, D. 83, 5 January, 1725. Romanzoff arrived January 6: Clairac, *op. cit.*, p. 264.

¹¹⁶Gritti, *op. cit.*, D. 89, 27 February, 1725.

¹¹⁷*Ibid.*, *Filza* 179, D. 94, 15 April, 1725, and enclosure No. 1, translation of copy of the oath of Czarina Catherine at her accession, dated 25 March.

¹¹⁸*Ibid.*, D. 99, 26 April, 1725; D. 101, 25 May, 1725.

¹¹⁹*Ibid.*, D. 107, 18 June, 1725.

¹²⁰*Ibid.*, D. 111, 20 July, 1725.

¹²¹*Ibid.*, *Filza* 178, D. 89, 27 February, 1725; *Filza* 179, D. 92, 12 March, 1725.

¹²²*Ibid.*, enclosure No. 2 with D. 94, 15 April, 1725.

¹²³*Ibid.*, D. 101, 25 May, 1725.

¹²⁴*Ibid.*, D. 111, 20 July, 1725.

ASHRAF'S REBELLION AGAINST MAHMUD

IN July came the news which eventually ended the favorable situation of the Porte. Mahmud and 150 of his followers had been strangled by Amanola, his first general, and Ashraf.¹²⁵ Ashraf's pretensions or ambitions remained hidden until January, 1726. In the meantime more victories for the Ottoman troops occurred. At first Abdullah Seraskier wrote that he lacked a sufficient number of soldiers to attack Tabriz, then the Porte received word of the capitulation of Tabriz and Gori. The foreign ministers witnessed the celebration which consisted of an illumination of the palace and fireworks.¹²⁶ Achmet III rewarded Abdullah with a rich robe of sable and a *hatti-sherif* in his own handwriting, unusual praise from a sultan to his vassal. Perhaps such recognition did not please Damad Ibrahim, although he had received from the sultan a buckle ornamented by a conspicuous diamond and other jewels.¹²⁷ Hasan Mustapha's victory at Ganja was celebrated for four days.¹²⁸

So long as victories and Ashraf's passivity continued, the Porte maintained an independent attitude toward Russia. August ended without Romanzoff's having had an audience with the sultan or receiving a reply. Intrigues proceeded with the patriarch of Georgia to foment a revolt in Daghestan and with the khan of the Tartars against the Georgians in order to disturb the Russian possessions.¹²⁹ The Turks guarded their plans regarding Russia. Gritti learned, however, that the last courier from St. Petersburg brought heavy commissions; Russia and the Porte were to unite to reestablish Tahmasp as a friend or as an enemy.¹³⁰ The vizier's *kiaya* told a French dragoman that he could insinuate to Russia how necessary the Porte considered Gilan, but when Neplyneff and Romanzoff had an audience, nothing was said about Gilan. They came to see Gritti and quoted the *reis effendi's* calling Ashraf an usurper and stating Tahmasp would be recognized as king of Persia when he indicated he would be dutiful and docile. Perhaps the bad news about the revolts of the Tartars and in Cairo accounted for only assertions.¹³¹ Later they informed Gritti of another audience in which the Turks declared themselves resolved to conquer Luristan, yet used expressions of friendship for Russia. Then in spite of D'Andrezel's efforts to maintain peace between the two Powers, a period of neglect for the Russians followed, and the treaty seemed defunct.¹³² The verification of Ashraf's expedition

¹²⁵*Ibid.*, D. 113, 25 July, 1725. Hammer gives 500 as the number of followers: *op. cit.*, p. 330.

¹²⁶Gritti, *op. cit.*, D. 119, 27 August, 1725.

¹²⁷*Ibid.*, D. 121, 2 September, 1725.

¹²⁸*Ibid.*, D. 126, 4 October, 1725.

¹²⁹*Ibid.*, D. 119, 27 August, 1725.

¹³⁰*Ibid.*, D. 121, 2 September, 1725.

¹³¹*Ibid.*, D. 126, 4 October, 1725.

¹³²*Ibid.*, D. 128, 14 October, 1725; D. 129, 24 October, 1725.

to Achmet, Pasha of Babylonia, interpreted as a manifestation of respect for the sultan, alarmed the Russians, although the Porte continued to favor Tahmasp. Only the war with Persia prevented or postponed one with Russia; ill-feeling and memories of the last war remained.¹³³ A month later Romanzoff and Neplyneff were still concerned about Ashraf. They viewed the Porte's possible reception of his representative as a contravention of the treaty. The French ambassador failed to discover the Turks' plans.¹³⁴ As soon as Ashraf's envoy was near Constantinople, the Porte planned to notify Romanzoff that he was no longer an envoy and to reduce his allowance from sixty to ten piasters per day.¹³⁵ The Russians pronounced the Turkish occupation of Ardebil as contrary to the treaty.

After the arrival of Ashraf's representative, who was carefully guarded and whose demands were not made known, the attitude toward Russia become more cordial than it had been. The vizier sent Romanzoff assurances of constant friendship after D'Andrezel's audience.¹³⁶ In an audience with Neplyneff, D'Andrezel, and Romanzoff, the vizier asserted his friendship for the czarina, justified the occupation of Ardebil, gave Romanzoff two letters, one for Catherine and the other for her foreign minister, and declared Ashraf a madman and usurper.¹³⁷ From the vizier's letter to the czarina Gritti understood how strong must have been the pretensions and menaces of Ashraf. The Turks caressed the Russians again and assured them the treaty would be kept.¹³⁸ Ashraf asked for recognition as sovereign of Persia and for restitution of all territories which his predecessors had ceded to Murad IV. In a special council the Porte decided the answer must be war against Ashraf and notified Neplyneff.¹³⁹

In spite of all the activity of D'Andrezel, Neplyneff, and Romanzoff to promote good relations between Russia and the Porte, an alliance was about to be concluded between Austria and Russia. D'Andrezel became alarmed and talked with the vizier.¹⁴⁰ Gritti had informed his court in January that Dirling assured him under the greatest secrecy that according to the latest letters from Vienna nothing existed between the empire and Russia except reciprocal friendship, and that it would be difficult to grant an alliance if the czarina insisted on a general guaranty in favor of her states.¹⁴¹

¹³³*Ibid.*, D. 135, 14 November, 1725.

¹³⁴*Ibid.*, D. 138, 15 December, 1725.

¹³⁵*Ibid.*, D. 143, 22 December, 1725. The allowance had been sixty piasters per day: *Filza* 178, D. 80, 27 February, 1725. See Clairac, *op. cit.*, p. 293.

¹³⁶Gritti, *op. cit.*, *Filza* 179, D. 151, [31] January, 1726.

¹³⁷*Ibid.*, D. 152, 7 February, 1726.

¹³⁸*Ibid.*, D. 154, 8 February, 1726, and enclosure No. 1, the vizier's letter, 1 February, 1726.

¹³⁹*Ibid.*, D. 155, 25 February, 1726.

¹⁴⁰*Ibid.*, D. 156, 25 February, 1726.

¹⁴¹*Ibid.*, D. 151, [31] January, 1726.

Troops and supplies were forwarded to Persia and orders sent to occupy Kazvin.¹⁴² The vizier reviewed the Persian situation in a letter to the czarina, and the *mufti* declared Ashraf a rebel, against whom all Moslems must fight.¹⁴³ A courier's arrival from the Russian court provided for a turning of the tables. The ministers asked for an audience with almost a menacing air. Before this audience Ashraf's envoy had left dissatisfied, although he was given twelve purses.¹⁴⁴

The Turks protested about disturbances in Georgia which favored Russia and feared an alliance between Russia and Austria.¹⁴⁵ Before Romanzoff left, he visited Gritti and told of the friendly feeling expressed in his last audience.¹⁴⁶ After his departure, a Russian courier brought a confirmation of the czarina's sincere wishes for peace. The news of two treaties, one between Austria and Spain (?) and the other between Austria and Russia, disturbed the English ambassador, the French ambassador, and the Porte. France had been alienated from Russia.¹⁴⁷

Messengers came frequently from Persia, but were watched like prisoners. When the people murmured, they were presented with gifts. The sultan showed impatience; amusements diverted him.¹⁴⁸ Gritti found it most difficult to analyze the Persian question.¹⁴⁹ In July reliable news that men at Kazvin were putting themselves under Ashraf's protection agitated the Turks.¹⁵⁰ In October he continued to gain followers.¹⁵¹ The Porte despatched orders and supplies, but no news of a battle reached Constantinople by November 17.¹⁵² His first victory was reported by Gritti in December.¹⁵³ In two despatches Dolfin wrote about the Porte's trepidation after Ashraf's position and victory became known.¹⁵⁴ The severe winter weather meant retarded news from Persia; that which arrived the Turks jealously guarded. Dolfin knew, however, of a Turkish defeat and described the losses as the transplanting of "the flower of the European militia . . . in the deserts of Asia." Over fifty thousand Turks were reported to have perished.¹⁵⁵ Such a state of affairs was the result of "a Sultan lost in the idleness of the Palaces, a Vizier who has not seen the face of War, a Capitan Pasha who has never left the Castles. . . .

¹⁴²*Ibid.*, *Filza* 180, D. 157, 3 March, 1726; D. 159, 18 March, 1726.

¹⁴³*Ibid.*, enclosures Nos. 1, 2, translated, with D. 159.

¹⁴⁴*Ibid.*, D. 167, 22 April, 1726. See Clairac, *op. cit.*, pp. 295-311.

¹⁴⁵Gritti, *op. cit.*, D. 171, 1 May, 1726; D. 172, 12 May, 1726.

¹⁴⁶*Ibid.*, D. 176, 27 May, 1726. See Clairac, *op. cit.*, p. 319.

¹⁴⁷Gritti, *op. cit.*, D. 178, 16 June, 1726; D. 181, 30 June, 1726.

¹⁴⁸*Ibid.*, D. 178, 16 June, 1726.

¹⁴⁹*Ibid.*, D. 181, 30 June, 1726.

¹⁵⁰*Ibid.*, D. 182, 18 July, 1726.

¹⁵¹*Ibid.*, D. 199, 16 October, 1726.

¹⁵²*Ibid.*, D. 200, 17 November, 1726.

¹⁵³*Ibid.*, D. 201, [4] December, 1726. See Clairac, *op. cit.*, p. 339.

¹⁵⁴Daniele Dolfin, *Dispacct*, A.S.V. *Filza* 181, D. 12, 4 January, 1727; D. 13, 18 January, 1727.

¹⁵⁵*Ibid.*, D. 15, 27 February, 1727.

It is still possible to reverse the situation by a new Monarch and Vizier. The Empire lacks the head, not the arm."¹⁵⁶

After conflicting reports from Persia, troops departed, and the Turks sent Russia a pressing request for aid against Ashraf. Russia replied wisely and ingeniously: she had faith in the Porte.¹⁵⁷ Soon after there were rumors of peace offers from Ashraf. Less work was being done in the arsenal.¹⁵⁸ Then an interval of about six weeks passed before Dolfin referred to Persia again, when he wrote about the obscurity of information; what he did hear was not favorable to the Porte.¹⁵⁹ Another six weeks without a reference, then the imperious and superb expressions of Ashraf caused the Turks in a conference to declare it necessary for the vizier to assume command of the army. Finally they discarded that idea and decided to accept the peace offers because of the difficulty of sustaining the war.¹⁶⁰ The vizier sent an order to the troops to suspend hostilities and to prepare only for defense. "From a good source," Dolfin learned that besides the letters of the *mufti* and the *ulema*, Achmet III and Damad Ibrahim each wrote a letter which would temper the bitterness and facilitate peace. The Porte suggested the cession of Tabriz, Ardebil, and Erivan, and the retention of Georgia only as a wall against Russian aggression.

With this more favorable prospect in Persia and with the death of the czarina, the Porte became more arrogant again toward Russia. In Nepllyneff's audience to announce her death, Damad Ibrahim refused to discuss the relations with Persia.¹⁶¹

In November, Dolfin sent the peace terms, which had been agreed to on the battlefield near Hamadan, October 13, 1727: (1) the recognition of Ashraf as the legitimate king of Persia; (2) the independence of Persia; (3) the mode of addressing Ashraf to be as "brother of the Sultan"; (4) an annual gift to the sultan; (5) a Persian caravan direct to Mecca; (6) the Porte's cession of Ardebil. What unfavorable terms for the Porte after "the loss of more than two hundred thousand men and more than one hundred thousand purses or fifty million piasters!"¹⁶² Later Dolfin modified these terms after seeing a copy of the treaty, in which Persia became a tributary state, "the result of the admirable per-

¹⁵⁶*Ibid.*, D. 19, 22 March, 1727.

¹⁵⁷*Ibid.*, D. 20, 17 April, 1727.

¹⁵⁸*Ibid.*, D. 23, 27 April, 1727.

¹⁵⁹*Ibid.*, D. 26, 15 June, 1727.

¹⁶⁰*Ibid.*, D. 27, 4 August, 1727.

¹⁶¹*Ibid.*, D. 30, 23 August, 1727. Death of Catherine I, May 16, 1727.

¹⁶²*Ibid.*, D. 35, 6 November, 1727. "We have before our eyes four versions of this treaty. They are all different, in the number of the articles as well as in their contents": Hekmat, *op. cit.*, p. 183. The version given by Hekmat was much more favorable than that of Dolfin. Another favorable version: Hanway, *op. cit.*, pp. 254-255.

ception" of the vizier, and after seeing a copy of Ashraf's letter which acknowledged his dependency.¹⁶³

Dolfin heard the following items from Ghika, and Neplyneff confirmed them, that the peace was ratified and that those who knew the situation best believed Ashraf was forced to sign the treaty because of the marching of his uncle from Kandahar to avenge the death of Mahmud. Without explaining whether the death of Shah Husain was natural or caused by poison, Achmet Pasha announced it as certain. The prince, Tahmasp, "thinking more of drinking than of Reigning," continued to hide in the mountains of Mazandaran, although both Achmet III and Peter II offered to place him on the throne.

Persian affairs and the accession of Peter II led to a stalemate in Turkish-Russian relations. When the Porte signified in February its willingness to ratify the treaty concerning the boundaries on the Caspian Sea and in Gilan, Neplyneff said that he awaited his instructions from the new czar.¹⁶⁴ In April his instructions were to inquire about the treaty with Peter the Great, while the Porte maintained an impenetrable secrecy about its treaty with Ashraf.¹⁶⁵

Uncertainty existed still in April regarding Persia and the manner of Husain's death. Ghika told Dolfin about Achmet's leaving Babylonia to take possession of Ahvaz (?), one of the places ceded. Dolfin learned Achmet had to recede without being successful.¹⁶⁶ In July, without notifying the ambassadors, the Porte celebrated the occupation of Ahvaz (?) with cannon volleys.

Tahmasp had appeared uninterested in gaining Ispahan, caring nothing for the offers of Russia and the Porte to place him on the throne when he agreed to their acquisitions. He made no response, thus losing a propitious occasion. Now he was marching toward Ispahan. Both Russia and Turkey delayed taking action. Dolfin thought Russia was more favorably disposed toward Tahmasp because of his dependence and the Porte toward Ashraf because of his religion and the peace. Ashraf's position had been further weakened by his uncle's occupation of Kandahar.¹⁶⁷

Six weeks later uncertainty still prevailed. Even the Turkish ministers themselves lacked definite information, having asked Neplyneff if he had received any news from the commanders on the frontiers. The uncertainty showed itself in Damad Ibrahim's hastily sending an ambassador to Ispahan and a minister "without character" to Tahmasp, in order that the ambassador might reside near the one who would dominate Persia. Both were to sound out and notify the Porte about the plans and forces of the two groups. Soliman Effendi, a pasha of three tails, a

¹⁶³Dolfin, *op. cit.*, D. 36, 14 November, 1727, and enclosures.

¹⁶⁴*Ibid.*, D. 41, 12 February, 1728. Accession of Peter II, May 18, 1727.

¹⁶⁵*Ibid.*, P.S. of D. 47, 12 April, 1728.

¹⁶⁶*Ibid.*, D. 45, 12 April, 1728.

¹⁶⁷*Ibid.*, D. 51, 19 July, 1728.

beylerbey of Rumelia, and a subject of much credit, was sent as ambassador, with a numerous following, the gifts of a heron and a harness studded with jewels worth one hundred thousand *reali*. Through Armenians who traded with Persia came the information that many khans were joining Tahmasp, and that he was marrying a prince's daughter. Others said that some of his followers had been defeated by the Afghans.

Relations with Russia remained unchanged: outwardly cordial, in reality rather cool. Neplyneff referred almost with derision to the useless formality of the vizier's asking about the czar's health and speaking of the Porte's constant friendship. Without despatches, Neplyneff did not have the heart to ask for a copy of the treaty with Ashraf, which had been promised to him many times and always withheld on the pretext of the infirmity of the *reis effendi*.¹⁶⁸

Seven weeks later news continued to be scarce. Dolfin explained his lack of information as the result of internal revolutions in Persia, interrupted commerce, and Neplyneff's failure to receive instructions. Russia was suspected of reinforcing Tahmasp. In this same despatch Dolfin reported Neplyneff's confiding to him that after the dismissal of Prince Menshikoff, his commissions had been more moderate, that he was to gain time in case of an accident in Erivan and on the Caspian, and that although the czar had accepted his resignation his successor had not yet been appointed. Evidently jealous of Russia, the Porte was reinforcing the officers in charge of the new conquests.¹⁶⁹

In November Tahmasp's position seemed stronger, but the future of Persia was uncertain. Many khans were indifferent. They either resigned themselves to the conqueror or profited by the unsettled conditions to exercise their command without subjecting themselves.¹⁷⁰ Forced to be more laconic than he had been, Dolfin explained: "I write nothing about Persia, because nothing transpires," and "the same obscurity continues."¹⁷¹

In contrast, the next report contained facts and suggestions. The Asiatic troops were ordered to make new conquests and to reinforce Tabriz, Hamadan, and Ahvaz (?). Some of the opposing forces, advantageously hiding in the mountains, came forth frequently on expeditions of rapine and revenge. More troublesome than any other was Shah Ismail, who pretended to be a son of Husain. Ashraf remained quiet and weak in Ispahan.

Lacking counsel and courage, Shah Tahmasp instead of extending his conquests had retreated toward his first haven of Mazandaran, where he found himself more secure in the shadow of the Moscovite frontiers. Even if the Moscovites do not respect him, they protect him in order to make use of his name if the occasion

¹⁶⁸*Ibid.*, D. 56, 1 September, 1728.

¹⁶⁹*Ibid.*, D. 59, 20 October, 1728. Menshikoff's "fall," May, 1727.

¹⁷⁰*Ibid.*, D. 61, 12 November, 1728.

¹⁷¹*Ibid.*, D. 62, 7 December, 1728; D. 63, 16 December, 1728.

arose. Such is the unhappy scene of the vast Kingdom of Persia, oppressed from the Outside and torn by internal revolutions, falling from its grandeur because of the weakness of the Head. Czar Peter gave the first blow to the plant with his conquests on the Caspian. . . . Mirevis with the second blow went to the roots, occupying the Throne by means of the Afghans, and Fires have stripped off the leaves, the Provinces.¹⁷²

Two couriers from Persia, one to Damad Ibrahim and the other to Neplyneff, brought news that the impostor Ismail had been defeated. He, according to Neplyneff's despatch, was first defeated by the Russians, then by the Turks. The Porte, however, exaggerated only the second success.¹⁷³ Three weeks later, Neplyneff came to tell Dolfin about his being called for a conference with the *reis effendi*, because the Porte had heard that General Romanzoff had given shelter to the followers of Ismail, who had been defeated by and were fleeing from the Turks. When the *reis effendi* asked for their surrender and the general's punishment, Neplyneff replied as if they were first beaten by the Turks (*sic*), and said it was improbable that the general had received as guests those he had treated as enemies. He promised to write, but he did not have the faculty of commanding army officers.¹⁷⁴ Later in the month the rumors of war between the Porte and Russia seemed ominous. Damad Ibrahim's letter to the czar requested that Romanzoff be punished because of his attitude toward the *Sahseveni*, enemies of the Turks, and his occupation of villages under the protection of the Porte.¹⁷⁵ A lapse of six months had occurred by April without Neplyneff's receiving any instructions from the czar. Persia remained supposedly quiet also.¹⁷⁶ At the end of May, 1729, Neplyneff received precise orders to urge the Porte to explain its intentions. He went to the *reis effendi*, who said the sultan was disposed to cultivate friendly relations with the czar. This suave reply Dolfin attributed to the reports of numerous Russian troops at the European frontier, notable Russian reinforcements for Persia, the strengthening of Belgrade, Temesvar, and Orsova by Austria, and the plan to erect a fortress on the Morava River.¹⁷⁷

In July the reports circulated that Ashraf planned to attack Tahmasp with twenty-five thousand Afghans and that he was sending another envoy to Constantinople. The Porte did not contemplate any new treaties, in order not to increase the jealousy of Russia. In addition to Tahmasp, Ashraf had to consider his uncle in Kandahar.¹⁷⁸ After a journey of five

¹⁷²*Ibid.*, D. 65, 17 February, 1729.

¹⁷³*Ibid.*, P.S. of D. 65.

¹⁷⁴*Ibid.*, P.S. of D. 68, 3 March, 1729.

¹⁷⁵*Ibid.*, D. 69, 25 March, 1729. In August, Dolfin wrote: "Last week a head arrived from Tauris and was exposed at the Door of the Palace with the name of Ismail," the impostor:

ibid., D. 79, 13 August, 1729.

¹⁷⁶*Ibid.*, D. 71, 20 April, 1729.

¹⁷⁷*Ibid.*, D. 73, 1 June, 1729.

¹⁷⁸*Ibid.*, D. 76, 12 July, 1729.

entire months, Ashraf's envoy arrived on July 22 at Scutari, where he had only one day of rest before he came to Constantinople. During his formal entrance, a ride of five hours and a half, he held himself erect, not giving any sign of admiration or of curiosity, not casting a glance at the beautiful view of Constantinople. He was a tall man, more than fifty years old, with a brown face, grim eye, black beard, and ferocious look, and was dressed in a costume of gold and black fur. His cortege consisted of a few badly dressed domestics, about three hundred Afghans, and eighteen camels carrying carpets and goods brought by him. A few days later he had audiences with the sultan and the vizier. He was honored in both with a special caftan, besides numerous caftans for his followers, and granted five thousand sequins and food. From his many conferences with the vizier, Neplyneff rather feared Turkish assistance to Ashraf against Tahmasp, after which the Afghan would be ready to invade Russia in case of trouble between the sultan and the czar. From one of the envoy's suite it was learned that Ashraf had the support of the Afghans and other foreign militia attracted by pay. Though he was charitable toward the poor, he used any motive for a massacre of the great. Tahmasp continued to hold the vast but deserted region near Mazandaran and to be secretly sustained by the Russians, who did not have much consideration for him.¹⁷⁹

After the departure of the envoy, the situation remained unchanged.¹⁸⁰ A month later neither Ashraf nor Tahmasp was mentioned in Constantinople. News of Russian troops at the frontiers of Gilan, however, caused the *reis effendi* to call the resident for a conference. After an inquiry by Bartolini,¹⁸¹ Neplyneff sent his secretary to say that he had found the *reis effendi* as usual and that he had promised to write for information, as he did not know the facts about the troops. Always armed, Russia, Bartolini reflected, sought an occasion to attack, and the fear of consequences did not prevent her. Vienna was not pleased by the envy or the spite provoked by the czar.¹⁸² Talman confided to Bartolini the relations of Russia and the Porte. Annoyed by Russian insults and by Neplyneff, Damad Ibrahim sent the letter mentioned in Dolfin's despatch of March 25, 1729, to the czar.¹⁸³ The chief complaint concerned the protection given by commanders to Ismail. The other complaints were light or false; therefore, Bartolini omitted them. The Imperial resident in

¹⁷⁹*Ibid.*, D. 79, 13 August, 1729. A similar description is given in the "Relation des cérémonies pratiquées à Constantinople à l'occasion de l'arrivée de l'Ambassadeur L'Eschref-Chah, le 23 Juillet 1729." This report was sent in 1738 to Clairac by M. Thomas, consul of France at Salonica: Clairac, *op. cit.*, III, pp. 79-80.

¹⁸⁰Dolfin, *op. cit.*, D. 81, 13 September, 1729.

¹⁸¹Bartolini was Dolfin's secretary. He took charge of the embassy during the interval between Dolfin's death and Angelo Emo's arrival.

¹⁸²Orazio Bartolini, *Dispacci*, A.S.V., *Filza* 182, D. 5, 15 October, 1729.

¹⁸³See *ante* p. 128 and note 175.

Moscow wrote about the lack of satisfaction the Porte's messenger received, as indicated by the mere reply that the czar would make use of the explanation. Without accepting or excluding mediation, the Porte was inclined to the settlement suggested by Villeneuve, the French ambassador.

SHAH TAHMASP'S AGGRESSIVENESS

THESE relations receded into the background as the activities of Tahmasp revived. Ghika announced the approach of his ambassador, two days' distance from Constantinople. Before receiving him, the Porte desired to know the outcome on the battlefield between Ashraf and Mahmud's son (*sic*).¹⁸⁴ When the ambassador arrived early in November, his audience with Damad Ibrahim followed promptly, but he was not received by Achmet III, to whose eye alone he protested he had orders to show his commissions. Tahmasp sought aid against Ashraf and desired to be recognized as the legitimate ruler of Persia. The Porte did not wish to reply unless the Persians reacquired Ispahan. Although that was announced, the foreign ministers doubted the report. Neplyneff, considered by Bartolini as his best source, said:

. . . he did not believe the taking of Ispahan to be a fact, but it was not an impossible task. The fortune of Shah Tahmasp had risen greatly, a number of Persians was joining his forces; . . . The Afghans, defeated twice, were few in number and deprived of the usual assistance from Kandahar; if the Persians knew how to retain their acquisitions, they would again change the scene.

The vizier called a council of the *mufti*, *ulema*, "pasha of the bank," and generals. In balancing the treaty with Ashraf and his conformity in religion against Tahmasp, the men of law opposed the latter because of his heresy; the pashas favored Ashraf because of the treaty; the generals desired war because "generals universally wish it." Without committing himself, Damad Ibrahim dissolved the conference. Everyone believed that he hoped for more reliable information; meanwhile he would keep the ambassador waiting. Neplyneff had used the "language of gold to open the lips of the silent" in order to write to his court. The czar's deliberation surprised the Porte, when he had fifty thousand men on the frontier and also planned to seduce all Georgia.¹⁸⁵

More than a month had elapsed, and still the Persian had not been permitted to see the sultan. There was talk of the coming of three persons: a new representative from Tahmasp for aid because he was on the point of conquering; one from Ashraf for assistance because he was on the point of losing; and one from an impostor, who claimed to be the nephew of Tahmasp, for help because he needed it to oppose his uncle. The taking of Ispahan proved to be an equivocation of the

¹⁸⁴Bartolini, *op. cit.*, D. 6, 29 October, 1729.

¹⁸⁵*Ibid.*, D. 7, 5 December, 1729.

pashas of Babylonia and of Hamadan. There was no mention of the prince of Kandahar. The return of an *agha* from Russia, his conference with Neplyneff, and other indications led Bartolini to believe that the vizier desired peace with all, but delayed his decision while so much uncertainty existed.¹⁸⁶

While Tahmasp remained at Meshed, Ispahan capitulated to his "faithful and valorous Colusi Bassi or General."¹⁸⁷ Among his twenty thousand men were eight thousand Georgians, who were always most opposed to the Afghans. Some Armenians of Julfa who preferred Ashraf were beheaded. Tahmasp's second envoy had died en route, and his first ambassador had not yet been admitted to the sultan's presence. Tahmasp's nephew, Safi Mirza,¹⁸⁸ had arrived and wished the Porte to place his father on the throne.

The victory at Ispahan caused the *reis effendi* to call Neplyneff for a conference. More suave than usual, the Turk protested that he desired to hear the opinion of Russia, and begged the minister to speak as a friend and not as the czar's representative. The *reis effendi* became confidential and said that he believed when Prince Tahmasp had been recognized by their sovereigns, their treaty, already concluded but not yet executed, ought to include the prince. The cautious Russian did not make much of a reply. Seeing Villeneuve's secretary at the divan, Ghika asked him if he came to offer French mediation. The secretary replied in the negative, adding, however, that Louis XV was much interested and would probably not refuse if the occasion should come. Ghika replied: "It can come soon." Neplyneff told Villeneuve that the agreement would be made without mediators. Everyone thought nothing precise would be done until the arrival of a messenger from Tahmasp or of Seifidin from Tabriz. The latter was an esteemed Persian who had rendered obedience and service to the Porte and had moderated the animosity of his son against the Turks. Meanwhile it was said that preparations for Asia continued. Requests came from Hamadan for food and munitions to be amassed for marching. One rumor had it that a cannon foundry was to be erected in Erzerum, for which thirty experts would depart. Gossip spread that Ali Pasha, son of the late physician to Achmet III, was to be *seraskier*. The enrolling of troops and the completion of the fortifications of Azov were also planned. The men of law and others who had favored Ashraf did not believe he had died in Kandahar.¹⁸⁹

¹⁸⁶*Ibid.*, D. 9, 15 January, 1730.

¹⁸⁷An earlier name of Tahmasp Kuli Khan or Nadir Shah was "Causoli Kan": *The Persian Hero*, London, 1754, p. 101.

¹⁸⁸Later identified by Bartolini as a brother, see *post* pp. 132, 133 and note 195. Also identified as the impostor, Muhammad Ali Rafsinjani: Laurence Lockhart, *Nadir Shah*, London, 1938, p. 48.

¹⁸⁹Bartolini, *op. cit.*, D. 10, 18 February, 1730.

A month later orders provided that one hundred cannoniers depart for Ganja; that Hamadan and other Persian places be defended by cavalry; that cannon foundries be erected at Hamadan and Erzerum; and that probably nine galleys be sent to repair the fortifications of Azov and to rebuild Taganrog.

Safi Mirza insisted that he was Tahmasp's brother. The Porte believed him but neglected him, and the Persian ambassador called him an impostor. Neplyneff said that another ambassador from Tahmasp had entered Turkish territory and one was in Russia.¹⁹⁰ Some thought "Safi Mirza or Emul Mazun, who still passes for an older brother of Shah Tahmasp," would be made to leave.¹⁹¹ In an audience with the vizier he received a caftan and a caparisoned horse.

The whereabouts of Ashraf were not known, but it was held that wherever he was, his situation was unhappy. Shah Tahmasp was spoken of frankly. After the acquisition of Ispahan and the total defeat of the Afghans, he¹⁹² had occupied Luristan near Shiraz and encamped with twenty-five thousand men. Although he was immobile on the field, he had not failed to impress the generals, who asked for instructions and assistance. Neplyneff sought information from the ambassador, who protested he did not know his sovereign's intentions.¹⁹³

A more detailed account of some of the foregoing was given by Bartolini after being Ghika's guest. When Bartolini introduced the subject of Persia, Ghika replied promptly. Upon Shah (*sic*) Tahmasp's arrival at Ispahan with forty thousand men, Ashraf, hampered by the lack of provisions and men, abandoned the city, in order to go to the fortress of Tacal can lasi [Calan-Calasi] near Shiraz. A part of the Persian army remained in Ispahan, while the other pursued the fugitive. After capturing him, the troops proceeded to besiege Shiraz and showed Ashraf loaded with chains. When the city fell, he met a horrible death. Led naked, except for his chains, to the central square, he heard his sentence; his skin was to be scraped off with currycombs. His executors did not finish tearing it away until he was almost dead. Then they cut his body in pieces and threw them to the winds, except the lungs, which they burned, and his head, which they exposed in Ispahan.¹⁹⁴ The victories continued with the recovery of the province of Kerman, the cities of Kashan, Kazvin, Teheran, and Bander, and the regions and places

¹⁹⁰*Ibid.*, D. 14, 23 March, 1730.

¹⁹¹*Ibid.*, D. 16, 4 May, 1730.

¹⁹²Probably Tahmasp Kuli Khan.

¹⁹³Bartolini, *op. cit.*, D. 16, 4 May, 1730.

¹⁹⁴*Ibid.*, D. 17, 14 May, 1730. This description of Ashraf's death was also given in "État de la Persia en 1730," sent to Clairac in 1738 from Salonica: Clairac, *op. cit.*, pp. 250-253. A milder account: Angelo Emo, *Dispacci*, A.S.V., *Filza* 183, D. 18, 11 October, 1730, H. MS., I, f. 45v. Other versions: Sir Percy Sykes, *A History of Persia*, London, 1921, II, p. 243; Lockhart, *op. cit.*, p. 45.

usurped by Ashraf, besides those belonging to him, such as Shiraz and the neighboring fortress. The other cities and territories of Persia, like Georgia, were still in the sultan's hands.

Safi Mirza, Ghika also said, was truly the younger brother of Tahmasp and had escaped with the aid of an Armenian from Ispahan as a muleteer to Arabistan, where he had been honored as the son of a king and given twelve thousand men to defend himself against Ashraf. Whether through partiality to Tahmasp or to the Arabs, a plot was formed against him. An Armenian warned him. Again he escaped in disguise, by exchanging places with a servant who was to remain in Safi's room all day with the promise of his return. He, however, went to Babylonia, where Achmet Pasha aided him and sent him to Constantinople.¹⁹⁵

Another Persian success was rumored, the regaining of Kandahar by Abdullah Khan, who, won secretly by Tahmasp, went with some Afghans under the pretext of defending it. He beheaded Husain, the brother of Mahmud, and all his principal followers.

It was believed in Constantinople that Tahmasp would not be so haughty with the Porte if he lacked Russian support.¹⁹⁶ His first ambassador finally had an audience with Achmet III on June 18. A few hours later, the second representative made his solemn entrance. The latter said his instructions were to sign the treaties after the Porte had ceded its acquisitions. After his audience on July 5 with the vizier, the general belief was that the Porte would cede the least important ones. Bartolini questioned that rumor, because of the orders about reinforcing the garrisons of Tabriz and Hamadan.

During a meeting of the vizier with all those first in law and in the militia, persons went five times to consult Achmet III. The following day (probably July 7), the sultan announced the plan: in forty days the vizier with all the army, the *kiaya*, *reis effendi*, *mufti*, *kaziasker*, and other officials were to go to Asia and spend the winter in Aleppo; then in the spring the sultan would proceed to Konia or Tokat. The pavilion and the horse's tail, the usual sign of march, were ordered. Likewise the pavilion of the *agha* of the Janissaries had its door toward Asia. Other preparations included the departure of the food commissary, sixty ships of grain for Trebizond, seven others for Scanderona [Alexandretta], forty cannons and other munitions; a levy of all the camels and mules from the European provinces and the horses of Rumelia; and the ap-

¹⁹⁵Bartolini, *op. cit.*, D. 17, 14 May, 1730. A similar version was also given in the "Mémoire sur l'évasion de Chah-Seft, frere de Shah-Tahmas, & sur sa réception à Constantinople": Clairac, *op. cit.*, pp. 254-258. In the "Relation de divers événemens arrivés en Perse, dressée sur le rapport qu'un Officier du Grand-Visir envoyé par lui en 1730 à Ispahan, disoit avoir fait à ce Minister," Shah Tahmasp spoke of the asylum that the Porte had accorded his brother: *ibid.*, p. 103.

¹⁹⁶Bartolini, *op. cit.*, D. 19, 8 June, 1730.

pointment of Achmet, Pasha of Babylonia, as first *seraskier* in Persia. "If such grand preparations were to frighten the Persian ambassadors, the Turks were successful." The first ambassador had an audience "yesterday" with Damad Ibrahim and the new ambassador "today." There were rumors, however, of the loss of Hamadan to the Persians.¹⁹⁷

All these items, except the defeat at Hamadan, were repeated three days later by Bartolini. In addition, he included details about the preparations and reported about the separate audiences of the two Persians on the same day. They asked for a suspension of the most advanced steps until they could send a messenger to Tahmasp. A gracious answer came from Damad Ibrahim: he would go to meet the courier who brought the reply. Messengers consequently departed, and the second ambassador was given a watch with diamonds, a buckle, and a robe of ermine.¹⁹⁸ The Porte's plans were retold to Brutti, whom the *reis effendi* called in the vizier's name, to the effect that after passing the winter in Aleppo, the Turkish army would advance in the spring if Tahmasp had not accepted peace at the stated terms; namely, the releasing of some territories and the contributing of five hundred thousand *reali* per year.¹⁹⁹

On August 3, the court left Europe for Asia. Bartolini watched the procession in the company of the English ambassador, Kinnoull, in a house at Scutari. Achmet III, Damad Ibrahim, the *mufti*, the principal pashas, all the other ministers, men of law, and military heads proceeded with arms, silver, gold, precious stones, and the Koran in a royal carriage which was drawn by six horses and surrounded by musicians. "So impressive an array," Bartolini reflected, "must be to induce Shah Tahmasp to make a more discreet treaty." The march to Aleppo was evidently not to take place before the return of the messenger from Tahmasp or from Achmet, Pasha of Babylonia. News had come of hostility by the Persians, but there was so much secrecy that the Russian ministers swore they could not penetrate it.²⁰⁰ The capture of Hamadan by the Persians was confirmed.²⁰¹

TAHMASP KULI KHAN

THE appearance of the new *bailo*, Angelo Emo, the absence of the chief ministers from Constantinople, and the revolt of September, 1730, meant that about six weeks passed with only one reference to Persia.²⁰² Then Tahmasp Kuli Khan began to appear regularly in the despatches. He advised Shah Tahmasp to demand from the Porte the cession of all the

¹⁹⁷*Ibid.*, D. 20, 15 July, 1730. Reza Ghôli was the name of the first ambassador; Vali Ghôli Beg of the second: Hekmat, *op. cit.*, p. 195.

¹⁹⁸Bartolini, *op. cit.*, D. 21, 18 July, 1730.

¹⁹⁹*Ibid.*, D. without number, following D. 21, 18 July, 1730.

²⁰⁰*Ibid.*, D. 22, 4 August, 1730.

²⁰¹*Ibid.*, enclosure No. 2, letter of Bartolini to Vendramin, Proveditor-General in Dalmatia, 22 August, 1730, with D. 23.

²⁰²Angelo Emo, *op. cit.*, D. 13, 5 September, 1730, ff. 24v.-25r.

occupied territory. The vizier, Mehemet, sought to compromise by offering Tabriz, Hamadan, Kermanshah, and Ardebil with their adjoining territories in return for a moderate annual tribute and the retention of Tiflis and other posts. Mehemet suppressed as much as possible such news as the reduction of Kandahar by Tahmasp Kuli Khan, and his taking of Hamadan, Kermanshah, and Tabriz.²⁰³

Apparently couriers brought more unpleasant information, because they were kept concealed. If the Turkish defeat in Erivan and the shutting up of the garrison in Tiflis had occurred, the Persians might regain all their dominions. Some of the men of law had declared the war unjust and against their religion, and now they rejoiced over the lack of success. Jealousy of Russia, it was held, might also inspire the Turks to aid the Persians in recovering their lost territory of Gilan.²⁰⁴ Several weeks later Emo repeated this plan in an effective summary: "That these Acquisitions of Moscovy are no less a thorn in the heart of the Persians than of this Empire, nothing is more certain."²⁰⁵

In contrast, the Porte saw fit to ingratiate itself with Russia when the Persians' resolute demands for restitution called for war preparations. They were not intended for Russia, the Porte explained to Neplyneff.²⁰⁶ Even with another vizier, this method of playing one power against another, and also of one group of Persians against another, continued for a couple of months. With Tahmasp Kuli Khan at the head of the stronger Persian division near Tabriz, with another at the Babylonian frontier, and with Persian detachments for Georgia and Erivan, the Porte asked Neplyneff about permitting the Tartars to pass through Russian territory.²⁰⁷ The Persian ambassadors received more humane treatment than usually shown by the Turks towards representatives of a prince with whom they did not seek peace. If peace were made with Persia, the Russian possessions on the Caspian would undoubtedly call forth a protest from the Porte. Neplyneff comprehended that and openly announced they were well guarded. To an inquiry about his sovereign's intentions he replied with firmness in conferences with the vizier and *reis effendi* that inasmuch as the Porte had increased its acquisitions after and contrary to the treaty of 1724, he believed the czarina was released from her obligation. Regardless of much talk about expeditions of soldiers, neither the Janissaries of Constantinople nor those from other European provinces had departed.²⁰⁸

First the Turks sought to conciliate the Persians. In a conference with

²⁰³*Ibid.*, D. 18, 11 October, 1730, ff. 45v.-46v.

²⁰⁴*Ibid.*, D. 22, 1 November, 1730, ff. 63v.-64v.

²⁰⁵*Ibid.*, D. 28, 17 December, 1730, f. 105r.-v.

²⁰⁶*Ibid.*, D. 31, 14 January, 1731, ff. 127r.-129r.

²⁰⁷*Ibid.*, D. 34, 25 January, 1731, ff. 146v.-148v.

²⁰⁸*Ibid.*, D. 36, 22 February, 1731, ff. 158r.-160r.

the *reis effendi*, the *kiaya*, and the former *reis effendi* at the residence of the ambassadors—a special attention—the Persians declared that they could not recede from their first demands for the entire restitution of territory, and that according to their last instructions they ought to be compensated for damages and expenses. Two days later the Porte consulted for two hours the *kiaya* of Mirza, “said to be the Brother of Shah Tahmasp.”²⁰⁹ Other conferences with his *kiaya*²¹⁰ no doubt were meant to tease the ambassadors.

In spite of the eagerness for peace, preparations proceeded with haste. Munitions of every kind were sent to Alexandria, immense sums were despatched to Achmet Pasha, and the commanders of Erivan and Ganja were ordered to gather troops. Neplyneff remained in the dark about the Turkish and Persian negotiations which prejudiced the treaties with his country.²¹¹ On March 10, 1731, the vizier gave the first Persian ambassador permission to depart to seek some moderation in Tahmasp’s demands. What a difference time had brought! Emo observed. The ambassador had come to ask aid, but (eight months later) another envoy demanded the restitution of all territory occupied by the Turks.²¹²

Finally their persistence wore down the dissimulating and blinding policy of the Porte. In a conference the vizier declared that such a policy gave the ambassadors the idea of fear among the Turks, and one of vigor and resolution would produce the desired peace. According to an earlier plan the Persians were to have been admitted to Mahmud’s presence, loaded with honors and gifts, and thus well disposed, permitted to go to the camp of Achmet Pasha. Another plan resulted from the vizier’s reflections and letters from the *seraskier* in Erivan, who told how much more determined than ever were the Persians for war. At the moment when the ambassadors thought they were to see the sultan, the vizier dismissed them with brief and bitter words, saying that without returning to their house, they were to await orders in Scutari and then return to their country. For eight days they waited. It was believed, nevertheless, that they would be conducted to Achmet Pasha, in whom much hope rested. If the Turks showed firmness about keeping the remainder of their acquisitions, Georgia and Erivan, they did so only to prevent popular clamor. The ministry desired peace even at the price of retaining nothing.²¹³ Yet the ambassadors were told by an order of the vizier that it would be the peace terms of Achmet III’s reign or war.²¹⁴

²⁰⁹*Ibid.*, D. 38, 24 February, 1731, ff. 173v.-174r.

²¹⁰*Ibid.*, D. 40, 9 March, 1731, f. 183v. In September the ministry forced Safi Mirza to leave Constantinople for Salonica: *ibid.*, D. 81, 29 September, 1731, II, f. 97v. Evidently he remained there until April, 1734; then he was ordered to go to Lemnos. The Turks called him an impostor, yet guarded him for several years, perhaps with the idea of using him as a rival against Shah Tahmasp: *ibid.*, *Filza* 185, D. 216, 13 April, 1734, IV, f. 304r.

²¹¹*Ibid.*, *Filza* 183, D. 40, 9 March, 1731, I, ff. 184r.-186r.

²¹²*Ibid.*, P.S. of D. 41, 10 March, 1731, f. 197r.-v.

²¹³*Ibid.*, D. 43, 17 March, 1731, ff. 203r.-205r.

²¹⁴*Ibid.*, D. 45, 28 March, 1731, f. 217r.

Such words came from the lips only. Neplyneff received letters from the czarina to be communicated to the Porte. They described the plight of Ali Pasha in January when he capitulated at Ardebil to the Persians, his asking for the assistance of three hundred Cossacks, and the Russian General Vascoff's offer to receive him and to treat with Tahmasp Kuli Khan. Ali's letters told about the treatment he received from the Russians, "a testimonial of the perfect friendship between the Empires." The Porte expressed its gratitude to Neplyneff. He confided to Emo that such warmth came because of the unrest in Constantinople. The presence of Russian artillery and engineers, passing as deserters, in the Persian army was suspected by the Turkish ministers, but so desirous were they to end the war that Neplyneff's offer of mediation might be accepted; "the means mattered far less than the goal."²¹⁵

The strength of Shah Tahmasp at Hamadan, the appeal of Achmet Pasha, and the movement of Russian troops as reported by the khan of the Tartars made the Porte decide to send supplies and money to Achmet and ships to Azov.²¹⁶ The victory of Tahmasp Kuli Khan at Ardebil was followed by his sending an emissary to Achmet Pasha, who held him until instructions came from Constantinople. The Porte ordered the pasha to keep the envoy and to make a peace which would not be indecorous, if the Persian had plenipotentiary power. Achmet Pasha was also ordered to proceed toward Ispahan. Although the Turks were preparing vigorously, they desired peace more than ever.²¹⁷

A courier arrived from Ali Pasha in Erivan to announce two victories.²¹⁸ This news was confirmed in about a week by the arrival of an *agha* with a Persian. The Persian was well received, served coffee and sherbet by the *kiaya*, and taken the following day to the vizier, who accused the shah of being a violator of the treaty signed during Achmet III's reign and confirmed by Mahmud. The Persian's patriotism made him "respond superbly and in tones not corresponding to his state" in defense of his sovereign, and he was punished for his arrogance by being beheaded. Although the *mufti* had favored the execution, murmurs were heard of a general disapproval.²¹⁹

The Porte had instructed Achmet Pasha to detain the Persian envoy, but he had left Babylonia for Constantinople before the order arrived; consequently he was imprisoned on Tenedos with only two or three of his

²¹⁵*Ibid.*, D. 47, 4 April, 1731, ff. 224v.-226v.

²¹⁶*Ibid.*, D. 47, f. 227r.; D. 50, 26 April, 1731, ff. 239r.-240v.; D. 51, 26 April, 1731, f. 243r.

²¹⁷*Ibid.*, D. 53, 27 April, 1731, ff. 249v.-251r.

²¹⁸*Ibid.*, D. 57, 18 May, 1731, ff. 267r.-269v.

²¹⁹*Ibid.*, D. 59, 30 May, 1731, ff. 278v.-280v. A similar account was given in the "Extrait d'une Lettre écrite de Constantinople le 15 Juin 1731" by M. Desroches to Clairac: Clairac, *op. cit.*, pp. 277-280. The Persian's name was Vely Kuli Khan. See André de Clautre, *Histoire de Thamas Kouli-Kan*, Paris, 1742, pp. 109-110.

retinue; the others, about fifty, deprived of their credentials, jewels, and goods, were forced to withdraw.²²⁰ Men came from the fronts rather frequently. As soon as they delivered their letters they were sent back immediately or hidden. That suggested the messages would not have cheered the people. Doctor Testabusa's letter of May 20 from Babylonia reported the Turks as being less strong, confirmed the Porte's order to Achmet to penetrate into Persia, and stated he would do so slowly.²²¹ Achmet's letters said he was marching toward Kermanshah.²²²

Ali Pasha sent news of a third victory, the defeat of three thousand Persians. "But," as Emo observed, "these little successes are not to decide the war." Tahmasp Kuli Khan had advised Shah Tahmasp to remain in Tabriz without being seduced by the hopes of a pitched battle, and to let penury, sickness, and tedium combat the enemy in camp, until Ali Pasha should provoke him to a battle.²²³ The pasha, however, was obeying the Porte's command to force Shah Tahmasp to fight.²²⁴ A few weeks later a courier arrived with the account of a decisive victory by the Turkish army at Kermanshah on July 15. Constantinople was not disposed to rejoice, and another courier brought the unfavorable news that the Turks had suffered a defeat almost immediately after the victory.

Achmet Pasha had been ordered to send troops to Ali Pasha, who was marching toward Tabriz. Achmet's loyalty had been suspected, but with the report that he was carrying out his instructions, opinion changed in his favor.²²⁵ His rewards were a pelisse and a sword. In spite of many reported advantages, the abhorrence of the people for the war did not lessen; they were disturbed by the scarcity and the high prices of food.²²⁶ The silence which followed the arrival of a courier suggested that he had brought unpleasant notices. The marching of the combined Turkish armies toward Tabriz proceeded slowly and with difficulty. The belief existed that even its capture would be only temporary and would not pay.²²⁷ This pessimistic attitude gained nothing from the reports of penury and hardship in the army of Achmet as it marched toward Kermanshah, of the wound received by Ali Pasha, and of the dispersing of more than six thousand of the latter's troops. The acquisition of Kermanshah by Achmet Pasha did not mean much to the people, but the government rewarded him and his officers with caftans and other gifts.²²⁸ Then in November came the news of a signal victory and the

²²⁰Emo, *op. cit.*, D. 62, 14 June, 1731, f. 299r.-v.

²²¹*Ibid.*, D. 65, 3 July, 1731, II, ff. 8r.-9r.

²²²*Ibid.*, D. 70, 28 July, 1731, f. 34v.

²²³*Ibid.*, D. 74, 15 August, 1731, f. 56r.

²²⁴*Ibid.*, D. 75, 18 August, 1731, f. 61r.

²²⁵*Ibid.*, D. 77, 8 September, 1731, ff. 72r.-v., 73v.-74r.

²²⁶*Ibid.*, D. 80, 29 September, 1731, ff. 92v.-94r.

²²⁷*Ibid.*, D. 83, 5 October, 1731, ff. 107v.-108r.

²²⁸*Ibid.*, D. 85, 29 October, 1731, f. 118v. *et seq.*

occupation of Hamadan by Achmet Pasha, who asked permission to return to Babylonia. The Porte refused his request and ordered him to remain at Hamadan and "to profit by every opening" for peace.²²⁹ Before he could have received these instructions, he sent couriers to report on the likelihood of peace. Letters also came from the shah who protested against the cruelty and injustice of the sultan in despoiling his brother-in-reigion of territory. A council was accordingly called. Topal Osman, the vizier, opened it by asking everyone to reflect and to express sincerely his opinion regarding the war. The former *reis effendi*, the capitan pasha, and the *agha* of the Janissaries passionately declared that peace was necessary. They denounced the war as ruinous. These opinions were reported to the sultan, who approved of the orders to be sent to Achmet Pasha to negotiate a peace. There was a universal desire to end the war.²³⁰

Several months before, Neplyneff had offered the services of Russia as a mediator and they were finally accepted.²³¹ Prince Scherbatoff came to Constantinople as the envoy. Neplyneff sought to attain his object by means of Dragoman Ventura and Saim Mehemet, the capitan pasha. Neplyneff was seen frequently with Ventura and it was rumored that he, either alone or with Scherbatoff, met Saim Mehemet at night. This intimacy resulted in the dismissal of the capitan pasha and the summary execution of Ventura on the first of December.²³² About six weeks later Emo described Neplyneff as returning discontented from a conference with the *reis effendi* regarding the disturbances of the Tartars on the frontiers.²³³

On December 18, a messenger arrived announcing the occupation of Romie and Ali Pasha's imminent entrance into Tabriz.²³⁴ When a confirmation of this report came, the artillery announced for three days the end of the war.²³⁵ Peace terms were, however, not readily agreed upon. At first the Persians objected to the cession of Tabriz.²³⁶ Then they persistently refused to give it up. After this unexpected news, the vizier held consultations for two days and then called a council in the presence of the sultan to determine whether all or a large part of the occupied territory should be released in order to obtain peace, or whether the war should be resumed. A majority of those present "openly declared the conflict to be ruinous, and of no profit to the Empire; an acquisition of states

²²⁹*Ibid.*, D. 91, 16 November, 1731, f. 159r.-v.

²³⁰*Ibid.*, D. 93, 30 November, 1731, ff. 167v.-169v., 171r.

²³¹*Ibid.*, D. 74, 15 August, 1731, f. 57v.

²³²*Ibid.*, D. 88, 7 November, 1731, f. 136v.; D. 92, 30 November, 1731, ff. 160v.-161r., 166r.-v.; D. 95, 20 December, 1731, ff. 173v.-178v.

²³³*Ibid.*, D. 104, 3 February, 1732, ff. 240v.-241v.

²³⁴*Ibid.*, D. 96, 20 December, 1731, ff. 186v.-187r.

²³⁵*Ibid.*, D. 99, 28 December, 1731, ff. 198v.-200r.

²³⁶*Ibid.*, D. 104, 3 February, 1732, ff. 239v.-240v.

in an extremely distant part, which in preceding centuries demanded an Army in time of peace because of the bad faith of the Persians." After "long and not pacific arguments," no decision resulted. It was believed that Topal Osman desired peace. Then the sultan refused to meet the demands of Persia. This pronouncement was attributed to the influence of the *defterdar*, who reasoned that if the war continued the troops would be occupied and there would be less likelihood of a revolt.²³⁷ Almost immediately after this decision, the secretary of Achmet Pasha brought letters announcing the signing of a treaty, January 10, with most advantageous terms for the Ottoman Empire.²³⁸ The terms were not published, but one of Emo's confidants told him that orders had been sent to Ali Pasha to withdraw from Tabriz, which would be given to Persia.²³⁹ When the people heard about the cession of this city and its neighboring territory, they criticized the treaty, and groups of armed persons were found about the city.²⁴⁰ This strong public feeling and the wish of the *defterdar* won; the *mufti* and Topal Osman were dismissed because they desired peace.²⁴¹ Later the news came that even the soldiers resisted Ali Pasha when he gave the order to withdraw, that Hamadan and Kermanshah with their provinces had also been ceded, and that Achmet Pasha had returned to Babylonia.²⁴² Rumors said that the Aras River would separate the Turkish and Persian possessions, and that of all which the Turks had conquered since 1722 only Georgia with Tiflis and Ganja remained in their hands.²⁴³ It was thought that when Ali Pasha, the *seraskier*, came to take up his duties as vizier, the terms would be announced, but they were not.²⁴⁴

In May, 1732, Emo summarized the antagonism of the Porte toward Russia. A constant Turkish maxim was to exclude that power from any part in the treaty with Shah Tahmasp. Jealousy of Russia, produced by her secret aid to the Persians, became more acute now that Russia was conserving her spoils while the Porte was forced to cede much. It was said, however, that the Russians would not be able to maintain their hold on Gilan, because it was neither to the interest of the Turks nor to that of the Persians to have such a neighbor. Inasmuch as the interest in Gilan was more commercial than otherwise, the cost of maintaining it, Neplyneff confessed to Emo, made the Russians believe that they would gain more than they would lose in ceding it.²⁴⁵ Neplyneff

²³⁷*Ibid.*, D. 106, 17 February, 1732, ff. 251r.-255v.

²³⁸*Ibid.*, P.S. of D. 108, 25 February, 1732, ff. 271v.-272r.; *Filza* 184, D. 110, 7 March, 1732, f. 278v.

²³⁹*Ibid.*, P.S. of D. 110, f. 285r.-v.

²⁴⁰*Ibid.*, D. 111, 29 March, 1732, f. 288v.

²⁴¹See *ante* p. 35. The dismissal of Topal Osman was the result of the animosity of the *kizlar aghasi* who used the Kinnoull incident as an excuse: Lockhart, *op. cit.*, pp. 57-58.

²⁴²Emo, *op. cit.*, D. 114, 5 April, 1732, III, ff. 4v.-5r.

²⁴³*Ibid.*, D. 118, 25 April, 1732, f. 23v.

²⁴⁴*Ibid.*, D. 119, 15 May, 1732, f. 28v.; D. 123, 4 June, 1732, f. 50r.

²⁴⁵*Ibid.*, D. 119, ff. 30v.-31r.

made another gesture, offering aid to the Porte against Tahmasp. All the Turkish ministers believed that was only a method to obtain what had been denied before.²⁴⁶

The treaty of peace between the Porte and Shah Tahmasp was finally signed, and almost immediately there were hints of a renewal of the war. Shah Tahmasp had accepted the terms while Tahmasp Kuli Khan was subduing the Abdali of Kandahar. When the general returned and learned the provisions, he refused to accept them. Knowing it had a powerful general to combat, the Porte began intensive preparations for the renewed struggle. Money was sent to Achmet Pasha, Topal Osman and Saim Mehemet, the former capitan pasha, received military appointments and were ordered to advance toward Babylonia. Ali Pasha, the former *defterdar*, was to have charge of the troops in Georgia. The troops in Constantinople were commanded to prepare for service, and the construction of eighty ships, small enough to be used on rivers, was ordered.²⁴⁷

The situation became more serious when the Porte learned that Czarina Anne and Shah Tahmasp had made a treaty of perpetual peace, in which the latter had received Gilan in exchange for commercial privileges. In a conversation with Emo, Neplyneff had confided that Russia viewed Gilan as a thorn and not a profit. The Turks were displeased and believed that the Russians had instigated the renewal of the war.²⁴⁸

The frequent reports of Tahmasp Kuli Khan's activity meant a continuation of intensive preparation by the Porte. Secret conferences were held without intermission, troops mobilized, and provisions collected. Money was sent to Achmet Pasha and the other commanders in Asia.²⁴⁹ These preparations provoked criticism and a menacing attitude in the army and the people. The Porte used the usual violent means of death and exile to keep this rebellious feeling from increasing.²⁵⁰ It guarded carefully and consulted frequently a representative from Shah Tahmasp, but no satisfactory arrangement resulted.²⁵¹ Topal Osman was replaced by Mehemet as *scraskier*.²⁵² When Neplyneff complained about the Tartars, he was treated most graciously once more, but his new offer of mediation was not promptly acted upon. He held a courier in readiness for eight days while he waited for the Porte to accept.²⁵³ After two weeks it in-

²⁴⁶*Ibid.*, D. 125, 14 June, 1732, ff. 64v.-66r.

²⁴⁷*Ibid.*, D. 125, ff. 62r.-63r., 66r.-v.

²⁴⁸*Ibid.*, D. 127, 30 June, 1732, f. 75v. *et seq.* Several months later Emo saw a copy of the treaty and wrote: "The Persians have paid with usury; while so ample are the commercial privileges granted the Russian Nation, that in ceding the Province of Gilan, Moscow has ceded only the title to the Land; she retains the profit of the rich country without feeling the heavy burden of encumbrances": *ibid.*, D. 145, 19 October, 1732, f. 189v.

²⁴⁹*Ibid.*, D. 130, 11 July, 1732, f. 98v.; D. 133, 29 July, 1732, f. 114v.; D. 135, 18 August, 1732, f. 124r.-v.

²⁵⁰*Ibid.*, D. 135, 18 August, 1732, f. 125r.-v.

²⁵¹*Ibid.*, D. 139, 28 August, 1732, f. 148r.-v.; D. 141, 20 September, 1732, f. 160r.

²⁵²*Ibid.*, D. 145, 19 October, 1732, f. 186v.

²⁵³*Ibid.*, D. 143, 27 September, 1732, f. 170r.-v.; D. 145, 19 October, 1732, ff. 188v.-189r.

formed him that the sultan appreciated the good intentions of the empress, but considered the time inopportune to profit by them.²⁵⁴

In the fall of 1732, the war became very serious. Tahmasp Kuli Khan's army numbered sixty thousand, and he announced his resolution to redeem the honor of Persia, which the peace terms with the Ottoman Empire so gravely offended. Under the pretense of laying down his arms, he asked to be allowed to express in person his loyalty to Shah Tahmasp. In place of that, he occupied the royal palace, blinded the shah, sent him to a remote prison in Khorasan, declared the infant son of Shah Tahmasp the ruler, and established himself as regent. As soon as this information reached Constantinople, troops, two thousand purses, and offers of protection and assistance were sent to influence the Persian princes to restore their sovereign,²⁵⁵ but these offers were of no avail.

With the chief Persian army near Ispahan, the Porte in January, 1733, ordered the Tartars to go promptly through Georgia to Tabriz, "to give iron and fire," "to wage a cruel war, almost Piratical."²⁵⁶ Neptyneff objected to their passing through Russian territory. One of the long drawn out controversies of the Porte with another power began. The khan of the Tartars sent a description of the route he planned to use, which was partly through Russian possessions. Neptyneff was informed of the khan's intentions. Neptyneff maintained that if the khan used that route it would be considered an open infraction of the "perpetual peace" signed in 1720.²⁵⁷ When the news came that twenty-five thousand Tartars were advancing, Neptyneff protested that they would not be able to avoid Karabagh, thus violating Russian territory.²⁵⁸ He was told that the khan had found another route, but Neptyneff insisted there was no other way.²⁵⁹ When the khan, because of the mountains, advanced toward Terek, he encountered Russian troops placed advantageously to repulse him; therefore he arrested the march until a Turkish official arrived.²⁶⁰ Then the vizier spoke of the czarina's gracious permission to them to pass. Neptyneff neither denied nor confirmed the statement. He told Emo that he did not know if they had passed with the good will of his court, but he believed the Porte would not have omitted in some official way to recognize such a favor. Emo reasoned the passage might have been refused, then permitted because of the superior numbers of the Tartars.²⁶¹ Their defeat of Russian troops was later contradicted.²⁶² Relations did

²⁵⁴*Ibid.*, D. 146, 27 October, 1732, f. 194r.

²⁵⁵*Ibid.*, D. 148, 24 November, 1732, ff. 200r.-201v., 203r.-v.

²⁵⁶*Ibid.*, D. 153, 24 January, 1733, ff. 237v.-238v.

²⁵⁷*Ibid.*, *Filza* 185, D. 161, 21 March, 1733, f. 287r. *et seq.*

²⁵⁸*Ibid.*, D. 170, 29 May, 1733, IV, f. 10v.

²⁵⁹*Ibid.*, D. 171, 1 June, 1733, ff. 22v.-23r.

²⁶⁰*Ibid.*, D. 175, 18 June, 1733, ff. 45v.-46r.

²⁶¹*Ibid.*, D. 177, 10 July, 1733, ff. 60v.-61v.

²⁶²*Ibid.*, D. 180, 1 August, 1733, ff. 75v.-76r.; P.S. of D. 185, written after 22 August, 1733, f. 119r.-v.

not improve with the finding of Russians in the Persian army. The vizier, Emo believed, was waiting for the end of the war with Persia before he acted on the Russian problem.²⁶³ Again the vizier made use of dissimulation and announced that the Tartars had crossed into Persia. Later it was learned they had not done so. Then he asked permission for a part of them to pass, and Neplyneff replied that he would write to St. Petersburg for instructions.²⁶⁴ This dispute continued to be the basis of negotiations and concern without being serious. Emo summarized these relations:

Incredible is the Art and dissimulation of the first Minister in concealing his inner resentment, soothing this Russian Resident, and not carrying the affair to the extremity to which the reported accidents of the Tartars and of Karabagh would have inevitably conducted them at other times.²⁶⁵

When the khan's army did advance, it defeated the Cossacks. Neplyneff gave money, "and not a little," to the vizier for the retirement of the Tartars.²⁶⁶ He continued trying to influence not only the chief minister but also subordinate officials and other men of reputation and credit. The Porte showed its desire not to break with Russia in purchasing and presenting Neplyneff with twenty Russian subjects, who had been captured by the Tartars and sent to Constantinople to be sold as slaves. Although the Russians had violated the treaty regarding Poland and had aided the Persians, the Porte did not wish to quarrel with the czarina.²⁶⁷

To return to the war, Achmet Pasha's letters said that the only way to conquer the resistance to the war was for the vizier to lead the army. Although that was understood, in practice it was too much of a risk for the government to leave Constantinople.²⁶⁸ In the preceding September Achmet's fear of Tahmasp Kuli Khan was suspected as being a way of expressing his hatred for the vizier.²⁶⁹ "The affairs of Persia show themselves every day more difficult," Emo wrote on February 11, 1733. Bad news came continuously from Asia and was concealed as usual. The Persians had established themselves in Chieraut [Kirkuk], which the Turks considered of much importance because of supplies. Achmet had received a large convoy from Aleppo, yet he asked for money and soldiers. The Porte replied with fifteen hundred purses and three thousand men. The pashas of Erivan, Ganja, and Tiflis wrote that they were well provided for, and the Porte gladly published the report from the pasha of Ganja about three thousand Persians having been put to flight.²⁷⁰

²⁶³*Ibid.*, D. 185 and P.S., 22, and later, August, 1733, ff. 116v., 119v.

²⁶⁴*Ibid.*, D. 186, 26 August, 1733, ff. 120r.-121r.

²⁶⁵*Ibid.*, D. 188, 14 September, 1733, f. 130v.; D. 190, 10 October, 1733, f. 143v. See Lockhart, *op. cit.*, pp. 63-64.

²⁶⁶Emo, *op. cit.*, D. 192, 28 October, 1733, ff. 154v.-155r.

²⁶⁷*Ibid.*, D. 194, 14 November, 1733, ff. 162v.-163v.

²⁶⁸*Ibid.*, *Filza* 184, D. 153, 24 January, 1733, III, f. 239r.

²⁶⁹*Ibid.*, D. 141, 20 September, 1732, f. 161r.-v.

²⁷⁰*Ibid.*, *Filza* 185, D. 157, 11 February, 1733, ff. 261r.-263v.

When Achmet Pasha insisted on staying in Babylonia, the Turks expressed doubt of him again but permitted him to stay. Tahmasp Kuli Khan laid siege to the city, and Topal Osman was made *seraskier* for the second time and ordered to go to Achmet Pasha's rescue.²⁷¹ Topal Osman could not advance according to his plans, because the Persians had devastated the land and were holding the river passages. The vizier called a council in which he offered to go to the front, but the council rejected the suggestion.²⁷² Although the people objected to the war, there was less criticism after Topal Osman became *seraskier*. The vizier wished to reduce their disapproval and he began in May, 1733, to announce victories which had not taken place.²⁷³ He used this scheme again in July without deceiving the people permanently.²⁷⁴ The situation was not a happy one. Discontent existed, and the fear of a revolt remained.

Then, to use Emo's figure of speech, "a propitious Wind blew from Asia, scattered the clouds, and restored serenity to this Sky." Topal Osman's outstanding victory of July 19 was announced by the palace cannons during the night of August 7. After a strenuously fought battle near Babylonia, the eight months' blockade of that city ended. Tahmasp Kuli Khan had been wounded and put to flight, leaving about thirty thousand men dead on the battlefield or captured. So jubilant were the ministers that they sent Ghika, instead of a simple *agha*, according to custom, to inform the foreign ministers, and the guns boomed for three days.²⁷⁵ Eight days later, the announcement of another victory brought incredible joy to Constantinople. Three thousand purses were sent to Topal Osman to be distributed to the troops. After the messenger described the friendly meeting of Achmet Pasha and Topal Osman outside Babylonia, the people called these two the restorers of the Empire. The vizier boasted to the Marquis de Villeneuve that Topal Osman had collected enough spoils of war to fortify and arm a new city.²⁷⁶

The rejoicing was short-lived. The victories did not bring the much desired peace; instead of losing courage Tahmasp Kuli Khan resolved to make another effort on the battlefield. He refused to listen to peace proposals which did not include the restitution of all the provinces. The victorious *seraskier*, on the other hand, was disturbed because food was beginning to be scarce and his soldiers were going home, contrary to his orders. He asked for money to keep them united and contented. Achmet

²⁷¹*Ibid.*, D. 158, 21 February, 1733, ff. 268r.-269r.

²⁷²*Ibid.*, D. 161, 21 March, 1733, ff. 284v.-285v.

²⁷³*Ibid.*, D. 170, 29 May, 1733, IV, ff. 8r.-9v.

²⁷⁴*Ibid.*, D. 177, 10 July, 1733, ff. 58v.-59v.

²⁷⁵*Ibid.*, D. 182, 13 August, 1733, ff. 93r.-97r. Without having used the Venetian despatches, Lockhart states the same number of losses for Tahmasp Kuli Khan and not the figures given by Nicodeme or Mirza Mahdi: Lockhart, *op. cit.*, note 4 on p. 70.

²⁷⁶Emo, *op. cit.*, D. 185, 22 August, 1733, ff. 113r.-114v., 117r.-v.

Pasha also wrote for money and troops. As usual, a council followed these requests, but its decision was different. Since the public treasury did not contain sufficient money to meet these needs, the sultan was asked to contribute three thousand purses from his own resources. These were sent to Topal Osman, but only courteous words and expressions were forwarded to Achmet Pasha.²⁷⁷ Topal Osman then asked that his successor be appointed: he was reduced to only a few soldiers, he was old and weak, his troops lacked food and money. Again came the complaints from Achmet Pasha that he lacked all necessities. These appeals were accompanied by reports of the energy and animation which Tahmasp Kuli Khan displayed in preparing for another attack.²⁷⁸

In November another Ottoman victory was announced by the vizier. Emo thought perhaps it had not occurred, and there were murmurs that it had been a defeat. This suspicion was confirmed by the frequent conferences of the ministers, the orders for the troops to march in spite of the season, and the despatch of money and provisions.²⁷⁹ The victory had really taken place and was officially announced later by the palace guns. Letters from Topal Osman said that Tahmasp Kuli Khan had asked for peace and the *seraskier* had replied that the Empire did not treat with a usurper and a rebel.²⁸⁰ This information was interpreted as meaning the end of the war, but the sending of troops, munitions, and provisions aroused suspicions again.²⁸¹

Then came the news of Tahmasp Kuli Khan's victory and Topal Osman's death. From the many accounts Emo selected the one from the "least impure" source. When Topal Osman saw how hard pressed Mehemet Pasha was, he left his litter, and although weak and old, he mounted a horse, called to all to follow him and threw himself into the thick of the battle, where he died, and more than eight thousand²⁸² of the best troops of Rumelia and Egypt perished with him. Tahmasp Kuli Khan commanded that he be given an honorable burial. As Emo observed, the death of the *seraskier* was a signal victory for the Persians.²⁸³ Achmet Pasha's loyalty had been often suspected,²⁸⁴ and Topal's successor, Abdullah Kuprili, was chosen more because of his family name than because of his personal ability. He was inexperienced and displeasing to the army.²⁸⁵ A rumor was also circulating that Tahmasp Kuli Khan had never asked

²⁷⁷*Ibid.*, D. 190, 10 October, 1733, ff. 140r.-142v.

²⁷⁸*Ibid.*, D. 192, 28 October, 1733, f. 151r.-v.

²⁷⁹*Ibid.*, D. 194, 12 November, 1733, ff. 164r.-165r.

²⁸⁰This was probably a false announcement in Constantinople. See Lockhart, *op. cit.*, pp. 71-72.

²⁸¹Emo, *op. cit.*, D. 196, 24 November, 1733, ff. 174r.-175v.

²⁸²Lockhart thought 20,000 a conservative estimate of the Turkish losses: *op. cit.*, p. 74.

²⁸³Emo, *op. cit.*, D. 199, 9 December, 1733, ff. 187v.-188v.

²⁸⁴*Ibid.*, *Filza* 184, D. 133, 29 July, 1732, 111, f. 115r.; D. 141, 20 September, 1732, f. 161r.-v.; *Filza* 185, D. 165, 11 April, 1733, ff. 312v.-313r.; D. 170, 29 May, 1733, IV, ff. 9v.-10r.

²⁸⁵*Ibid.*, D. 199, 9 December, 1733, f. 192r.

for peace, but had offered it on condition that the Porte restore all the provinces including Georgia.²⁸⁶

Once more the troops objected to the war. The vizier sought to win them by announcing that he would lead the army.²⁸⁷ He increased their pay and presented the officers with gifts. He also introduced a new method for maintaining secrecy. At different times couriers from the front had been carefully guarded, but in the early part of 1734, he did not permit them to enter Constantinople. They were met several days' distance from the city, and only their news was brought to the vizier.²⁸⁸ Evidently the reports were not to the taste of the government.²⁸⁹ Nevertheless it rejected the offers of the Dutch and English ambassadors to act as mediators.²⁹⁰ Although it was said late in January that a treaty had been negotiated by Achmet Pasha and Tahmasp Kuli Khan, the announcement was not accepted as true until later. The proposals proved so unfavorable that Ali Pasha denounced them in a council on February 9, and it was agreed that the war should continue.²⁹¹ This decision called forth expressions of discontent. Fires began breaking out simultaneously in various parts of the city. The usual governmental devices for subduing and suppressing rebellious feeling were used: the exiling of Albanians, the closing of coffee shops, and the stationing of guards about the city.²⁹²

Troops and munitions were sent to the commanders; otherwise the war would have been forgotten, with the European situation absorbing more and more attention, according to Emo's report in April, 1734. Abdullah Kuprili was still in Diarbekr. His high and resolute manner must have disgusted the vizier, yet knowing the power of the name of Kuprili for the sultan, the vizier praised the *seraskier*.²⁹³ Letters from Russian commanders in Erivan to Neplyneff contradicted the statements which were being made in Constantinople that Tahmasp Kuli Khan was facing opposition among his own people and that he lacked troops.²⁹⁴ There were no actual hostilities announced; but the Porte repeatedly sent supplies, including first two thousand purses from the sultan's treasury and five months later another thousand, and maintained secrecy in regard to the information received from the commanders.²⁹⁵ In July Abdullah Kuprili's difficulty in advancing from Diarbekr to Mosul was attributed to the resistance of his troops. The Turks were unable either

²⁸⁶*Ibid.*, D. 199, 9 December, 1733, ff. 189v.-190r.; D. 202, 22 December, 1733, f. 206r.-v.

²⁸⁷*Ibid.*, D. 201, 15 December, 1733, f. 204r.-v.

²⁸⁸"A day's journey is commonly reckoned 24 miles": Hanway, *op. cit.*, IV, note on p. 3.

²⁸⁹Emo, *op. cit.*, D. 206, 19 January, 1734, f. 230r.-v.

²⁹⁰*Ibid.*, D. 207, 22 January, 1734, ff. 234v.-236r.; D. 210, 27 February, 1734, ff. 254v.-256r.

²⁹¹*Ibid.*, D. 208, 30 January, 1734, ff. 238v.-239v.; D. 209, 26 February, 1734, ff. 249r.-250r.

²⁹²*Ibid.*, D. 212, 21 March, 1734, ff. 267r.-269r.

²⁹³*Ibid.*, D. 216, 13 April, 1734, f. 302r.-v.

²⁹⁴*Ibid.*, D. 220, 9 May, 1734, f. 323r.

²⁹⁵*Ibid.*, D. 219, 7 May, 1734, f. 317r.; D. 223, 29 May, 1734, f. 334r.-v.; D. 224, 19 June, 1734, f. 340v.; D. 232, 14 August, 1734, f. 371v.; D. 239, 9 October, 1734, f. 406v.; D. 240, 28 October, 1734, f. 412r.-v.

to wage war because of such repugnance of the militia, or to make peace because of the Persians' determination.²⁹⁶ In September there were reports that the Porte really was willing to cede all the parts occupied, but feared that the internal tranquillity would be disturbed by such action.²⁹⁷ Emo's last statements regarding this war reported that Tahmasp Kuli Khan had suppressed a revolt and was more firmly established on his throne than he had been.²⁹⁸

THE WAR OF THE POLISH SUCCESSION

THE information which Emo collected during 1734 about Persia was overshadowed by the War of the Polish Succession. During the night of March 1, 1733, a courier arrived announcing the death of King Augustus II of Poland. In preparing to depart, Seraconski had made arrangements for his cousin, Staniski, to remain as his successor, and the vizier promised to consider Staniski as of the rank of the resident ministers.²⁹⁹ About three weeks later the vizier called Villeneuve to inform him that letters had arrived saying the Poles were supporting Stanislaus.³⁰⁰ For the next four months the attention of the Porte was too diverted by the war with Persia to allow much interest in the Polish question. After the Russian troops had entered Poland and the victories of Topal Osman in July, 1733, had become known, the Polish election became an important part of Turkish foreign relations. It was discussed in at least nine conferences with Villeneuve, ten with Talman, six with Neplyneff, and two each with the English and Dutch ambassadors. Emo obtained information about these conferences by conversing with the Austrian, Russian, and English representatives.

The negotiations started in August with Ali Pasha's audiences with Villeneuve, Talman, and Neplyneff.³⁰¹ The vizier wished Talman and Neplyneff to believe that the Porte was indifferent, but they were called for second audiences after letters came from the primate of Poland. Neplyneff maintained that his government disapproved of Stanislaus, because "the late Czar" had promised the Poles that Stanislaus would not be permitted to acquire the throne. Neplyneff, furthermore, asserted that the primate's support did not mean that of the entire Republic. The vizier then reminded Neplyneff of the treaty of 1720, "because of which it was not easy for Russia to send troops into Poland."³⁰²

On September 29, it was learned in Constantinople that Stanislaus had been elected king.³⁰³ Ali Pasha adopted a policy of dissimulation in his

²⁹⁶*Ibid.*, D. 227, 2 July, 1734, f. 350r.-v.

²⁹⁷*Ibid.*, D. 234, 1 September, 1734, f. 381r.-v.; D. 236, 12 September, 1734, f. 398r.

²⁹⁸*Ibid.*, D. 241, 17 November, 1734, f. 413r.-v.

²⁹⁹*Ibid.*, D. 150, 20 March, 1733, III, ff. 272v.-274r.

³⁰⁰*Ibid.*, D. 165, 11 April, 1733, ff. 315v.-316r.

³⁰¹*Ibid.*, D. 185, 22 August, 1733, IV, f. 118r.-v.; D. 186, 26 August, 1733, f. 119v. *et seq.*

³⁰²*Ibid.*, D. 188, 14 September, 1733, ff. 131r.-132r. See *ante* p. 86 and note 3.

³⁰³*Ibid.*, D. 190, 10 October, 1733, f. 146r.-v.

relations with Villeneuve and Neplyneff. Each of these diplomats thought that he had found a protector. Although Ali Pasha declared to Villeneuve "the Porte was determined not to suffer Russia to violate her promises about the liberty of the Poles and about sending troops into their state," he encouraged Neplyneff to believe "the Porte had resolved not to take part in the affair."³⁰⁴ After Staniski received his credentials from Stanislaus, he presented them to the vizier and was assigned a larger house and his daily allowance increased from seven to twelve piasters.³⁰⁵ When Talman received word of Stanislaus's withdrawal first to Marienburg and then to Danzig and of the arrival of Russian troops near Warsaw, he notified the *reis effendi*, who showed indifference by replying that the Turks wished only to see the Poles contented. So tepid a response was not pleasing to Villeneuve, who had hoped he could induce the Turkish ministry to order the Tartars to attack the Russians and divert their attention from Poland.³⁰⁶

The vizier was forced later in November, after the election of Augustus III, to discard the seemingly disinterested attitude. On November 22, a council, which lasted several hours, was spent mainly in discussing relations with Russia. An indictment claimed that she had hindered the passage of the Tartars, had favored Persia, had sustained claims in regard to Karabagh, and had violated the treaty of 1720 in regard to Poland. The vizier expressed his view that there should be no war with Russia until peace with Persia was assured.³⁰⁷ He was compelled, however, after the meeting, to satisfy public opinion in some manner and to use a less gentle and moderate tone with Neplyneff. In an audience he told Neplyneff that "if the Empress did not recall her Troops from Poland according to the Treaties, the Grand Signor would be gravely offended," and Neplyneff received a letter for the czarina to that effect. Talman also was called and given a letter for Prince Eugene, in which the Porte complained of Russian oppression in Poland. The Porte, Emo learned from another source, wished Austria to persuade the elector of Saxony to return to his state.³⁰⁸ In another despatch, Emo reported that the letters to Anne and Prince Eugene were read to the residents in the presence of "various Turkish subjects of note," and that Villeneuve was informed of their contents. Was it not like the ingenious mind of the vizier to have exchanged these letters in the night for others which had much more moderate terms? Emo thought that was easy to believe.³⁰⁹

³⁰⁴*Ibid.*, D. 192, 28 October, 1733, ff. 151v.-153r.

³⁰⁵*Ibid.*, D. 192, ff. 156r.-157r.

³⁰⁶*Ibid.*, D. 194, 14 November, 1733, ff. 160v.-162v.

³⁰⁷*Ibid.*, D. 196, 24 November, 1733, ff. 175v.-177r.

³⁰⁸*Ibid.*, D. 197, 28 November, 1733, f. 179r. *et seq.*

³⁰⁹*Ibid.*, D. 199, 9 December, 1733, ff. 190v.-191r.

The relations with Russia seemed more amicable in December, but Villeneuve continued to be misled and hoped to induce the Porte to start a diversion in Asia.³¹⁰ Russia defended the presence of her troops in Poland as a means for protecting liberty there, and this question was not so provocative as that of the Tartars' activities, over which a war seemed inevitable. In January, 1734, Talman told Emo that if the Turkish armies should advance against Russia, Austria would consider herself attacked.³¹¹ The following month this view was openly supported by Prince Eugene's reply. When Ali Pasha read this letter, he was not able to conceal his thoughts by an indifferent expression. The prince defended the Russian policy in Poland.³¹² The reply from St. Petersburg was equally firm in defending the policy and in demanding satisfaction for the inroads of the Tartars.³¹³

In February the khan of the Tartars had come westward and was stationed with some of his tribes near Bender. Emo praised the vizier's ability in commercializing their presence, by holding out hope to Neplyneff that since they were inactive the Porte had not yet decided upon war, and by misleading Villeneuve in thinking the Tartars would be ordered to attack the Russians near by.³¹⁴ Any hostility, Neplyneff said, would be considered an infraction of peace. The vizier replied that there was no difference between their presence and that of the Russian soldiers. The Porte also permitted Caluminski, a Russian refugee in the Ottoman Empire since his support of Charles XII, to join the khan's forces.³¹⁵ When Neplyneff protested against this act to Ghika, the latter gave the following answer, which was perhaps prepared, Emo thought: "The Porte could regulate [affairs] in its own house according to its pleasure and would not be obliged to give an account of such acts." Neplyneff notified St. Petersburg of the release of Caluminski, and Talman confided to Emo that the name of this man was so abhorred and feared in Russia that his release was capable of influencing strongly the feeling of that court.³¹⁶ The advance of some of the Tartars from Bender to Chocim seemed an act which was favorable to the French cause and which might lead to a rupture with Russia. The English and Dutch representatives were asked to remonstrate with Neplyneff in order to improve relations.³¹⁷

³¹⁰*Ibid.*, D. 202, 22 December, 1733, ff. 206v.-207v. This statement qualifies one made by Villeneuve who stated the Porte had resolved to go to war against Russia. The death of Topal Osman, the decision of the Porte not to undertake any action in Europe without knowing the part France would play, and the hesitation of Cardinal Fleury were the reasons for the war's not taking place: Vandal, *op. cit.*, p. 213.

³¹¹Emo, *op. cit.*, D. 204, 8 January, 1734, ff. 215r.-220r.

³¹²*Ibid.*, D. 209, 26 February, 1734, ff. 243r.-244v.

³¹³*Ibid.*, D. 212, 21 March, 1734, ff. 265v.-267r.

³¹⁴*Ibid.*, D. 209, 26 February, 1734, f. 247v.

³¹⁵*Ibid.*, D. 216, 13 April, 1734, f. 303r.-v.

³¹⁶*Ibid.*, D. 217, 17 April, 1734, ff. 307v.-308r.

³¹⁷*Ibid.*, D. 220, 9 May, 1734, ff. 320v.-322v.

The Tartars made no attacks, however, and by the last of May it was a common belief that they would return to the Crimea without any action. Neplyneff seemed more tranquil during the month of May, and Turko-Russian relations continued to be improved during the first half of June. Emo had discovered that Villeneuve had used "powerful means" to induce the Tartars to come.³¹⁸

The Porte had also given Villeneuve another reason to be hopeful by receiving Staniski with more pomp than ordinarily accorded ministers of second rank. Talman and Neplyneff regarded this audience as evidence of a policy adverse to their governments, since Staniski represented King Stanislaus and the primate. Many considered the audience the result of Villeneuve's influence, but Emo thought it was simply the policy of the vizier.³¹⁹ In March the coming of an envoy from King Augustus III was announced.³²⁰ There was much speculation about how he would be received. The vizier led Villeneuve to believe that the envoy would not be permitted to enter Constantinople, and Talman and Neplyneff to believe otherwise.³²¹ The envoy arrived at Nish in May, where he was courteously received but detained according to orders. The pasha of Nish wished to forward the letters which the envoy carried, but the Pole refused to give them up.³²²

On June 19 Villeneuve was called unexpectedly for an audience, to hear the news that the French and Swedish troops had liberated Danzig and the Russians had lost many men.³²³ Later Villeneuve and Staniski received similar messages, but Neplyneff discredited the report because he had heard that the French had been totally defeated. The return of most of the Tartars to their territory suggested that the Porte did not intend to wage war. The Porte would not intervene because of the Persian conflict and the vizier's determination not to break with Russia.³²⁴

News of the surrender of Danzig to Russian troops (June 30) reached Neplyneff on August 17. The latter sent word to the vizier and expressed the hope that Stanislaus would not find asylum in Turkish territory. The vizier replied in general terms which showed no irritation.³²⁵ The Russian victory was not a hopeful sign for an improvement in the relations of that power with the Porte, and the Turks appeared very much agitated. In an audience with Lord Kinnoull the vizier used bitter invectives against Russia's violation of treaties, in erecting fortresses which she had agreed to abolish and in interfering in Poland. Lord Kinnoull sought to

³¹⁸*Ibid.*, D. 223, 20 May, 1734, f. 335r.-v.; D. 224, 19 June, 1734, ff. 339r.-340r.

³¹⁹*Ibid.*, D. 210, 27 February, 1734, ff. 256r.-258v.

³²⁰*Ibid.*, D. 212, 21 March, 1734, f. 271r.

³²¹*Ibid.*, D. 216, 13 April, 1734, f. 304r.

³²²*Ibid.*, D. 223, 20 May, 1734, f. 336r.-v.

³²³*Ibid.*, second P.S. of D. 224, 19 June, 1734, f. 341r.

³²⁴*Ibid.*, D. 227, 2 July, 1734, ff. 351r.-352v.

³²⁵*Ibid.*, D. 233, 19 August, 1734, f. 377r.-v.

temper the denunciation by saying that Russia had only pacific intentions and was forced to remain until she was assured of tranquillity between the Poles and their Diet. The vizier replied: "He wished to know nothing of the Diet; Neplyneff had promised the Troops would be withdrawn soon after the reduction of Danzig, and the mediating Powers were responsible for their withdrawal." The representative of Austria was also asked to remonstrate with Russia. In conferences of the representatives of England, Holland, Austria, and Russia, Neplyneff promised that the troops would be withdrawn as soon as the Poles would show their willingness to obey King Augustus III. The English ambassador was less ready to vouch for this promise than the Dutch ambassador. The latter sought to adjust matters by having the Porte recognize Augustus III, but, as Ghika pointed out, the Turks were not disposed to recognize a king who was rejected by the Poles and who had been placed on his throne by a few.³²⁶ A few weeks later the vizier bitterly denounced Russia to Talman. Although the latter justified the Russian policy, he promised to write to Vienna.³²⁷ Neplyneff also hinted to Emo of the possibility of war.³²⁸ Another indication of the Porte's attitude was the vizier's consultations with Bonneval.³²⁹ Such circumstances as the foregoing led to the wars of 1736 and 1737. Emo left Constantinople more than a year before the first one began, but the despatches contain a great deal of information about the attitudes which produced the conflict.

SUMMARY

DURING the period 1720-1734, the revolution in Persia, Russian activity in the Caspian region, and the Turkish-Persian War dominated the foreign policy of the Porte. These factors were a barometer with which to gauge the attitude of the Porte toward all the other powers except France. Before Peter I's advance to Astrakhan, the attitude was more anti-Austrian than after his appearance. The proposal of a Turkish-Russian alliance against Austria, the hopes for an European war against Austria, and the interest in the Congress of Cambrai indicated the anti-Austrian policy prior to 1722.³³⁰ After 1722 the Porte was disturbed by Peter's ambitions and involved in Persia; consequently the policy became conciliatory toward Austria until the alliance of that state with Russia.³³¹

³²⁶*Ibid.*, D. 236, 12 September, 1734, ff. 394v.-397r.

³²⁷*Ibid.*, D. 237, 23 September, 1734, f. 399r.-v.

³²⁸*Ibid.*, D. 239, 9 October, 1734, ff. 406v.-407v.

³²⁹See *ante* p. 37.

³³⁰See *ante* pp. 22, 89. Apparently Giovanni Emo knew nothing of the proposal of an alliance by the Porte with France against Austria made by Mehemet Effendi in 1721 and again by Lenoir in 1722: Schefer, *op. cit.*, pp. xlii-xlvi.

³³¹Giovanni Emo, *op. cit.*, *Filza* 175, D. 110, [24] October, 1722, III, f. 151r.-v.; D. 118, 22 January, 1723, ff. 206v.-207r.; Gritti, *op. cit.*, *Filza* 179, D. 105, [14] June, 1725; D. 111, 20 July, 1725, *et al.*

The unfavorable news from Persia compelled the Porte to be less vehement about the alliance than it might have been. As Dolfin effectively summarized the situation: "Apprehension is a school which teaches even the infidels docility, justice, and conformity."³³² He called the union a triple knot which the Turks could not untie and which "held them not only in subjection but forced them to submit to every law." Although they expressed displeasure about the conduct of the Tripolitans toward Austrian ships and sent a *kapuji* to admonish, the Turks were actually pleased.³³³

In contrast to the many references to Russia, Austria, Venice, and France, there were very few, and those unimportant, to England, the Netherlands, and Poland except as they were related to the interests of Russia. There was a reversal of English and French policies in the period. In the 1720's France aided Russia in negotiations with the Porte and English-Russian relations were not friendly; from 1731 to 1734 Villeneuve reflected the anti-Russian policy of France and Kinnoull the pro-Russian policy of England.³³⁴

There were only a few variations from amicable French-Turkish relations, such as the treatment of some Christians on Scio, the request for Bonnac to move in order for Achmet III to present the palace to his daughters, and the indifference displayed toward Villeneuve during the first eight months of his mission.³³⁵ The watchfulness, suspicion, acerbity, and frequent blandishment used against Russia, Austria, and Venice were not the policy of the Porte in regard to France. The influence of Villeneuve was undoubtedly stronger than that of any other French ambassador, if his entire embassy is considered, but he did not reverse a policy. He merely continued most successfully the work of his predecessors, Bonnac and D'Andrezel.

³³²Dolfin, *op. cit.*, D. 25, 14 June, 1727.

³³³*Ibid.*, D. 59, 20 October, 1728.

³³⁴See *ante* pp. 89-90, 94-95, 99-124, 147-151.

³³⁵Giovanni Emo, *op. cit.*, D. 74, 24 March, 1722, II, f. 201r-v.; D. 77, 9 April, 1722, f. 303r-v.; D. 112, 25 November, 1722, III, f. 164r-v.; D. 116, 6 January, 1723, ff. 188r-189r.; Gritti, *op. cit.*, *Filza* 177, D. 45, 17 July, 1724; Vandal, *op. cit.*, pp. 90-91, 107-114.

GLOSSARY

- Agha, a general officer.
- Baili, plural of Bailo.
- Bailo, the title of the Venetian ambassador in Turkey.
- Bairam, the name of two great festivals.
- Ballini, sacking.
- Basha, *See* Pasha.
- Bostanji, a gardener.
- Bostanji-bashi, the head gardener.
- Braccia, plural of Braccio.
- Braccio, 0.683 m. of wool; 0.639 m. of silk.
- Cafess, "the cage," in which heirs apparent were practically imprisoned.
- Caftan, a costume of honor for ceremonies.
- Caique, a rowboat used on the Bosphorus.
- Cairine, merchant vessels.
- Canavaccio, canvas.
- Canevazza, *See* Canavaccio.
- Capitan Pasha, the admiral of the navy.
- Chaush, an usher.
- Chaush-bashi, the chief usher, a high official.
- Chokadar, a special page.
- Cinque Savii, a committee of the Venetian government, or Board of Trade.
- Damad, son-in-law.
- Defterdar, a treasurer.
- Dragoman, an interpreter.
- Ducali, letters from the Venetian Senate.
- Emir-al-akhor, a grand equerry.
- Ferale, a lantern.
- Ferali, plural of Ferale.
- Fetva, the reply of the Mufti.
- Filza, a file or packet in the Venetian archives.
- Filze, plural of Filza.
- Ganzo d'oro, a brocaded cloth.
- Giovani di lingua, student interpreters, who were of lower rank than dragomans and who later became dragomans.
- Hatti-sherif, an irrevocable Turkish decree countersigned by the sultan.
- Hospodar, the governor of Moldavia and Wallachia.
- Imam, the Caliph or a priest.
- Kaimakam, a lieutenant or deputy.
- Kapuji, a gatekeeper.
- Kapuji-bashi, the chief gatekeeper.
- Karaji, an official for the non-Moslem group.
- Karaji-bashi, the chief official for the non-Moslem group.
- Kazi, a judge.
- Kaziasker, an important judge.
- Khazinehdar, a treasurer.
- Khazinehdar-bashi, a chief treasurer.
- Kiaya, a lieutenant, in some cases an executive secretary.
- Kizlar Aghasi, "the black eunuch in charge of the palace of the harem."
- Kulkiaya, the secretary of the slaves.
- Lastra, a transparent silk.
- Lastra d'oro, a transparent silk (with gold threads).
- Londrina, a lightweight woolen cloth.
- Londrine, plural of Londrina.
- Mufti, a legal authority.
- Oglu, a son.
- Oncia, 1/12 of a foot.
- Oncie, plural of Oncia.
- Pasha, a high official.
- Pezzi, plural of Pezzo.
- Pezzo, 10-14 *canne*, a *canna* being about 2½ yards.
- Picchi, plural of Picco.
- Picco, about 1 *braccio*, or 70½ centimeters for the arsenal, 65 for silk, 68 for wool.
- Piede, 1.1 English feet.
- Piedi, plural of Piede.
- Polvere viperino, an herb.
- Procurator, an administrator in Venice, as of St. Mark's Church.
- Proveditor, a Venetian functionary having oversight of public services and the government of provinces.
- Ragionateria, a collection of merchandise lodged with the *bailo* to be used as gifts.
- Ramazan, the month of fasting.
- Real, a gold or silver coin, the silver worth about 5 cents.
- Realì, plural of Real.
- Reis Effendi, the minister of foreign affairs.

- Relazioni, the reports of Venetian ambassadors after their return to Venice.
- Resident, an ambassador from Russia or Austria.
- Saglia, a silk serge.
- Saglia rubin, ruby-red silk serge.
- Saglia scarlate, scarlet serge.
- Saglie, plural of Saglia.
- Selicter, a sword bearer.
- Seraskier, a commander-in-chief.
- Spahi, a cavalry soldier.
- Sultana, a war ship.
- Sultana Valideh, the Queen Mother.
- Sultane, plural of Sultana.
- Surbashi, a captain and governor.
- Tagli, plural of Taglio.
- Taglio, cloth cut for one garment.
- Terzanella, a silk made from double thread.
- Topji, an artilleryman.
- Triaca, a soothing draught, a Venetian drug greatly in demand in Turkey, "Venice treacle."
- Ulema, the Moslems learned in Sacred Law.
- Veludini, plural of Veludino.
- Veludino, a lightweight velvet or velvet ribbon.

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INDEX

- Aarif Achmet Pasha, 107n, 111, 116, 117
 Abbas III, 142
 Abdali, 141
 Abdi, capitan pasha, 26, 31n, 76, 77, 80, 100
 Abdullah Khan, a Persian, 133
 Abdullah Pasha, *See* Kuprili.
 Abkhasia, 104
 Abyssinia, 64
 Achmet Agha, a messenger, 94
 Achmet Pasha, 87, 110, 118, 120, 123, 126, 133, 134, 136-141, 143-144
 Achmet III, 11, 17-28, 30, 31, 37, 44, 57-61, 64, 72, 74-75, 77, 87-91, 95-98, 102-105, 106, 111, 112, 113, 114, 116, 118-121, 122, 126, 129, 130, 131, 134, 136, 137, 152
 Adij Mustapha, *See* Mustapha, Adij.
 Aegean Sea, *See* White Sea.
 Ahvaz, 126, 127
 Albanians, 32, 33, 76, 146
 Aleppo, 65
 Alexandria, 63, 64, 65
 Algerians, *See* Corsairs.
 Ali, Emir, 27
 Ali Pasha, defterdar, provisional vizier, 34-38, 79, 140, 141
 Ali Pasha, seraskier, vizier (1732-35), 31, 35-40, 51, 70-71, 81, 131, 137-151
 Ali Patrona, 13, 27-30
 d'Alion, Dusson, 114-115, 116n, 117-118
 Amanola, 122
 d'Andrezel, Vicomte Jean Baptiste Louis Picon, 121-124, 152
 Anne, Czarina, 135, 137, 141, 142, 148
 Aras River, 140
 Archives, Venetian, 15
 Ardebil, 119, 123, 125, 135, 137
 Ardelan, 119
 Arel River, 86n
 Armenia, 99
 Armenian merchants, 98, 102, 127
 Ashraf, 12, 85, 122-133
 Astarabad, 115, 118-119
 Astrakhan, 92, 93, 106
 Atmeidan, 27, 29, 32
 Augustus II, 147
 Augustus III, 148, 150-151
 Austria, 17n, 35, 72, 75, 76, 80, 87, 88, 89, 94, 114, 128, 147-152
 alliance with Russia, 123-124, 151-152
 treaty with Spain, 124
See also Dirling and Talman.
 Azov, 17n, 82, 86n, 89, 91, 92-93, 95, 101, 104, 110, 116, 131, 132, 137
 Babylonia, 16, 144
See also Achmet Pasha and Hasan Pasha.
 Bagdad, *See* Babylonia.
 Bailo, appointment, 13-14
 arrival, 41-42
 audiences, 43-45
 despatches, 11-13, 16, 43, 59n, 134
 formal entrance, 42-43, 45
 information, 11-12, 19, 46, 74-77, 86 ff.
 Bairam, 19, 23, 33, 45, 46, 49, 54, 55, 66, 67, 68, 69, 71, 104, 119
 Baku, 96, 103, 106, 109, 114, 115
 Bander Abbasi, 92, 132
 Bartolini, Orazio, 12n, 15, 25, 27, 38, 69, 78-79, 83, 129-134
See also Gifts.
 Battaggia, 43
 Bechir, capitan pasha, 31n, 54, 81
 Bechir, *See* Kizlar aghasi.
 Belgrade, 17n, 35, 128
 Berchordar, 107n
 Bernis, Cardinal François Joachim de, 14
 Besich Agha, 93
 Bonasi Mehemet, 110
 Bonnac, Marquis Jean Louis d'Usson de, 20n, 22n, 23n, 47, 48, 97, 99-119, 152
 Bonneval, Claude Alexandre, 12, 13, 35, 37, 151
 Bostanji-bashi, dismissal, 12, 18-20
 Brutti, Bortolo, 12, 47, 49, 62, 117, 119
 Butrinto, 56, 57-58
 Caesar, *See* Charles VI.
 Cairo, commerce, 65
 revolt, 19, 24-25, 87, 122
 Calan-Calasi, 132
 Calkoen, Dutch ambassador, 39, 73, 146, 147, 149, 151
 Caluminski, 149
 Cambrai, Congress of, 151
 Cameno, 86n
 Capitan pasha, 27-28, 31, 41, 50
See also Abdi, Bechir, Janum Khoja, Marabuto, and Saim Mehemet.
 Carli, Rinaldo, 25n, 57-58
 Carlowitz, treaty of, 73
 Caspian Sea, *See* Peter the Great.
 Catherine I, Czarina, 121, 123-125
 Causoli Kan, *See* Tahmasp Kuli Khan.
 Charles VI, 58-59, 86, 88, 95
 Charles XII, 149
 Chiaiascavà, *See* Saadabad.
 Chieraut, *See* Kirkuk.

- Chocim, 74
 Cinque Savii, 62, 65n, 66n, 67
 Circassia, 93
 Cladabut, 22
 Colombo, Giovanni Alberto, 57
 Colusi Bassi, *See* Tahmasp Kuli Khan.
 Colyer, Jacob, Dutch ambassador, 100
 Commerce, Austrian, 86, 90
 Dutch, 63, 67, 95
 English, 63-67, 69, 95
 French, 63-67, 69
 Venetian, 62-70
 Constantinople, amusements, 20, 21, 23, 95, 100, 119, 124
 building program, 20, 22, 24, 49
 coffee shops, 32, 36, 79, 146
 economic conditions, 23, 31, 33, 138
 epidemics, 38-39, 41, 72
 fires, 33, 36, 37, 38
 See also Commerce and Navy.
 Contarini, Simon, 73n
 Corner, Conte Antonio, 100
 Corsairs, 63, 70-71
 Cortazzi, 67
 Cossacks, 86n, 87, 105, 106, 143
 Couriers, 13, 84
 Crimea, 91, 94
 Customs duties, 62

 Daghestan, 93, 97, 104, 118
 See also Daud Khan.
 Dagmasade Effendi, 29-30
 Damad Ibrahim, *See* Ibrahim, Damad.
 Dandolo, Captain, 73
 Daschkoff, Alexis, 85, 87, 88, 89
 Daud Khan of Daghestan, 95, 97, 98, 101, 102, 103, 105, 106, 110, 111
 Deli Sultan, 106, 109
 Deputies of Commerce, 62
 Derbent, 96, 102, 104-106, 114, 115, 118
 Dervish Mehemet Agha or Oglu, 101, 110, 112, 116-117
 Despatches, *See* Bailo and Hiersemann manuscripts.
 Dirling, Joseph, 58, 97, 101, 114, 123
 Dnieper River, 86n
 Dolfin, Daniele, 12, 14, 15, 17, 20n, 22-24, 27, 38, 41, 43, 62, 66-69, 78, 83, 85, 124-129, 152
 See also Gifts.
 Dourry Effendi, 90
 Dragomans, 13, 34-35, 38
 See also Brutti, Carli, Masselini, and Volta.
 Dulcignotes, 56-62
 Dutch ambassador, *See* Calkoen and Colyer.
 Emir-al-akhor, 21
 Emir-Ali, *See* Ali, Emir.
 Emo, Angelo, 12, 13, 14, 27-38, 39, 40, 41-42, 43-44, 62, 69-73, 79-83, 134-151
 See also Gifts and Hiersemann manuscripts.
 Emo, Giovanni, 12, 13-14, 18-22, 24, 25-26, 38-39, 41, 42-43, 44, 56-62, 63-66, 74-77, 83, 85-118, 151, 152
 See also Gifts and Hiersemann manuscripts.
 Emo, Conte N. H. Alvisé, 14-15
 Embassy, Venetian, 13
 Emul Mazun, *See* Safi Mirza.
 England, 87, 88, 89-90, 95, 107, 114, 152
 See also Commerce, Kinnoull, and Stanyan.
 Erivan, 99, 104, 115, 119, 120, 125
 Eugene, Prince, 148-149
 Eyub, 19, 29

 Fathers of the Holy Land, 39
 Fatima, wife of Damad Ibrahim, 18, 32
 Feizoullah Effendi, 30
 Fenwick, T. Fitzroy, 14n
 Ferro, 68, 69
 Fleury, Cardinal André Hercule de, 149n
 Fonseca, Doctor, 111
 Fontainebleau, 20
 Foreign relations, Austria, 35, 75, 76, 88, 89, 94, 114, 124, 151-152
 England, 88, 89, 94, 114, 152
 Europe, 88, 93, 94, 151
 France, 151, 152
 Netherlands, 152
 See also Bonnac, d'Andrezel, Peter the Great, Persia, Russia, Treaties, Venice, and Villeneuve.
 France, 35, 37, 89, 101, 124, 152
 See also Commerce, Bonnac, d'Andrezel, Mehemet Effendi, and Villeneuve.
 Francis II, *See* Rákóczy.
 Frederick William I, 117

 Ganja, 108, 110, 122
 George I, 88, 107, 117
 Georgia, 92, 93-97, 102-112, 115, 118-119, 122, 125, 130, 133, 135, 136, 140, 141, 142, 145-146
 Ghika, Alexander, 29, 49-50, 51-52, 55, 71, 126, 131, 132, 144, 149, 151
 Ghika, Gregory, 18, 29, 49-50, 56-61, 85-86, 93, 94, 95, 96, 98, 99, 101, 102, 105, 106-107, 113, 115-116, 118, 121
 Gifts, Dutch, 49
 English, 47, 55
 French, 47, 55
 Russian, 88, 118
 Turkish, 23-24, 26, 32, 46, 47, 55, 82, 120, 122, 138, 146

- Gifts (continued)
 Venetian, 23, 41, 45-56, 60, 61, 70, 76,
 83, 84, 116
- Gilan, 95, 115, 118-119, 122, 140, 141
- Giordano, Captain Joseph, 68
- Giovani di lingua, 13
- Gneissen, Archbishop of, *See* Primate
 of Poland.
- Golofkin, Count, 103n
- Gori, 122
- Gritti, Francesco, 12, 14, 15, 23-25, 26-27,
 38, 41, 43, 62, 65-66, 77-78, 83, 111,
 113-124
See also Gifts.
- Guilford, Lord (Frederick North), 14,
 15
- Guria, 93, 104
- Hamadan, 111, 113, 117, 120, 127, 134,
 135, 138-139, 140
- Hanway, Jonas, 30, 34
- Hasan Mustapha, 122
- Hasan Pasha, 86-87, 91-92, 93, 98, 101,
 103, 105, 107, 108, 109-110, 111, 113,
 117, 118
- Hiersemann manuscripts, 14-16
- Husain, Shah, 17, 85, 86, 90-93, 97-98,
 120, 126
- Husain of Kandahar, 126, 128, 133
- Ibrahim, Damad, vizier (1718-30), 12,
 16, 17-28, 30, 31, 43, 45-48, 56-62, 63,
 64, 68, 69, 74-75, 77, 85-134
- Ibrahim, General, 22, 95, 96, 99, 102, 104-
 107, 111, 112
- Ibrahim Pasha, vizier (1731), 31-34, 35,
 37-38, 40, 72, 79-80, 136
- Imeretia, 93, 104
- Inquisitors of State, 12
- Ismail, Shah, 127-129
- Isfahan, *See* Ashraf, Shah Husain,
 Mahmud of Kandahar, Shah Tah-
 masp, *and* Tahmasp Kuli Khan.
- James [III], *See* Pretender.
- Janissaries, 24, 27, 29, 32, 33, 45
See also Military preparations.
- Janum Khoja, capitan pasha, 24, 25-27,
 30, 31n, 40, 46, 55-56, 70-71, 76-83,
 97, 101
- Juan, Topal, 105
- Kalil Pasha, 41
- Kalmucks, 86n, 89
- Kandahar, 130, 133, 141
See also Husain *and* Mahmud.
- Kaplan Girai, Khan of the Crimea or
 Tartars, 29, 122
See also Tartars.
- Kara Ali the Arnaut, 31
- Karabagh, 119, 142-143
- Kashan, 132
- Kassan, *See* Hasan Pasha.
- Kaziasker, 91, 100, 101
- Kazvin, 115, 119, 132
- Kermanshah, 110, 135, 138, 140
- Khan of Erivan, 100
- Khans, Crimea or Tartars, *See* Kaplan
 Girai *and* Seadet Girai.
 Daghestan, *See* Daud.
 Georgia or Tiflis, *See* Vakhtang.
- Kherson, 86n
- Kiaya, *See* Mehemet Effendi.
- Kinnoull, Earl of (George Hay), 35,
 39, 55, 70, 73, 134, 140n, 146, 147,
 149-152
- Kiovo, 86n
- Kirkuk, 143
- Kizlar aghasi, 30, 31, 33, 34, 36, 38, 40,
 55, 79, 82
- Koran, the, 103, 134
- Kuprili, Abdullah Pasha, 30, 32, 91, 105,
 108-110, 117, 122, 145, 146
- Kuprili family, 31
- Kurdistan, 119
- Lazes, 32, 33
- Lenoir, 151n
- Lesghians, 90, 91, 93, 96, 103
- Leszczynski, *See* Stanislaus.
- Levantine, 32, 33, 79, 81
- Louis XV, 101, 131
- Luristan, 122, 132
- Mahmud of Kandahar, 85, 86, 90-94, 97-
 121
See also Husain of Kandahar.
- Mahmud I, 11, 18, 27-38, 40, 44, 51, 55,
 72, 79-81, 136-140
- Malta, 59, 75-77, 82, 88, 94
- Marabuto, capitan pasha, 31n, 80-81
- Maragha, 119
- Marand, 119
- Martuloglu, 21, 88
- Masselini, Giovanni, 119
- Maximilian, 89, 90n
- Mazandaran, 115, 118-119
- Mehemet Effendi, envoy to France, 12,
 20, 22, 76, 88, 100, 101, 151n
- Mehemet Effendi, kiaya (1720-30), 18-
 20, 26, 28, 45, 47, 48, 56-61, 94, 97,
 100, 104-105, 108, 115
- Mehemet Kuli Khan, 111-112, 115, 117,
 118
- Mehemet, mosque of, 33
- Mehemet, seraskier, 141, 145
- Mehemet Pasha, vizier (1730-31), 31,
 35, 37-38, 43, 44, 72, 135
- Meid Iskelessi, 42

- Menshikoff, Prince, 127
- Messengers, concealment, 96, 97, 98, 124, 138, 141, 146
- Military preparations, 74-75, 86-87, 91, 92-93, 95, 96, 99-102, 104-107, 109-112, 114, 116, 117, 119-121, 124, 125, 127, 131-132, 133-134, 136, 137, 141-146
- Mingrelia, 104
- Mirevis, *See* Mahmud of Kandahar.
- Mirevis Oglu, *See* Mahmud of Kandahar.
- Mirimamud, *See* Mahmud of Kandahar.
- Mirtucin Azi (Adjy?), 113
- Mocenigo, 60
- Mochetulglu, *See* Martuloglu.
- Mogul, 86, 104
- Moldavia, hospodar of, 17n, 29
- Montagu, Lady Mary Wortley, 42
- Morava River, 128
- Morea, 17n, 56, 61
- Mortaza Kuli Khan, 90n
- Moscovy, *See* Russia.
- Mufti, 124, 130
 consulted, 57, 91, 95, 103, 114
 influence, 34, 37
 dismissal, 35
- Muhammad Ali Rafsinjani, 131n
- Murad IV, 21, 97, 120, 123
- Murtesa Kulibeg, 108-109
- Muslu, 27-30
- Mustapha, 116
- Mustapha, Adjy, 18, 19n, 103, 106, 115
- Mustapha II, 17n, 30
- Mytilene, *See* Navy.
- Nadir Shah, *See* Tahmasp Kuli Khan.
- Nakhichevan, 107, 110, 119
- Nani, Bernardo, 15
- Navy, Turkish, 73-83
- Nehavend, 120
- Nepluyeff (Nepluiev, Nepluyeff), Ivan,
 34, 37, 39, 73, 88-151
- Netherlands, 152
 See also Calkoen and Colyer.
- Nicodeme, Dr. Jean, 34
- Nish, 74
- Nisli Mehemet Agha, 94, 95, 96, 103
- North, Frederick, *See* Guilford.
- Nystad, treaty of, 88, 89, 94
- Orleans, Duke of, 117
- Orsova, 128
- Osman, Topal, vizier (1731-32), 13, 31n,
 33, 34-35, 36, 38, 40, 55, 62, 80-81,
 139-140, 141, 144-145, 147, 149n
- Oxus River, 115
- Palaces, Beshiktash, 102
 of Mirrors, 19, 38
- Passarowitz, treaty of, 18, 56, 58, 70
 renewal, 44, 72
- Patriarch of Georgia (Dimenti family),
 95, 121, 122
- Persia, 11, 17, 21, 22, 23, 27, 35, 36, 41-42, 56, 65, 66, 86-152
 See also Treaties.
- Persian envoy, *See* Reza Ghöli and Vali Ghöli.
- Persian Gulf, 64
- Peter the Great, 11, 17, 21, 75, 78, 85-121, 128, 151
- Peter II, 126-131, 147
- Phillipps, Sir Thomas, 14
- Pilarino, Doctor, 116
- Poland, 72, 88, 89, 92, 94, 152
- Polish envoy, *See* Popquel.
- Polish Succession, War of, 37, 85, 86, 143, 147-151
- Political conditions, 17-38, 44, 134, 146
- Popquel, 39, 92
- Porter, Sir James, 30
- Pretender, the, 88, 89, 107
- Prevesa, 56, 58, 61, 62, 73
- Primate of Poland, 147, 151
- Queen mother, *See* Sultana valideh.
- Ragionateria, 39
 See also Gifts.
- Rákóczy, 88, 118
- Ramazan, 31, 119
- Registri, *See* Hiersemann manuscripts.
- Reis effendi (1720-30), 12, 18-20, 26, 29, 45, 47-49, 56-60, 94, 100, 106, 115, 128, 129, 131, 136
- Reis effendi (1730—), 29, 35, 51-52, 135, 136
- Relazioni, 11, 15
- Revan, 119
- Revolution of 1730, 18, 27-30, 32, 134
- Revolution of 1731, 31-32
- Reza Ghöli, 130-136
- Rhodes, *See* Navy.
- Romanzoff, 120-123, 128
- Russia, 17, 26, 56, 72, 76, 77, 80, 85-152
- Russian envoy, *See* Daschkoff.
- Ruzzini, Carlo, 41, 46, 47, 54
- Saadabad, 20-21, 22
- Safi Mirza, 130-133, 136
- Sahseveni, 128
- Saim Mehemet, capitan pasha, general;
 31n, 32, 80, 139, 141
- Salonica, 63

- Samara River, 86n
 Santa Sophia, 33
 Scherbatoff, Prince, 139
 Seadet Girai, Khan of the Crimea or
 Tartars, 92, 93, 94, 111
 Seci, 86n
 Seifidin, 131
 Selicter, 21, 22, 95
 Selim II, 21
 Seraconski, 147
 Shemakha, 91, 95, 108, 115
 Shiraz, 132, 133
 Shirvan, 90, 93, 95, 102, 103, 119
 Sinope, 26
 See also Janum Khoja and Navy.
 Slaves, Russian, 143
 Turkish, 27, 38, 58-60, 83
 Venetian, 83
 Smyrna, revolt, 24, 25
 See also Navy, Turkish, and Com-
 merce, Venetian.
 Social conditions, 38-40
 Soliman Effendi, 126-127
 Soliman I, 21
 Sotheby, Wilkinson, and Hodge, 14
 Spahis, 29
 Staniski, 147, 148, 150
 Stanislaus I, 147-150
 Stanyan, Abraham, 39, 47, 95, 112n, 114,
 124
 Sultana valideh, 30, 31, 33, 34, 36, 38, 40,
 51, 56, 79
 Sweden, 86
 See also Nystad.
 Syria, 63
 Tabriz, 102, 115, 119, 122, 125, 127, 128n,
 135, 139, 140
 Tacal can lasi, *See* Calan-Calasi.
 Taganrog, 132
 Tahmasp II, Shah, 36, 85, 98-103, 107-
 109, 110, 113, 117-119, 121-122, 126-
 134, 136-138, 140-142
 supported by Russia, 103, 109, 115, 128,
 129, 133
 Tahmasp Kuli Khan, 85, 131-147
 Talman, 37, 73, 129, 147-151
 Tartars, 86n, 87, 89, 94, 101, 122, 135,
 141, 142-143, 148-150
 See also Seadet Girai.
 Tauris, *See* Tabriz.
 Teheran, 132
 Temesvar, 17n, 35, 128
 Tenedos, 41-42, 45, 137
 Terek, 93
 Testabusa, Doctor, 109, 138
 Tiflis, 95, 103, 104, 135
 Topal Juan, *See* Juan.
 Topal Osman, *See* Osman.
 Topjis, 29
 Top Khaneh, 33, 42, 74
 Treaties, Persian-Turkish of 1727, 67,
 125-126; of 1732, 140-141
 Russian-Persian of 1723, 112-115; of
 1732, 141
 Russian-Turkish of 1711, 1712, 1713,
 86; of 1720, 86, 87, 88, 94, 104, 142,
 147-148; of 1724, 114, 115-121
 See also Austria, Nystad, and Passa-
 rowitz.
 Trebizond, 92-93, 95, 116, 133
 Tscherkes, 25
 Tunisians, *See* Corsairs.
 Urdabad, 119, 120
 Usbegs, 90
 Vakhtang Khan, 95, 100, 103, 104, 111, 115
 Vali Ghöli, 133-136
 Vandal, Albert, 11
 Vascoff, General, 137
 Vely Kuli Khan, 137
 Vendramin, 134n
 Venice, commerce, 62-70
 decline, 11, 63-70, 84
 fear of war, 73-74, 75, 76, 77, 85, 89,
 105
 relations with the Porte, 41-84, 94, 152
 senate, 13, 67, 69, 84
 See also Passarowitz.
 Ventura, Constantine, 34, 139
 Vidin, 74
 Villeneuve, Marquis Louis Sauveur de,
 20n, 25, 34, 35n, 36, 37, 55, 69, 70,
 73, 80, 82, 130, 131, 144, 147-151, 152
 Volga River, 94
 Volta, Giuseppe, 86
 Vonitsa, 56, 57-58, 61, 62, 73
 Wallachia, hospodar of, 17n
 White Sea, 16, 73-83
 Yanaki, 29
 Zegelin, 28
 Zinkeisen, Johann Wilhelm, 73

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SCHOOL CONSOLIDATION AND STATE AID IN ILLINOIS

BY
LEON H. WEAVER

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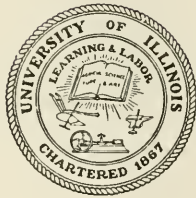
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BY

LEON H. WEAVER

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PREFACE

THE PURPOSE of this study is to evaluate the effects of state aid policies on the consolidation of school units in Illinois, and to investigate the means by which and the extent to which these policies can in the future be used to induce school consolidation. The study was presented in 1942 as a thesis for the degree of Doctor of Philosophy in Political Science at the University of Illinois, and an abstract was published at that time. In revising the thesis for publication, it seemed desirable to omit much of the data dealing with exact enrollments, school costs, assessments, and tax rates in specific areas. Only enough of such matter has been retained to illustrate the methods used and to bear out the conclusions.

The chief sources of information in preparing the study have been the statutes and court decisions relating to local finance and state aid, together with statistical data published or made available by the Office of the State Superintendent of Public Instruction and the Illinois Tax Commission. Use was also made of memoranda and releases of the Illinois Education Association and the Illinois Agricultural Association.

The writer wishes to acknowledge his obligation to the school officials and the students of the problem of school reorganization who have given generously of their time in correspondence and interviews. Specific acknowledgment is due to Mr. E. L. Coberly, of the Office of the State Superintendent of Public Instruction, for the many courtesies extended in making available unpublished data; also to Mr. Lester Grimm, Research Director of the Illinois Education Association, and Mr. Allen D. Manvel, Research Director of the Illinois Agricultural Association, for their numerous helpful suggestions and their generosity in making available the results of their own research. The writer thanks his wife, Helen W. Weaver, and Professor Clarence A. Berdahl, of the University of Illinois, who assisted in the preparation of the manuscript for publication. The writer especially wishes to acknowledge with sincere appreciation his indebtedness to Professor Charles M. Kneier, of the University of Illinois, under whose guidance the study was written.

L. H. W.

CONTENTS

I. INTRODUCTION	9
II. SOME PRINCIPLES OF GRANTS-IN-AID	12
Definitions	12
Allocation Formulae	14
Summary	20
III. THE PRESENT STATE AID SYSTEM AND ITS EVOLUTION	21
The Present Law	21
Historical Considerations	22
Summary	31
IV. RELATION OF PRESENT STATE AID POLICIES TO SCHOOL CONSOLIDATION	33
Transportation Aid	33
General Apportionment and Special Equalization Aid	38
Withholding Aid from Schools with Less Than Seven Pupils	44
Summary	48
V. A PROPOSED BUILDING AIDS PROGRAM	50
Methods of Contribution	52
The Cost to Be Guaranteed	53
Choice of a Cost Unit	62
Variable Factors	62
Illinois School Building Costs between 1933 and 1939	63
The Local Contribution	69
Cost of the Rehousing Program	75
Summary	78
VI. APPLICATION OF VARIOUS STATE AID PLANS TO LARGER DISTRICTS	79
Method Used	79
Milton District	83
Pittsfield District	87
St. Joseph District	90
Summary	92
VII. THE DISPARITY BETWEEN URBAN AND RURAL ASSESSMENT RATIOS	94
Economic Factors	94
Problems Involved in Corrections for Disparity	97
Summary	101
VIII. CONCLUSIONS	102
BIBLIOGRAPHY	109

CHAPTER I

INTRODUCTION

THERE HAS BEEN an increasing interest in recent years in the problem of reducing the number of school units in Illinois. The degree to which the Illinois school system is a decentralized one, and the degree to which the problem deserves study, can be indicated by the following facts. Illinois has over 12,000 school administrative units—more than any other state.¹ Illinois has more one-teacher schools than any other state. In 1936 it still had 90.2 per cent of the number of one-teacher schools which it had in 1918, as compared with a figure of 66.9 per cent for the country as a whole. In only four states—Montana, North Dakota, South Dakota, and Wisconsin—was the percentage higher.²

The purpose of this study is to determine by what means and to what extent state aid policies can be used to encourage and induce the organization of larger and fewer school administrative and attendance units. For this reason, only incidental consideration is given to aspects of state aid policy not related to the question of school consolidation. The same is true of aspects of the larger question of encouraging school consolidation by means other than the use of state aid. Since school consolidation in Illinois is chiefly a down-state problem, this is a study in down-state school administration, devoted primarily to the problem of reorganization of the elementary school system—especially that part represented by the rural one- and two-room schools. The problem of reorganizing the high school system is treated only incidentally.

The study is based on certain underlying assumptions. A grant-in-aid system is usually conceived of as a compromise between unbridled local autonomy and centralized administration. Justification for the establishment and continuance of a grant system would seem to be that it attempts to steer between the defects and dangers, real or supposed, of centralized “bureaucratic” administration and local autonomy. This justification rests on the assumption that there is some advantage in combining actual administration by local people (who presumably have a direct interest in the community where they function) with checks by professional administrators. “Administratively speaking, the aim of the grant-in-aid system is to compel the local authorities to maintain a minimum of efficiency in their services, but not to reduce all localities to the same level. . . .”³

¹*Property Tax Assessments, Levies, Rates, and Extensions: 1930* (Illinois Tax Commission), p. 6. W. S. Deffenbaugh and Timon Covert, *School Administrative Units* (1933), pp. 4-5. William Anderson, *The Units of Government in the United States* (1936), p. 11.

²*Are the One-Teacher Schools Passing?* (U. S. Office of Education, Pamphlet No. 92, 1940), pp. 12-14.

³Henry J. Bittermann, *State and Federal Grants in Aid* (1938), p. 6.

With respect to the Illinois school situation, most of those who wish to improve the down-state school system work on the assumption that the responsibility of the state government for the equitable and efficient operation of the system should increase rather than decrease. This responsibility, it is assumed, should be discharged in part by an increase in state financial support and control of local authorities which actually administer the function, since, for the immediate future at least, it does not seem to be within the realm of the politically feasible for reform to come about by legislative *fiat* or by entrusting it to a state agency with discretionary powers.⁴ Still another assumption is that the system of *ad hoc* school districts will persist for some time to come; and that improvement of the administration of education in Illinois, given the present state of public opinion, will come about through reform of the district system rather than through its complete elimination. Finally, it is generally assumed or argued by those who are leading the school reorganization movement that, if the district system is to persist, Illinois should have fewer and larger school units⁵ and that the grant system should be consciously formed to serve this end if possible.⁶

This study is primarily an economic analysis. Statement of this fact indicates the reservations and limitations which must be kept in mind in interpreting the results. Use of state aid to encourage consolidation is an attempt to establish economic incentives for influencing the voting behavior of the local electorate. Such an attempt will be fruitful only to the extent that economic factors are present in the motives which cause people to reorganize their school units and abandon the traditional systems. In other words, this study deals only with the economic factors, which are but part of the total situation. There is not agreement among students of the problem as to the relative importance of economic factors in this complex of motives. One writer, for example, takes the position that, in a three-county Kansas area, socio-psychological factors were much more important than the economic in the failure to reorganize local edu-

⁴For a discussion of the extent to which there can be separability of support and control, see Paul R. Mort and W. C. Reusser, *Public School Finance* (1941), pp. 106 ff., 402. For a discussion of the fate of proposals for a state board of education with certain powers over school reorganization, see Chapter III.

⁵That is, larger political units of school *support*; and in many cases, but not in all, the unit of school *administration* and attendance also.

⁶With respect to the problem of consolidation of districts in Missouri, in some respects analogous with the problem in Illinois, it has been said: "*Reorganization cannot be accomplished by legislation.* It would be folly to try to bring about a reorganization of the school units of Missouri by mandatory legislation. Such a procedure would not be successful.

"*A complete reorganization of the school districts of this state can be secured by making the enlarged school units 'financially desirable.'* If the state through some additional funds will make it possible for the people in the various communities to have better schools without excessive local taxes the people will voluntarily establish the enlarged school units." Charles A. Lee, "A Suggestive School District Reorganization Program for the State of Missouri," 26 *School and Community* (January, 1940), p. 37.

cational and other governmental units.⁷ Other students would argue that economic factors are only *one* of the several important factors influencing the attitudes of local people toward consolidation.⁸ It is arguable that merely providing an economic incentive for consolidation, in the form of local tax rate differentials, will be relatively ineffective until education and propaganda have convinced local people, and especially rural people, that larger school units are desirable for their own sake. In answer to this, however, it is also arguable that, if economic incentives are established, the problem of education and propaganda will be simplified, since there will be an added argument for consolidation; and that local action for consolidation is more likely to come about if there is education plus economic incentives than if exclusive reliance is placed on hortatory efforts of officials and civic organizations.

⁷"An analysis of economic factors which can be reduced to facts and figures is essential, but in the consideration of local situations a more significant influence is to be found in socio-psychological factors such as the habits, the attitudes, the customs, and the traditions of the people concerned. . . . County consolidation has been retarded not so much by economic factors as by the fact that such socio-psychological factors as the habits, the attitudes, the customs, and the traditions of the people concerned have not been given serious consideration. These elements constitute not only a large portion of the thinking of these people; they go much further. They largely control and dominate their activities. . . . The existing local educational and governmental units have largely outgrown their usefulness and require reorganization and rehabilitation in the face of modern conditions and demands. . . . This needed change is being retarded not so much by economic forces as concomitant factors which are socio-psychological in nature. . . . These ideological obstructions can be removed through an efficiently organized and administered program of adult education." H. L. Euler, *County Unification in Kansas* (1935), pp. 42, 82, 84.

⁸"Reorganization aid, therefore, is an incentive and a potential economy, as well as a corrective in financing district reorganization. It is an incentive because it assures local districts that they can reorganize without incurring any extra taxation merely because they have reorganized. It removes the element of fear of higher taxes that has so retarded reorganization in the past." Arvid J. Burke, "State Aid for Reorganization," 19 *The Nation's Schools* (April, 1937), p. 36.

CHAPTER II

SOME PRINCIPLES OF GRANTS-IN-AID

THIS CHAPTER will be limited to a consideration of general principles of grants-in-aid. A given allocation formula must be evaluated in terms of the purpose or purposes which the grant system is intended to serve. For example, if the purpose of a grant system is conceived to be general distribution of revenues in order to relieve local taxation (on the shared tax principle), allocation on the basis of the amount of the centrally collected tax paid might be defended; but if the purpose of the grant system is conceived to be equalization of local burdens and of the quality and quantity of governmental service, allocation on this basis is clearly inappropriate. If the objective is stimulation of local effort, funds should be apportioned by formulae measuring improvement; while apportionment according to relative need should be the case if the purpose of the grant system is to equalize educational opportunity and tax burdens.¹ Some attention therefore must be given to the nature and purposes of grants in general and of school grants in particular.

DEFINITIONS

Since there appears to be some difference of opinion as to what constitutes a grant-in-aid (especially as distinguished from a shared tax), some consideration should be given to the problem of terminology. Some writers distinguish between grants and shared taxes by saying that grants are payments of money from a central treasury to a locality without reference to the origin of the money as the proceeds of a particular tax, while shared taxes are distributed on the basis of the place where the revenue from a specific tax was collected, the state serving merely as a collecting agency.² Another basis of distinction sometimes used is the degree of central supervision. Grants may thus be conceived of as payments where the central authority exacts certain conditions of the localities, while shared taxes are received as a matter of right.³ Still another basis of distinction may be whether or not the payment is for a specified function or object. If the function or object to which the money is to be applied is specified by the central authority, the payment is sometimes called a grant; if there is local discretion, it may be called a shared tax.⁴ Grants

¹Henry J. Bittermann, *State and Federal Grants in Aid* (1938), pp. 439-440.

²Lane W. Lancaster, *Government in Rural America* (1937), pp. 136-137, 169. Henry J. Bittermann, *State and Federal Grants in Aid* (1938), pp. 39-40. Cf. Catherine G. Ruggles, "State Aid and Shared Taxes in Illinois," 35 *Illinois Law Review* (February, 1941), pp. 754, 757.

³Lancaster, *op. cit.*, p. 169. Bittermann holds, however, that the degree of supervision in this respect is not significant. *Op. cit.*, pp. 39-40.

⁴This is the controlling criterion to some writers. Cf. Bittermann, *op. cit.*, pp. 39-40. Also compare Lancaster, *op. cit.*, pp. 136-137, 166 ff. This distinction seems to be given little weight by

might be conceived as payments distributed according to need, as distinguished from the origin of the proceeds of a tax. Some conceptions of a shared tax are such, however, that it may also be distributed according to need;⁵ and some writers would seem to conceive of grants as in some cases being distributed on bases other than need.⁶

It is apparent from the preceding discussion that the term "grant-in-aid" is variously used, especially as distinguished from shared taxes. Since there is this disagreement as to what constitutes a grant-in-aid, this study will include payments which according to some writers are not grants but shared taxes.⁷ Inclusion of such payments may be defended on two grounds: (1) Some writers use a definition of a grant-in-aid that is broad enough to include payments which other writers might call shared taxes. Such a definition is adopted for the purpose of this study: "A grant-in-aid is a sum of money assigned by a superior to an inferior governmental authority. The grant may be outright or it may be conditional, typically the latter."⁸ "The grant-in-aid is a subvention payable to a unit of local government from the general funds or special funds of the state in order to help the local unit in the discharge of certain selected functions, or all of its functions."⁹ (2) Payments which some writers might consider shared taxes have been so commonly called grants that calling them shared taxes would seem to serve no useful purpose.¹⁰

Since the study is to center around the relationship of state aid to school unit consolidation, there should perhaps be some statement as to what is meant by "school unit." This can best be done by distinguishing between the two kinds of school units, i.e., *attendance units* and *units of financial support and political control*. The significance of this distinction is that there can be consolidation of attendance areas without consolidation of political units, and vice versa,¹¹ although there may be a tendency for consolidation of one type of unit to lead to consolidation of the other type. By "consolidation" or "reorganization" is meant the formation of relatively fewer and larger units.

some writers, however. Cf. William H. Stauffer, "State Aid Goals," in *Tax Relations Among Governmental Units* (Tax Policy League, 1937), p. 118, and Ruth G. Hutchinson, *State-Administered Locally-Shared Taxes* (1931), p. 35.

⁵Cf. Lancaster, *op. cit.*, p. 167, note, and Bittermann, *op. cit.*, pp. 45, 437.

⁶Harvey Walker, *Public Administration* (1937), pp. 43-44.

⁷As pointed out above, some writers consider the distinction between shared taxes and grants to depend on whether or not the payments to the local government are defrayed from the proceeds of a particular tax or the state's general revenues.

⁸L. D. White, *Introduction to the Study of Public Administration* (1930), p. 155. Professor White goes on to say that grants are typically conditional. Bittermann's definition is essentially similar. *Op. cit.*, p. 5.

⁹R. J. Hinckley, *State Grants in Aid* (New York State Tax Commission, Special Report No. 9, 1935), p. 12.

¹⁰For example, the distribution of the proceeds of the Illinois two-mill property tax from 1855 to 1873 is treated in the literature on school aids as a grant. Also, in British usage shared taxes are frequently referred to as grants. Bittermann, *op. cit.*, p. 40, note.

¹¹For example, one political unit may contain two or more attendance areas, and one attendance area may draw students from several political units, as is the case when several districts transport their pupils to a school in a centrally located district.

Since evaluation of grants must be in terms of the objectives they are intended to serve, these objectives should be stated: equalization, stimulation, and central control. The purpose of equalization grants is to reduce local taxation (or prevent it from rising), to minimize the differential in local tax burdens, and to equalize the quality of governmental service by guaranteeing a minimum program. Stimulation grants are used to induce local communities to provide services that are of more than local interest. Finally, grants are sometimes used as a means of gaining central administrative control and supervision.

ALLOCATION FORMULAE

Types of formulae. Subsequent parts of this study will deal with an evaluation of allocation formulae, especially as they relate to the problem of school organization and consolidation in Illinois. It is possible that changes in the Illinois distribution formula suggested by evaluation from this standpoint alone might be open to objections on other grounds. It seems desirable, therefore, to consider at this point some of the principal advantages and disadvantages which theoretical analysis and experience show to be inherent in various types of allocation formulae. It should perhaps also be said that whether or not a given quality of a formula will be considered good or bad will depend somewhat on whether the objective in the minds of those who shape the grant system is equalization, stimulation, or central control.

Measures of need. Local need or the extent of the local educational task may be considered as being measured by the total cost of a given program. Total past cost may be determined directly from past performance, or need may be measured indirectly and presumptively for future operation. Various indices have been used for measuring local need presumptively. These are, in general, of two kinds: pupil basis and teacher basis.¹²

Pupil basis. The various forms of the pupil basis are: total population, school population, enrollment, average daily attendance, and total attendance. From the standpoint of the stimulation principle, they are defective in that they do not reward local effort as, for example, would a contribution of a certain percentage of the total budget. Total population is also open to the obvious objection that it measures only very indirectly and inadequately the number of children to be educated. The same criticism applies to school population, although to a lesser extent. That it is nevertheless applicable in some degree is shown by the fact that different proportions of the children included in the age range used for the school

¹²Except where otherwise noted, the following discussion is based chiefly on: E. P. Cubberly, "Apportionment of School Funds," I *Cyclopedia of Education* (Paul Monroe, editor, 1911), pp. 145-147; Henry J. Bittermann, *State and Federal Grants in Aid* (1938), Chap. XVIII; Fletcher H. Swift, *Federal and State School Finance* (1931), Chapters XI-XIV; Paul R. Mort, *State Support for Public Education* (National Survey of School Finance, U. S. Office of Education, 1933), pp. 93 ff.

census may attend school in different parts of the state. For example, a large city would receive credit, on this basis, even for pupils educated privately. Both the school census basis and total population are open to the objection that they provide no incentive to localities to get children into school. Use of the number of pupils enrolled places a premium on getting a child formally enrolled, but still does not give any incentive to require him to attend regularly. Average daily attendance is therefore an improvement in this respect, since it does give such incentive. There may be a tendency, however, for this method to favor wealthy areas where attendance would be regular anyway (another example of the shortcoming of the stimulation principle pointed out above). Total days attendance also places a premium on lengthening the school term. This feature also tends to favor the wealthier areas where the term is usually longer. The above comments concerning average daily attendance and total attendance illustrate the point made earlier in the chapter regarding the incompatibility of the stimulation and equalization principles. The characteristic of these bases just noted (reward for more regular attendance or longer terms) may be considered a merit from the standpoint of the stimulation principle, but a defect from the standpoint of the equalization principle.

All these indices are open to the further objection that they do not relate directly enough to cost, since the ratio of necessary teachers to pupils varies. For example, sparsely populated areas need more teachers proportionately than densely populated areas. Since teachers' salaries are the major part of the cost of education, sparsely populated areas are discriminated against by any form of the pupil basis.¹³

Teacher basis. Use of the teacher basis meets the above objection, but it has its own shortcomings, namely: (1) it fails to provide incentives to regular attendance or to lengthen the term as do average and total attendance respectively;¹⁴ (2) it cannot be assumed that the costs of securing the same quality of teachers will be the same throughout the state (as a result of differences in living costs, for instance);¹⁵ (3) districts may be similarly situated, yet one employ two or three times as many teachers as the other;¹⁶ and (4) it assumes that a relatively large number of teachers in sparsely populated areas is necessary—that the existing number of small schools is justified. Where the central administrative authority does not have the power to pass on this question, the assumption may be contrary to fact and the aid system may thus tend to perpetuate a system of unjustifiably small schools.¹⁷ The teacher basis

¹³On this point cf. especially Bittermann, *op. cit.*, pp. 441-442, 459-460, 466.

¹⁴Cubberly, *op. cit.*

¹⁵R. H. Hinckley, *State Grants in Aid* (New York State Tax Commission, Special Report No. 9, 1935), pp. 72 ff.

¹⁶Paul R. Mort, *State Support for Public Education* (National Survey of School Finance, U. S. Office of Education, 1933), pp. 94-95. Thus, there may be an inducement for employment of more teachers than are necessary. "A Proposed New Plan of State Aid Apportionment," *15 Illinois Teacher* (May, 1927), p. 191.

¹⁷Bittermann, *op. cit.*, pp. 461-462, 466.

(as compared with pupil bases) favors the districts in which the number of pupils per teacher is small—in general the smaller districts and the sparsely settled areas.¹⁸ Whether or not this is desirable or undesirable will depend on whether or not small schools in these areas are necessary.¹⁹

*Weighted pupil and weighted classroom unit bases.*²⁰ As a basis for distributing aid, attendance alone (either average or total) is unsatisfactory because there may be justifiable and unavoidable differences in per-pupil costs between urban and rural schools, large and small schools, one-room rural schools and consolidated rural schools, and between high schools and elementary schools. The "weighted pupil" or "weighted classroom" unit as a basis for grants meets this objection by giving additional weight to the actual number of pupils in those instances in which the unavoidable cost per pupil in the educational program is high. In large urban elementary schools, increases in size do not decrease the cost per pupil, so in these situations the actual number of pupils is used as the measure of educational need. For other types of schools (such as evening schools and small elementary schools), the actual number of pupils is weighted so as to reflect the proportionate cost per pupil, the cost in the large school serving as the standard.²¹ The standard is a pupil taught in the type of community and in a school of such a size that it is within a range (in size) in which the per-pupil cost of providing a uniform program remains practically unaffected by any decrease or increase in average daily attendance.²² Thus, Mort defined a weighted pupil for the state of New York in 1924-25 as a pupil receiving his schooling in an elementary school of more than 142 pupils in a village or city in New York.²³ The weighted classroom unit adjusts for cost differentials resulting from variations in class size.²⁴ Where there are fewer teachers in a school district than one would expect on the basis of the general state average for districts with the same number of pupils, the state aid would be determined upon the basis of the number of teachers which the district would have if it conformed to the average. If a district has more teachers than the average, a compensating adjustment would be made.²⁵

The weighted pupil index and the weighted classroom index are treated together here because they are really not two different measures

¹⁸Bittermann, *op. cit.*, p. 460.

¹⁹For a discussion of less important bases other than pupils and teachers (district, school, classroom units, etc.), see Swift, *op. cit.*, pp. 236 ff.

²⁰This treatment is based on Swift, *op. cit.*, pp. 293-295; Hinckley, *op. cit.*, pp. 72 ff.; *Report of the [New York] Special Joint Committee on Taxation and Retrenchment* (Legislative Document No. 97, 1925), pp. 35-36; Paul R. Mort, "State Aid for the Public Schools in the State of New York," in *ibid.*, pp. 197 ff.

²¹Hinckley, *op. cit.*, p. 73.

²²Swift, *op. cit.*, p. 294.

²³Mort, *op. cit.*, pp. 197-198.

²⁴Hinckley, *op. cit.*, pp. 73-74.

²⁵*Report of the [New York] Special Joint Committee on Taxation and Retrenchment* (1925), p. 36. For the statistical analyses underlying the weighted pupil basis, see Paul R. Mort, *The Measurement of Educational Need* (Teachers College, Columbia University, 1924).

but are merely two different expressions of the same thing: the average pupil-teacher ratio for schools of a given size. The weighted classroom unit is merely a multiple of the weighted pupil unit, and the weighted pupil measure is merely a fraction of the weighted classroom.²⁶ One measure may be changed into the other by the simple process of multiplication or division by the average number of pupils per teacher in schools of the size of the specific school concerned. This may be explained if the procedure for deriving the measures is considered in terms of an example using specific figures.

The starting point for the derivation of these measures is the construction of a graph showing the relationship between the number of pupils in average daily attendance and the number of classroom units into which they are divided in actual practice in the United States.²⁷ From such a graph it could be concluded in 1933:

The average number of teachers in an elementary school with an average daily attendance of 5 is 1.00; with an average daily attendance of 10, 1.00; with an average daily attendance of 15, 1.01; and so on up to an average daily attendance of 295, when the average number of teachers is 9.66.²⁸

If a line is drawn through these and similar points, a formula can be derived which represents actual practice in determining pupil-teacher ratios. The formula derived from the above-mentioned graph in 1933 was stated as follows:

In any elementary school which employs only one teacher allow *one* classroom unit regardless of the number of pupils in average daily attendance. In any elementary school which employs two or more teachers allow *one* classroom unit for any average attendance up to and including 21. If the school has more than 21 units of average daily attendance, but not more than 42, allow one classroom unit for the first 21 pupils and $1/21$ classroom unit for each additional pupil. If the school has more than 42 pupils in average daily attendance, but not more than 290, allow two classroom units for the first 42 pupils in average daily attendance and $1/31$ additional classroom unit for each additional pupil. If the school has an average daily attendance of more than 290, count $1/29$ classroom unit for each pupil in average daily attendance.²⁹

The above figures are derived from actual practice, where the average elementary pupil-teacher ratio is 21 to one (or less) in one- and two-teacher schools, 31 to one in schools enrolling between 42 and 290 attendance pupils, and 29 to one in the larger schools. Similar procedures are followed for high schools.

The above formula, expressed in terms of classroom units, may also be stated in terms of weighted pupils:

In any elementary school which employs only one teacher, allow 29 weighted pupils, regardless of the number of pupils in average daily attendance. In any elementary school which employs two or more teachers, allow 29 weighted pupils for any average daily attendance up to 21. If the school has more than 21 units

²⁶Paul R. Mort, *State Support for Public Education*, pp. 119, 127.

²⁷For such a graph based on 1933 conditions, see Mort, *op. cit.*, p. 121.

²⁸*Ibid.*, p. 120.

²⁹*Ibid.*, pp. 120-121.

of average daily attendance but not more than 42, allow 29 weighted pupils for the first 21 pupils and 1.38 weighted pupils for each additional pupil in average daily attendance. If the school has more than 42 pupils in average daily attendance, but not more than 290, allow 58 weighted pupils for the first 42 pupils in average daily attendance and .935 weighted pupils for each additional pupil in average daily attendance. If the school has an average daily attendance of more than 290, count one weighted pupil for each pupil in average daily attendance.³⁰

Thus, the weighting for each pupil in schools of 42 or less is 1.38. From that point on the weighting decreases gradually up to an attendance of 290. The weightings for schools of 100, 200, 250, and 290 are 1.12, 1.06, 1.03, 1.01, and 1.00 respectively, and for all attendances above 290 the weighting is 1.00.³¹

The weighted pupil or weighted classroom measure is thus a modified average daily attendance figure which treats similarly situated districts exactly alike (thus remedying a shortcoming of the teacher basis as noted above) and takes into consideration differences in per-pupil costs involved in providing a given program in sparsely settled areas and in densely settled areas, thus meeting an objection to the simple pupil basis.³² From the standpoint of equity in measuring educational need, these measures are usually considered to be superior to any of the others which have been discussed above.³³

The weighted pupil and weighted classroom indices have been described in detail in order to provide a basis for the evaluation of their effect on the incentive to consolidate. From the foregoing analysis it can be seen that small one-teacher and two-teacher schools are given especially favorable treatment, as compared to the treatment which they would receive if aid were apportioned on an attendance basis. There is apparently an assumption that actual practice in maintaining this type of school means that their maintenance and continuance is on the whole justified and necessary.³⁴

³⁰Mort, *op. cit.*, p. 122. Twenty-nine is the standard because that is the average number of pupils per teacher in large schools, where increases in the number of pupils does not decrease unit costs. Figures for weighted pupils are derived as follows: $29 \div 21 = 1.38$; $29 \div 31 = .935$.

³¹Mort, *op. cit.*, p. 123. An example will show how these weightings are derived. It can be worked out in two ways. (1) Examination of the graph (*ibid.*, p. 121) showing the pupil-teacher ratio shows that, on the average, schools of 100 pupils have 3.9 teachers: $100 \div 3.9 = 25.6$ (the average number of pupils per teacher); $29 \div 25.6 = 1.12$. (2) Assign 58 weighted pupils for the first 42 pupils, and .935 for each of the rest (58): $58 \times .935 = 54.3$; $58 + 54.3 = 112.3$; $112.3 \div 100 = 1.12$.

³²Mort, *op. cit.*, p. 95.

³³*Ibid.*, pp. 98, 105. The suggestion has been made that the weighted pupil plan might be adopted in Illinois to meet the objection that the basic program is not clearly defined, and that schools similarly situated may employ different numbers of teachers. L. R. Grimm, *The Illinois Plan of State Aid for Common Schools* (Research Department, Illinois State Teachers' Association, 1934), p. 11. This objection has lost some of its force since the adoption, in 1939, of a provision restricting the \$1,048 minimum to "each school building not in excess of two." *Ill. Rev. Stat.* 1939, c. 122, sec. 23434. A bill (H. B. 748) was introduced in the 1935 legislature embodying the weighted classroom measure. The Committee on Education recommended its passage, but it was tabled after first reading. *Legislative Synopsis and Digest*, Fifty-ninth General Assembly (1935), No. 22, p. 435.

³⁴"Since there are no valid experimental data determining the proper class size in each type of school, the best remaining criterion, when all factors are taken into consideration, is the judgment of persons charged with the maintenance and operation of schools. This judgment is crystallized, in a way, in the average practice of the country." Eugene S. Lawler, "Technical Aspects of the Development of the National Pupil-Teacher Index" (Supplement III in Paul R. Mort, *State Support for Public Education*), p. 426.

At this point it will suffice merely to raise a question as to the validity of this assumption.³⁵

Additional refinements for measuring educational need. The weighted pupil and weighted classroom indices are designed to measure the need for the basic instructional program by taking into account variations in class size. They ignore, however, differences in current expenditures other than teachers' salaries (such as transportation costs), differences in the cost of living, and differences in the need for capital outlay. Additional refinements for measuring educational need have been devised to take these factors into account, but there seems to be no necessity for discussing them in detail at this point.³⁶

Measurement of ability and effort: equalization. From the standpoint of equalizing opportunity and tax burdens, measuring need is but one aspect of the problem. "Educational need is purely a measure of education to be offered. It should not be confused with ability to support education. It is only one of the elements which go into the measure of ability to support education."³⁷ Ability has accordingly been defined as the "ratio of local taxable resources to the cost of the minimum offering"³⁸ of education. Although income, or indices based in part on income,³⁹ would be a more nearly ideal measure of economic resources, property values must be used as rough and presumptive measures due to reliance on the property tax and due to the difficulty of determining the income of areas as small as school units.⁴⁰ Stating these concepts of need and ability, then, makes it possible to say that an equalization grant is one distributed on the basis of *relative lack of ability*, as defined above.

Allocation formulae and the problem of school organization and consolidation. Allocation formulae may have a considerable effect on the incentive to reorganize and consolidate school districts.⁴¹ They may operate to encourage or discourage it. For example, strict adherence to the attendance basis would discourage consolidation less than the teacher basis,

³⁵It should perhaps be pointed out that the questionableness of this assumption in respect to some classes of schools is evidently appreciated. "The relationship between size of school and class size embodied in the national index is, after all, based upon actual practice. The validity of the indices is based upon the assumption that the experience in groups of one size has been as reliable a guide to proper class size as the experience in schools of any other size. Actually, of course, it may be possible eventually to develop standards for schools of different sizes which will be based on fundamental analysis rather than on actual practice." Mort, *op. cit.*, p. 128. The bill introduced in the Illinois legislature in 1935 (H. B. 748) contained a provision which would, after June, 1939, gradually diminish the aid which might be claimed by small one-room schools. It has been suggested that one way of minimizing the danger that such an index of need will perpetuate small schools would be to equalize on a higher rate in the rural districts than is required of other districts, as was done in New York when the state aid law was made applicable to one-teacher districts. (Letter from Paul R. Mort, dated August 14, 1941).

³⁶*Cf.* Mort, *op. cit.*, pp. 95 ff., and literature cited.

³⁷Mort, *The Measurement of Educational Need*, p. 1.

³⁸Hinckley, *op. cit.*, p. 75.

³⁹For some suggested indices of this nature see Hinckley, *op. cit.*, p. 75.

⁴⁰Bittermann, *op. cit.*, p. 467.

⁴¹For an analysis of the effects of allocation formulae on the incentive to consolidate see *Local School Unit Organization in 10 States* (U. S. Office of Education, Bulletin No. 10, 1938).

since the teacher basis, as compared with the attendance basis, favors the small schools in sparsely populated areas, on the assumption that a relatively high ratio of teachers to pupils is necessary and unavoidable. "In so far as the one-teacher school is unavoidable the grant on the teacher basis is the most appropriate";⁴² but where this assumption is contrary to fact, the result is merely state subsidization of schools that might not be maintained if the entire cost had to be borne locally.

The Illinois 18-pupil "pegging" provision for calculation of flat grants, in effect until 1939, was a form of the teacher basis, as is the present \$1,048 minimum for the calculation of equalization aid. It has been suggested that these bases have been positive discouragements to consolidation.⁴³ Evaluation of this suggestion will be one of the problems of this study.

SUMMARY

It is assumed that consolidation, both of attendance areas and of the units of support and control, by legislative *fiat* or by mandates of central officials is not within the realm of the politically feasible within the foreseeable future. Therefore, it is assumed that state aid legislation should be consciously formed to serve the end of consolidation if possible. Grants may be conceived as having three principal purposes or objectives: to equalize educational opportunity and local tax burdens; to provide an instrument of central administrative control; and to serve as a reward for local effort in order to stimulate action in a given direction. State aid policies intended to induce consolidation might be conceived as coming within either of the latter two categories. For instance, if grants were made conditional upon a district's having a certain area and enrollment, the grants could be conceived as primarily instruments of central control. If grants were extended more generously to large districts than to small districts, they could be regarded as grants intended to stimulate action in a given direction or to reward local action. Stimulation grants have the disadvantage of being to some extent incompatible with the equalization philosophy. In general, any allocation formula in which the teacher basis predominates may be expected to intrench rural schools more than formulae in which the pupil basis predominates, due to the low pupil-teacher ratios in rural schools.

⁴²Bittermann, *op. cit.*, p. 462.

⁴³O. F. Weber, *The Problem of School Organization and Finance in Illinois* (1938), p. 20. *Some Aspects of School Administration in Illinois* (Research Department, Illinois Legislative Council, 1938), pp. 49, 51. I. M. Labovitz, "Education," in S. E. Leland, editor, *State-Local Fiscal Relations in Illinois* (1941), p. 102. Also, *cf.* "Determining the Purpose of a State Distributive Fund," 15 *Illinois Teacher* (January, 1927), p. 81, and "Resolutions," *Illinois Agricultural Association Record* (February, 1941), p. 33.

CHAPTER III
THE PRESENT STATE AID SYSTEM
AND ITS EVOLUTION

THE PRESENT LAW

THE MORE IMPORTANT features of the present Illinois system of state aid for schools may be summarized as follows: After certain sums are apportioned as special purpose grants,¹ the remainder of the money in the school fund is then assigned to the counties for the benefit of the school districts. In case the money available for this purpose is greater or less than the amount required, the apportionment to each county is proportionately increased or reduced. Elementary school districts receive a general apportionment of \$11 for each pupil in average daily attendance (other than pupils whose tuition is paid from the state treasury as outlined above). In addition to the general apportionment based on average daily attendance, equalization quotas are granted to elementary districts with an educational rate of at least one per cent of its equalized assessed valuation in such sums as will be sufficient to supplement the one per cent rate and the general apportionment by an amount which will produce the larger sum under the following computations: (1) the sum of \$56 per elementary school pupil in average daily attendance; (2) the sum of \$1,048 per school building not in excess of two² which it may be necessary to operate; or (3) in districts with a three-year average ADA³ of at least 25 resident pupils, \$1,048 per full-time elementary teacher, not in excess of two.⁴ However, after July 1, 1943, schools having less than 7 ADA pupils for two consecutive years would not be eligible to receive state aid—either the general apportionment or the equalization grant, unless geographic conditions required their maintenance, or it was found that they would attain a resident enrollment of eight or a total enrollment of ten in the succeeding year. Elementary districts which educate their children in other districts by paying their tuition and transportation expenses and which levy a one per cent tax, if the tax and general grant are not sufficient to pay the tuition and transportation costs, are entitled to an equalization grant to supplement the local tax and general grant sufficiently to

¹For example, for compensation and expenses of county superintendents and tuition of children from homes for orphans. *Ill. Rev. Stat.* 1941, c. 122, sec. 234¾ (a)-(d).

²Prior to 1939, the corresponding provision was \$1,048 per *teacher*, which had a tendency to encourage some districts to hire more teachers than were needed. *Ill. Rev. Stat.* 1935, c. 122, sec. 335 (e). *Ill. Rev. Stat.* 1939, c. 122, sec. 234¾ (e).

³Average daily attendance.

⁴This provision was inserted in 1941 in order that the preceding clause would not work a hardship on districts needing two teachers but having only one building. Compare *Ill. Rev. Stat.* 1939, c. 122, sec. 234¾ (e) and *Ill. Rev. Stat.* 1941, c. 122, sec. 234¾ (e).

pay the tuition and transportation costs, up to \$100 per pupil.⁵ Overlying high school districts and non-high school districts which levy an educational rate of three-fourths of one per cent or more are entitled to equalization quotas sufficient to supplement the proceeds of the above rate by an amount that will make available the sum of \$80 per high school pupil in average daily attendance. "Unit" systems—districts maintaining twelve grades—receive the flat grant of \$11 for each elementary pupil in average daily attendance, and qualify for equalization quotas on the basis of an educational rate of one and one-half per cent. The equalization levels in "unit" districts are \$56 per elementary pupil in average daily attendance and \$80 per high school attendance pupil. Provision is made for assuring that equalization quotas shall be used for educational purposes and not be used to increase cash balances by requiring the submission of budgets by equalization districts at the time that the aid is claimed. In the case of districts receiving equalization quotas and governed by a board of directors, the current expenditures must be approved in advance by the county superintendent of schools. Also, any district which fails to maintain a recognized school, or to provide educational facilities for its pupils in a recognized school, shall not be granted its equalization quota for that year. The standards for recognition are to be laid down by the Superintendent of Public Instruction.⁶

HISTORICAL CONSIDERATIONS

An understanding of the present Illinois state aid system is facilitated by an appreciation of how the system has evolved. Since all historical treatment must necessarily be somewhat selective, the following discussion will relate chiefly to those features of the state aid system which are of most significance for a study centering around the relation between the state aid system and school organization. Therefore, attention will be devoted chiefly to trends in the amounts of state aid, changes in the method of distribution, and the effect of these changes. Other state aid issues will be treated only incidentally.

The state common school fund. The common school fund consists partially of \$57,000 per year, appropriated to the fund out of the general revenues of the state as interest on an earlier school fund—the permanent school fund—which the state "borrowed" for general state purposes and never repaid. In addition to these appropriations, which may be re-

⁵This legislation was enacted in the 1941 session. *Laws of Illinois, 1941*, pp. 1123, 1130, 1131.

⁶*Ill. Rev. Stat., 1941*, c. 122, sec. 234³/₄ (e). This study relates chiefly to that part of the common school fund claimed by down-state districts as general apportionments and as equalization quotas. These claims accounted for approximately 65 per cent of the fund for the fiscal year ending June 30, 1941, and were estimated to account for approximately 63 per cent for the 1941-42 fiscal year. *The Common School Fund* (mimeographed release, Illinois Education Association). Cf. *Annual Report of the Auditor of Public Accounts, 1940*, pp. 190 ff.

garded as interest payments, the state also makes appropriations to the state common school fund from current revenues that come into the treasury from various sources. The second of these appropriations has been much the larger in recent times (over 99 per cent of the total appropriation for the 1942 fiscal year). Appropriations to the state common school fund have increased from \$1,000,000 in 1910 to \$16,300,000 in 1942.⁷

Perhaps a more adequate conception of the degree to which the state supports the common schools can be gained from comparing the amount of state aid with the total district net educational expenditures. From such a comparison it is seen that, while there have been years in which the percentage of local educational expenditures borne by the state has been less than the percentage for the preceding year, on the whole the trend has been upward. Since 1934 state support has varied between approximately one-tenth and one-seventh of local district net educational expenditures.⁸ These figures do not take into account local expenditure for building purposes and debt retirement. On the basis of total expenditure, the percentages would be smaller. For example, in 1937-38, of the total revenue of the elementary and secondary schools in Illinois, the state provided 8.28 per cent, the local district 91.27 per cent, and the federal government .45 per cent. In 1938, Illinois ranked seventh in expenditures per pupil enrolled, but only forty-first with respect to the percentage of school revenue derived from the state.⁹

Increased state aid and reorganization. The attitude of the administration during Governor Horner's two terms was that considerable increases in state school aid were of questionable wisdom until reorganization was effected, on the ground that increasing the grants without requiring reorganization might merely serve to perpetuate the existing system. Governor Horner favored the creation of a state board with powers adequate to accomplish reorganization and to devise a system of state aid that would contribute to this end before increasing the amount of state aid.¹⁰ The

⁷See L. R. Grimm, *Building the State Common School Fund in Illinois* (Illinois Education Association, 1940), and *Biennial Report of the Auditor of Public Accounts* for the various years.

⁸These fractions were obtained by comparing the data in Statement No. 2 of the *Biennial Report of the Auditor of Public Accounts* with the net educational expenditures by the districts given in the *Statistical Report of the Superintendent of Public Instruction* for the various years.

⁹*School Costs and State Expenditures, 1930-1939* (National Education Association, 1941), pp. 144 ff.

¹⁰*Veto Messages of Henry Horner, Governor of Illinois, 1937*, p. 42. *State Aid to Schools in Illinois* (Department of Finance), Ch. V, *passim*. Henry Horner, "Report on Educational Problems in Illinois" (speech delivered to the Illinois Education Association and the Illinois County Superintendent's Association, 1938), *passim*, and especially pp. 9-13. Although opposing compulsory consolidation, the Illinois Agricultural Association has taken the position that "further increase of state aid to schools under existing conditions would raise additional obstacles to desirable changes," and hence increase in state aid should wait on "essential improvement in school district organization." "Resolutions," *19 Illinois Agricultural Association Record* (February, 1941), p. 33.

Illinois Education Association (or at least some of its leadership) questioned the argument that increases in state aid necessarily entrenched the present system, arguing that the experience of other states disproves this.¹¹

Allocation formulae. Until 1923 the method of distributing state aid for common schools was chiefly based on school population. The free school law of 1825 provided that the distribution of state funds to counties should be according to the number of white children under 21.¹² The 1835 law provided that allocation to counties should be proportional to the number of white children under 20.¹³ The law of 1855 levying a two-mill tax provided that two-thirds of the state subsidy should be distributed to the counties in proportion to the number of white children under 21 and one-third of the sum should be distributed in proportion to the number of townships and parts of townships in each county.¹⁴ The law of 1872 provided that the entire amount of the state aid be apportioned to counties in proportion to the number of children under 21.¹⁵ This method of allocation remained in effect until 1923.¹⁶

The law of 1923 provided that, before payments to individual counties and districts were made, there should be set aside from the school fund certain amounts for the following purposes: teacher pension and retirement fund; payments in lieu of taxes to certain districts; and compensation of county superintendents.¹⁷ The balance of the fund was to be apportioned according to a rather complicated formula which evidenced an attempt to employ more exact measures of educational need than the school census basis, namely the teacher-school-day and the pupil-day of

¹¹"The experience of other states indicates that increased state aid promotes reorganization and efficiency. The common school fund appropriation in Illinois has been increased only 30 per cent in the last six years as compared with 78 per cent for all the states." R. C. Moore, "Veto Message Erroneous But Revealing," 25 *Illinois Teacher* (June, 1937), p. 326. "... the poor little districts ought to be legislated out of existence rather than starved out... liberal state aid in other states does not prevent consolidation if other legislation is enacted to encourage it. ... A large state school fund does not prevent consolidation; in fact, it may encourage consolidation by being used in part as aid to high schools and to pay in whole or in part for the transportation of pupils in consolidated districts." R. C. Moore, "State Aid and Consolidation," 24 *Illinois Teacher* (June, 1936), p. 323.

¹²*Laws of Illinois, 1825*, pp. 121 ff., sec. 15.

¹³*Laws of Illinois, 1835*, pp. 22 ff., 25.

¹⁴*Laws of Illinois, 1855*, pp. 77-78. From 1865 to 1872 the method of allocation within the county was as follows: The county superintendent apportioned one-third of the county's share of the state aid to townships in proportion to the number of acres in each township and the remaining two-thirds to the townships in proportion to the number of white children under 21. The township trustees then distributed the township's share to the districts, one-half in proportion to the number of children and the other half in proportion to attendance. *Public Laws of Illinois, 1865*, pp. 113, 117.

¹⁵*Public Laws of Illinois, 1871-72*, pp. 732 ff. The omission of the stipulation that the children to be taken into account be white children was in conformity with the mandate in the constitution of 1870 that the General Assembly provide "all children of this state" with a good common school education. *Constitution*, Art. VIII, sec. 1. Allocation to individual districts by township trustees was also to be proportioned to the number of children under 21. *Public Laws of Illinois, 1871-72*, p. 712.

¹⁶The law of 1909 merely re-enacted the school census basis as contained in the law of 1872. *Laws of Illinois, 1909*, p. 400, sec. 211.

¹⁷*Laws of Illinois, 1923*, p. 578. These provisions were thus forerunners of the similar provisions of the present law.

attendance. The plan also embodied features designed to stimulate local districts to lengthen the term, employ well trained teachers, and require regular attendance. The equalization philosophy was evidenced by provisions for special aid to weak districts. Five major allotments (restricted to elementary schools) were provided by this law:

- (1) Seventy cents for each teacher-school-day.
- (2) For each week, not exceeding 36 weeks, \$2.50 per teacher if the teacher was a normal school graduate or the equivalent; \$1.00 per teacher who possessed 36 weeks of normal school training or the equivalent; \$0.50 per teacher who possessed 18 weeks of normal school training or the equivalent.
- (3) One and one-half cents per pupil-day of attendance.
- (4) Special aid to weak districts levying the maximum rate allowed by law without referendum—a per-teacher-school-day allowance graduated according to assessed valuation: \$25,000 or less, \$2.00; \$25,000 to \$30,000, \$1.50; \$30,000 to \$35,000, \$1.00; \$35,000 to \$40,000, \$0.50.
- (5) An additional \$100 to each one-room elementary school district employing a normal school graduate and operating school nine months.¹⁸

In 1927 the method of distribution was again modified.¹⁹ The principle of rewarding effort was virtually abandoned and the equalization principle given greater prominence. This change was due in large part to dissatisfaction with the failure of the mode of allocation under the 1923 law to send the money where there was the greatest need and to its tendency to send money where there was already great ability. This was caused by the stimulation features of the law. For example, the able districts which could hire well trained teachers anyway qualified for grants on the basis of this fact.²⁰ This law offers an illustration of the incompatibility of the stimulation and equalization principles, or at least the difficulty of combining them, pointed out in the preceding chapter.

The 1927 law embodied two main features which remain in the present law: (1) a general apportionment per elementary pupil in average daily attendance (sometimes referred to as "flat grants") and (2) "equalization quotas" on a per-pupil or per-teacher basis, whichever was the larger. The specific provisions may be summarized as follows:

¹⁸*Laws of Illinois, 1923*, pp. 580-581. Summary is adapted from that of Weber, *op. cit.*, p. 51.

¹⁹The following descriptions of the changes made in the allocation formulae in 1927, 1935, and 1939 apply to that part of the school fund remaining after amounts are deducted for teachers' pension, payments in lieu of taxes, county superintendents' salaries, etc. The 1927 equalization law was also re-enacted in 1928, since the 1923 (reward-for-effort) law was also re-enacted in the 1927 session in a statute approved subsequent to the approval of the equalization law. Thus, the equalization law really did not go into effect until 1928. Since it is usually referred to in the literature as the 1927 law, it is so referred to here. *Laws of Illinois, 1927*, pp. 794, 829. *Laws, 1928*, First, Second, and Third Special Session, p. 71. *Ill. Rev. Stat. 1927*, c. 122, sec. 234 (e). Weber, *op. cit.*, p. 51.

²⁰See p. 26, below. Also see H. A. Perrin, *The Administration of the State Distributive Fund in Illinois (1932)*, *passim*, and especially pp. 14-15, 39 ff.; "The New Plan of State Fund Apportionment," *17 Illinois Teacher* (January, 1929), p. 132; "Equalizing Educational Opportunities: the Primary Purpose of the State School Fund," *15 Illinois Teacher* (September, 1926), pp. 4, 5. "Determining the Purpose of a State Distributive Fund," *15 ibid.* (January, 1927), p. 79, *passim*. "A Proposed New Plan of State Aid Apportionment," *15 ibid.* (May, 1927), p. 184, *passim*. "State Aid Apportionment to Large City School Districts," *14 ibid.* (April, 1926), p. 145. "State Aid Claims Made by Various Types of Districts," *14 ibid.* (May, 1926), p. 164.

(1) Nine dollars per pupil in average daily attendance, schools having less than 18 pupils in average daily attendance to receive credit for 18.²¹

(2) Special equalization aid to needy districts. Amount of such aid was the difference between the proceeds of a levy of the maximum allowed by law (without referendum)²² and whichever was the larger of the following: (a) an amount equal to \$25 per pupil in average daily attendance; (b) an amount equal to \$850 per teacher.²³

*Comparison of the three allocation formulae used between 1920 and 1928.*²⁴ The 1923 law did not go into effect immediately upon its passage, because of the time consumed in preparing forms and securing the necessary data. The distribution for the school year ending in 1924 was therefore made on the school population basis embodied in the 1872 law. The formula provided in the 1923 law was used in the distributions for the school years ending in 1925, 1926, and 1927, the 1927 law becoming operative for the distribution for the school year ending in 1928.²⁵

Since approximately the same amounts of money were distributed in 1924, 1927, and 1928, analysis of the distributions for these years shows the effect of the three formulae on the amount of money received by different parts of the state. Perrin divided the counties of Illinois into four groups, classified according to assessed value per pupil in average daily attendance in 1927-28.²⁶ Comparison of the amounts received by these four groups of counties indicates how each group fared under the three methods of apportionment.

After eliminating Cook county from the comparisons, it was found that the two wealthiest groups of counties received substantially more under the 1923 stimulation basis (as shown by 1927 data) than under the school census basis (as shown by 1924 data). These groups received less under the 1927 equalization basis (as shown by 1928 data) than under the stimulation basis. The amount received in 1928 was also smaller than the amount received in 1924. The third group of counties was affected but slightly by the changes in the method of allocation. The fourth group—the least able to support education—received substantially larger amounts under each succeeding plan. The 1927 equalization law also

²¹As originally introduced, this 18-pupil "pegging" provision would not apply to districts with less than five pupils in average daily attendance or to districts with less than five attendance pupils per teacher. Such schools apparently were not intended to be excluded from equalization quotas, however. "Any district in which the actual number of pupils in average daily attendance during the year . . . averages not less than five and yet less than eighteen per . . . teacher, shall be allotted eighteen pupils in average daily attendance. . . ." "Any district in which the actual average daily attendance . . . is less than five . . . shall not be entitled to apportionments." S. B. 253, 55th General Assembly, 1927.

²²This maximum is now one per cent. From 1932 to 1935 it was the average rate for the years 1929-32. Cf. I. M. Labovitz, "Education," in S. E. Leland, editor, *State-Local Fiscal Relations in Illinois* (1941), pp. 72-74.

²³*Laws of Illinois*, 1927, pp. 797, 798. *Laws of Illinois*, First, Second, and Third Special Session, 55th General Assembly, 1928, pp. 71 ff. Summary is adapted from Weber, *op. cit.*, pp. 51-52.

²⁴This treatment is based on H. A. Perrin, *The Administration of the State Distributive Fund in Illinois* (1932), Chapters IV and V.

²⁵*Ibid.*, p. 39.

²⁶*Ibid.*, pp. 35 ff.

tended to treat rural sections and small villages more favorably than the 1923 law.²⁷

Amendments of 1935, 1939, 1941. In 1935 amendments were adopted raising the general apportionment per pupil to \$11, and the special aid was increased to an amount which, with the computed yield of the one per cent tax rate, would provide at least \$30 a pupil or \$850 per teacher, whichever was the larger.²⁸ A provision was also inserted to limit the amount of the special equalization quota to the difference between budgeted educational expenditures for grades one through eight and the amount of the computed tax yield. This provision was designed to discourage the practice of some districts of levying a high enough rate to qualify for aid in one year and levying a very low or no rate the next year, thus running the school for the second year on the accumulated surplus.²⁹

Perhaps the most significant change in the method of apportioning the common school fund made in recent years was the amendment adopted in 1939 providing for elimination of the 18-pupil "pegging" clause in the distribution of the \$11 general apportionment. This amendment went into effect with the distribution based on the claims made for the school year ending June 30, 1939.³⁰ The equalization level was increased and the method

²⁷*Ibid.*, p. 134.

²⁸In 1934 provision was made for distribution of part of the motor fuel tax revenue paid into the school fund as flat grants to high schools. *Laws of Illinois*, First, Second, and Third Special Sessions, 1933-34, p. 254. These flat grants were repealed the next year. *Laws of Illinois*, 1935, p. 1379. Since 1935 there have been proposals to increase the flat grants to elementary schools and to provide for flat grants to high schools, but they have not been enacted. The Horner administration consistently opposed them, on the ground that they cause the state's money to go to able areas as well as to needy areas and that a given amount of state money will more effectively serve the cause of equalizing educational opportunity if it is distributed as equalization aid rather than as flat grants. Cf. *State Aid to Schools in Illinois* (Department of Finance), pp. 20 ff. Legislation for flat grants has been supported by the Illinois Association of School Boards (*Illinois School Board Bulletin*, March-April, 1939, p. 1) and by the Illinois Education Association. For some of the latter organization's arguments, see L. R. Grimm, "New Plan of State Aid Proposed," 23 *Illinois Teacher* (May, 1935), pp. 287, 306; B. F. Shafer, "Our State Support Program," *ibid.* (March, 1939), p. 199; "Equalizing to Higher Levels," 19 *ibid.* (November, 1930), p. 85; "A Proposed New Plan of State Aid Apportionment," 15 *ibid.* (May, 1927), p. 187; *Flat Grants for Common Schools* (Illinois Educational Association, 1941).

²⁹*Laws of Illinois*, 1935, p. 1379. Also cf. *Some Aspects of School Administration in Illinois* (Research Department, Illinois Legislative Council, 1938), pp. 69-71. Provisions were also inserted clarifying the procedure for making of claims by schools attended by tuition pupils and by unit systems. *Laws*, 1935, pp. 1382-1383.

³⁰Cf. *Laws of Illinois*, 1939, pp. 1063-64, 1068, 1069, 1071. The "18 pegging" provision has been criticized as intrenching small rural schools and discouraging consolidation. Cf. Chapter II. It was evidently included in the 1927 law on the assumption that use of the straight per-pupil basis would work a hardship on schools in sparsely settled rural areas where pupil-teacher ratios were low and the assumption that pupil-teacher ratios in such areas were necessary and justified. The 1927 law containing this feature was warmly supported by the Illinois State Teacher's Association. Cf. "The New Plan of State Fund Apportionment," 17 *Illinois Teacher* (January, 1929), p. 132. As originally drafted by this organization, however, the "18 pegging" provision would not have applied to schools with less than five attendance pupils. Cf. S. B. 253, 55th General Assembly, 1927. This organization did not oppose elimination of the "18 pegging" provision in 1939, evidently on the ground that the poorer one-room districts would be allowed to gain in equalization aid what they would lose in flat grants. B. F. Shafer, "What About Legislation?" 27 *Illinois Teacher* (February, 1939), pp. 162, 163. It is interesting to note in this connection that the Illinois Agricultural Association, which might conceivably have been favorable to a provision favoring the rural areas as this one did, not only went on record as favoring the elimination of this provision but also stated that "this provision, when enacted, was neither proposed nor supported by our association." "Resolutions" 16 *Illinois Agricultural Record* (February, 1939), p. 16. This organization has, however, consistently opposed compulsory consolidation and

of computing equalization aid changed. Before this change, the state made up the difference between the yield of the qualifying rate and \$30 per pupil in average daily attendance or \$850 per teacher, whichever was the larger. The 1939 amendments provided that the state should supplement the yield of the qualifying rate *and the flat grants* by a sum sufficient to make available to the school \$51 per elementary pupil in average daily attendance, or \$1,048 per teacher, whichever is the larger.³¹ The effect, if not the intent, of this provision will be to enable small schools claiming equalization aid to gain back in equalization aid what they lose in flat grants due to elimination of the 18-pupil "pegging" provision.

Other changes made in 1939 in the method of distributing the common school fund were: insertion of a clause stating that the \$1,048 minimum for computing equalization quotas should apply only "to each school building not in excess of two which it may be necessary to operate and maintain";³² inclusion of a provision requiring that current expenditures made in a district receiving equalization aid and governed by a board of directors be approved in advance by the county superintendent; addition of a clause stating that after July 1, 1941, no equalization aid should be given to schools failing to maintain recognized schools or to provide educational facilities for its pupils in a recognized school; insertion of a provision for equalization aid up to \$80 per high school pupil in average daily attendance; elaboration and strengthening of the provisions for assuring that equalization aid be used only for educational purposes as shown on budgets submitted;³³ and inclusion of changes designed to make the year on which apportionments are based start with July instead of January.³⁴

In addition to the above amendments relating to the method of distribution of the common school fund, the 1939 legislature also initiated a policy of state aid for transportation. This legislation provided that the state reimburse districts for three-fourths of the cost of transportation, with a maximum of \$15 per pupil transported. The sum of \$500,000 was appropriated for the first biennium for this purpose.³⁵

As has already been pointed out, abolition of the 18-pupil "pegging" provision in 1939 was the first major change in the Illinois allocation

creation of a state board of education with power to withhold state funds from districts failing to comply with standards determined by the state board. It has, however, approved of bills for survey committees to propose voluntary consolidations. Cf. *ibid.*, July and August, 1940, and editorial: "A Good School Bill" (March, 1939), p. 34.

³¹*Laws of Illinois*, 1939, pp. 1064, 1069-1070.

³²*Ibid.*, p. 1070. This clause was intended to stop the practice of some schools of hiring more teachers than were necessary in order to collect the state aid, sometimes paying the teachers less than the amount collected from the state. In order not to disrupt the financial affairs of such districts this clause did not apply to the year immediately preceding its passage (the school year of 1938-39). It was modified in the 1941 session to permit schools having an elementary ADA of 25 or more for three years to claim up to \$1,048 per teacher, not in excess of two. *Ibid.*, 1941, p. 1129. This was done because of the opinion that the 1939 amendment worked a hardship on schools needing two teachers.

³³*Ibid.*, 1939, pp. 1064-1070.

³⁴*Ibid.*, pp. 1054, 1059, 1065.

³⁵*Ill. Rev. Stat.* 1939, c. 122, secs. 705 and 706.

formula made since 1927, the 1935 amendments merely increasing the flat grants and equalization levels. The principal effect of the 1939 amendments was to alter the proportions of state aid being claimed by flat grants and by equalization aid. Prior to 1939 approximately five-sixths of the state aid money went to localities as flat grants. For the school year 1938-39 (the first year for which claims were made after the 18-pupil "pegging" provision was eliminated) the proportion of state aid claimed as flat grants fell to approximately two-thirds.³⁶

In the 1941 session of the legislature the state aid law was again amended. The three most important changes were: (1) raising the equalization level for elementary schools from \$51 to \$56; (2) addition of a clause permitting districts with an average daily attendance of 25 resident pupils for three years to claim up to \$1,048 per classroom teacher, not in excess of two, in order to allow a more liberal level of equalization for two-room schools which were adversely affected by the 1939 amendment providing that the \$1,048 equalization level be computed on the basis of the number of buildings, not in excess of two; and (3) an amendment designed to induce the closing of rural schools, especially those with less than seven ADA pupils. This amendment provides that, after July, 1943, no school district which has had less than seven ADA pupils for each of the two preceding years shall be eligible to receive either the general apportionment or the equalization quota unless (1) it is determined by the Superintendent of Public Instruction and the County Superintendent of Schools that transportation of the pupils is not feasible, or (2) it is found that the district will have eight resident enrollment pupils or a total of ten enrollment pupils in the next school year. All districts not maintaining elementary schools but paying transportation and tuition costs of their elementary pupils educated in recognized schools are guaranteed, in lieu of an equalization quota, a sum which will supplement a one per cent tax and the general apportionment by an amount sufficient to pay such tuition and transportation costs, or \$100 per ADA pupil, whichever is the lesser. The additional amount payable under this amendment must not exceed the equalization quota to which such a district would otherwise be entitled.³⁷ Another important law relating to the school consolidation problem passed in the 1941 session was a statute providing for county school survey committees to draw up proposed reorganization plans after hearings at which interested parties may appear. Formation of any proposed larger district will depend upon a favorable vote by the local community. The sum of \$25,000 was appropriated for the expenses of these committees. Creation of a county survey committee in a given county was made

³⁶*State Aid to Schools in Illinois* (Department of Finance), p. 19. Labovitz, *op. cit.*, p. 81. *Statistical Report of the Superintendent of Public Instruction, 1939*, p. 242.

³⁷*Laws of Illinois, 1941*, pp. 1129, 1130-1132. *Ill. Rev. Stat. 1941*, c. 112, sec. 2343½ (e).

contingent upon a favorable vote by the school directors of the county.³⁸ Seventeen counties voted for the surveys.³⁹

Proposed state school board bills, 1937, 1938. The state school board bills introduced in the legislature in the 1937 regular session and in the first special session of 1938 contained some provisions of significance for a study of the relation between state aid policy and school reorganization. The 1937 bill provided for a board of nine, appointed by the governor, which should have the following powers, among others: (1) to consolidate districts and to dissolve districts having small enrollment; (2) to prescribe standards for a minimum program of education; and (3) to order that a county's share of state aid and the county superintendent's compensation be withheld if these standards were not met.⁴⁰ This bill passed the Senate but was tabled in the House after the House Committee on Education had recommended its passage.⁴¹ The 1938 bill differed from the 1937 bill in that no power to consolidate or dissolve districts was given to the proposed state board, but the provisions relating to a minimum program of education and the power to withhold aid were expanded to give the board power as follows:

(5) To prescribe standards for a minimum program of education, including but not being limited to such matters as salaries of teachers, length of the class day and the school year, building standards and conditions, educational equipment, and transportation provisions. Within one year after the issuance of any rule by the Board providing for such standards, all school districts in Illinois shall comply with such standards.

No district which fails to comply with the standards established by the Board . . . shall be entitled to receive any funds distributed under the provisions of . . . any . . . law providing for the payment of State funds to school districts.⁴²

These provisions suggest the possibility that the state board, notwithstanding the elimination of the outright grant of power concerning consolidation of districts, might have been able to include in its standards of a minimum program of education certain requirements regarding school enrollment and size of district. While this interpretation was not put on the bill by all of its opponents, the broad language cited doubtless contributed to its defeat by arousing fears of compulsory consolidation.⁴³ The Illinois State Teachers' Association, the Illinois Agricultural Association, and the Illinois Association of School Boards opposed the bills and they

³⁸*Laws of Illinois, 1941, pp. 1137-1141.*

³⁹Champaign, Coles, Bureau, Cook, Du Page, Ford, Gallatin, Hamilton, Kane, Lake, La Salle, McHenry, Perry, Piatt, Pulaski, Schuyler, and Union. *St. Louis Post Dispatch*, October 17, 1941. Letter from C. E. Vick, Assistant Superintendent of Public Instruction, Dec. 5, 1941.

⁴⁰S. B. 1, 60th General Assembly, 1937.

⁴¹*Legislative Synopsis and Digest, 1937 (Final)*, p. 1.

⁴²S. B. 6, 60th General Assembly, First Special Session, 1938. Tabled in the Senate after second reading.

⁴³"This . . . bill was supported by officials, legislators and organizations whose primary purpose was to force consolidation of schools, especially country schools." "Special Session of the Sixtieth General Assembly," *Illinois Agricultural Association Record* (August, 1938), p. 7.

were defeated, despite the fact that they were supported by the State administration.⁴⁴

Proposal for encouragement of formation of larger districts. In 1938 the Department of Finance published a monograph containing a proposal for the use of state aid policies to encourage local people to form larger school units of taxation and administration.⁴⁵ This proposal suggested that certain minimum requirements be established for the organization of the new type districts. One requirement would be maintenance of twelve grades. Other requirements tentatively suggested were a minimum area of 50 square miles and a minimum enrollment of 1600 pupils in the twelve grades. Such districts would be guaranteed the same level of equalization as other districts, but a lower qualifying rate of 40¢ per \$100 of full valuation was suggested. Where the assessment ratio is 40 per cent—a typical down-state ratio—this would mean a qualifying rate of \$1.00 per \$100 of assessed valuation, as compared to the present \$1.50 qualifying rate in the case of “unit” systems⁴⁶ and \$1.75 where a separate high school district is superimposed on the elementary school districts. In this way it was hoped to give a financial incentive to the formation of such new type districts. Flat grants on a per-pupil basis would be paid to such large districts as in the case of the present districts, the equalization grant to the proposed larger district being supplementary to the present general apportionment rather than replacing it.⁴⁷ While such a bill has not yet been introduced into the legislature, the fact that there has been proposed such a frontal attack on the problem of state aid for school consolidation would indicate that the state’s educational leadership will in the future think increasingly in similar terms.

SUMMARY

State aid to the common schools has increased during the last three decades from approximately \$1,000,000 to over \$16,000,000 per year. By far the major portion—approximately nine-tenths—of the cost of common schools, however, is still borne by the local communities. The allocation formula by which the common school fund has been apportioned to

⁴⁴*Cf. ibid.*, and L. R. Grimm, “The Special Legislative Session,” *27 Illinois Teacher* (September, 1938), p. 13. Paul Matthias, “What’s Going On at Springfield,” *Illinois Agricultural Association Record* (June, 1937), p. 31. Attitude of Illinois Association of School Boards given orally to the writer by its Executive Secretary. These organizations have, however, supported a bill creating a state board of education with advisory powers only (H. B. 41, 60th General Assembly, First Special Session, 1938). Grimm, *op. cit.*, p. 13. These organizations have also supported bills for survey committees to recommend consolidations which would necessitate a vote of the people affected before becoming operative. E.g., *cf.* B. I. Griffith, “Illinois Small School Problem,” *29 Illinois Education* (October, 1940), p. 37, and editorial comment, *27 Illinois Teacher* (February, 1939), p. 163.

⁴⁵*State Aid to Schools in Illinois* (Department of Finance). This proposal was drafted by Allen D. Manvel.

⁴⁶Common school districts maintaining twelve grades.

⁴⁷*State Aid to Schools in Illinois*, pp. 59 ff. Letter from Allen Manvel, Director of Research, Illinois Agricultural Association, June 14, 1941.

school districts first emphasized the number of educables, then the reward-for-effort principle, and finally, since 1927-28, the equalization principle. Notwithstanding an increase in emphasis on the principle of equalization, approximately two-thirds of the state aid (excluding county superintendents' compensation, orphans' tuition payments, etc.) is still distributed on the basis of a flat grant per elementary attendance pupil.

In recent years there has been increasing attention to the problem of providing allocation formulae which will encourage the discontinuance of small elementary schools. Evidences of this tendency are seen in the attitude of the Horner administration that reorganization should precede increase in state aid, lest such increases merely intrench the existing system; a proposed equalization program based on the weighted pupil method which would have gradually decreased the aid which small schools could claim under it; a transportation aid law; repeal of the 18-pupil "pegging" provision for calculating the general apportionments; a law denying aid to schools with less than seven ADA pupils and providing for a generous equalization grant to reimburse districts for tuition costs and transportation costs not already borne by the state; and a proposal by a state agency for a state aid law which would encourage the formation of larger school taxing districts by allowing districts meeting certain minimum requirements to qualify for equalization grants with a qualifying rate lower than that required in the case of the present districts.

CHAPTER IV

RELATION OF PRESENT STATE AID POLICIES TO SCHOOL CONSOLIDATION

THE PRESENT Illinois state aid law can be thought of as affecting local incentive to organize larger districts or to adhere to the present system to the extent that the economic factor contributes to the complex of factors—social and psychological as well as economic—which determine whether or not local communities will desire larger attendance areas and taxing units. In the analysis which follows, the index of the extent to which the economic factor contributes to this complex is the extent to which present state aid policies subsidize the present district organization. The index to which the present state aid law subsidizes the present district system is the extent to which state aid keeps taxes in certain areas lower than they would be if the same standard of education were supported by local taxation exclusively or, stated conversely, the extent to which local taxes would have to be raised if state aid were withdrawn from inadequate units.

TRANSPORTATION AID

In 1939 a law was passed providing for state reimbursement of part of the transportation costs of elementary and high school pupils. This law provided that the state would pay three-fourths of the transportation cost, not to exceed \$15 per pupil, incurred for pupils residing more than one and one-half miles from the school attended, provided that the conveyances met the standards of safety prescribed by the State Superintendent of Public Instruction. A sum of \$500,000 was appropriated for the 1939-40 biennium.¹ In the first year that this legislation was in effect (the school year ending July 1, 1940) 458 districts in 84 counties filed claims for \$274,484.14, which were paid in full.² By the second year the claims had increased to \$330,348.29.³

In the 1941 regular session of the legislature the appropriation for transportation was increased to \$775,000 for the succeeding biennium.⁴

¹*Laws of Illinois, 1939*, pp. 280-281.

²E. L. Coberly, "Transportation Reimbursement Paid," *29 Illinois Education* (Nov., 1940), p. 76.

³The claims were not paid in full, however, appropriations being sufficient to pay only 68 cents per dollar claimed. *Opinion of Attorney General*, September 9, 1941. For the school year 1940-41, 89 counties claimed aid as compared with 84 for 1939-40, although only 446 districts claimed aid in 1940-41 as compared with 458 for 1939-40. The number of pupils transported increased from 26,678 in 1939-40 to 33,048 in 1940-41. Data for 1940-41 are advance statistics made available by the Office of the State Superintendent of Public Instruction. For 1939-40 data, see Table 1. Data for 1940-41 broken down by type of district comparable to Table 1 were not available at the date of writing. There is some indication, however, that the number of transporting districts with one, two, or no teachers has decreased and that the number of transporting elementary districts with three or more teachers has increased.

⁴*Laws of Illinois, 1941*, p. 69.

In the same session there was also enacted an amendment to the transportation aid statute permitting any school district to contract with one or more districts for the transportation of pupils resident in the first district, thus making it unnecessary for a district to own or rent a conveyance for its pupils in order to take advantage of the statute.⁵

Evaluation of the effect of transportation aid on school consolidation must be qualified at the outset by the statement that the only data available for analysis at the date of writing are for the first year of its operation. Transportation and the amount of aid claimed may be expected to increase and to affect school practice more than the data for the first year might suggest. For example, the transportation aid statute, passed in the spring of 1939, may have influenced more directors to close rural schools in the spring of 1940 than in the spring of 1939. Also, the 1941 legislation permitting boards to contract for transportation of their pupils may be expected to increase the effectiveness of transportation aid in inducing the closing of rural schools.⁶ The full effect of the latter legislation upon the closing of rural schools may not be felt until the school year of 1942-43, since most teaching contracts in rural schools were probably made before the date of the approval of the act.⁷

Factors tending to make transportation aid lead to reorganization. Evaluation of the effect of the Illinois transportation aid law on school consolidation will be facilitated by making a distinction between school *attendance areas* and school *taxing units*. From the standpoint of attendance areas, transportation aid which leads to the closing of rural schools reduces the number of rural *schools* (attendance areas), although the small rural taxing unit remains in existence.

One way in which transportation aid may operate to induce consolidation of attendance areas is to provide an economic argument for winning over public opinion in rural areas which oppose the closing of rural schools.⁸ The extent to which transportation aid has thus far induced the closing of rural schools is difficult to measure because of the limitations of the data at hand, as pointed out above. The following statistics are of interest, however, even if they must be interpreted with caution. For the school year 1939-40, the first year of the operation of the transportation aid legislation, 107 no-teacher districts claimed transportation aid (Table 1). This number of no-teacher districts was only approximately

⁵*Laws of Illinois, 1941*, pp. 1199-1200.

⁶*Cf.* I. F. Pearson, *The Organization of School Districts* (Illinois Education Association, Study Unit No. 3, December, 1940).

⁷The act was not approved until July 21, 1941. Teachers in rural schools are usually hired before the first of June.

⁸L. R. Grimm, *State Aid Issues in Illinois* (1940), pp. 14-15. "Already it is being found that the state transportation grant up to \$15 per pupil is a good talking point to which rural people are willing to listen." *Ibid.*, p. 15.

one-fourth of the total number of such districts with pupils, however.⁹ In a group of 13 counties, of 15 no-teacher districts claiming transportation aid in 1940, approximately one-half of such districts were without teachers for at least one year prior to the 1939-40 school year.¹⁰ Another interesting fact is that, in 1939-40, in a sample group of 24 counties, more pupils were transported in rural one- and two-teacher schools than were transported in no-teacher districts.¹¹ Also, as shown in Table 1, the overwhelming majority—almost 95 per cent—of the pupils for which transportation aid was claimed in 1939-40 were transported by high school districts or by elementary districts employing three or more teachers. Pupils transported by no-teacher districts accounted for less than three per cent of the pupils for which transportation was claimed. Thus it is apparent that, in the first year of operation of the transportation aid legislation, the effect upon the consolidation of even school attendance areas was

TABLE 1.—SUMMARY OF STATE TRANSPORTATION AID CLAIMS IN 1940*

Type of District	Number of Districts	Number of Pupils Transported	Percentage of Total Transported	Average Cost per Pupil
Elementary Schools:				
No teachers.....	107	644	2.4	\$45
One or two teachers.....	74	765	2.8	24
Three or more teachers.....	119	10,986	41.2	25
High Schools.....	158	14,283	53.6	29
<i>Total</i>	458	26,678	100.0	\$28

*Data analyzed and made available by Allen Manvel, Director of Research, Illinois Agricultural Association.

negligible. As has been pointed out above, as school administrators and school boards become aware of the provisions of the act, and especially of the amendment permitting contracts between districts, an impetus to the closing of rural schools can be expected.¹² The above figures suggest that the impetus will have to be substantial if the transportation aid legislation can be conceived as being as important from the standpoint of inducing consolidation of rural elementary attendance areas as it is in reimbursing the transportation expense of districts where pupils are already educated in systems of three or more teachers.

⁹In 1939-40 there were at least 463 no-teacher districts, of which at least 429 had pupils resident in the district. In 34 of these districts the data were not available. (Memorandum regarding proposed legislation altering state aid provisions for districts having less than seven pupils in attendance. Research Department, Illinois Agricultural Association, Chicago, Illinois.)

¹⁰*Transportation Aid Claims, 1940*, Office of State Superintendent of Public Instruction, Springfield, Illinois. The thirteen counties are those listed in Table 2.

¹¹*Ibid.* The 24 counties consisted of the 13 listed in Table 2 plus 11 additional counties taken in alphabetic order from a sample of 35 counties used by the Illinois Education Association for estimates of the common school fund.

¹²*Cf.* I. F. Pearson, *The Organization of School Districts* (Illinois Education Study Unit No. 3, December, 1940).

The above considerations have been devoted to the question of consolidation of attendance areas without consolidation of taxing units. From the standpoint of consolidation of taxing units, the transportation aid now available may operate to encourage such consolidation in three ways. (1) To the extent that it encourages consolidation of attendance areas it will tend to broaden the horizons of rural people and to diminish their distaste for being included in a larger political unit for school support and control. (2) The mere fact that there is a transportation statute on the books will serve to remove an argument against consolidation of taxing units accompanied by consolidation of attendance areas—namely, the possibility that transportation costs might, during the first few years after consolidation, minimize or wipe out altogether savings to the local community which result from centralizing attendance. (3) Another way in which transportation aid is said to encourage consolidation of taxing units is that such aid would meet an objection of rural people to being included in large school taxing units due to the disparity in assessment ratios between urban and rural areas. Rural property is, in general, assessed at a higher percentage of its full value than is urban property.¹³ Large school districts, in which the same tax rate would apply to both rural and urban areas, would thus mean that rural areas would carry more than their fair share of the burden. It is argued that transportation aid would tend to meet this objection, since transportation is a service mainly for rural children, and that the state's assuming this cost would largely compensate for the disparity of assessment ratios.¹⁴ It is arguable, however, that rural people have a right to expect transportation of their children at public expense when attendance areas are merged, even if there were no disparity in assessment ratios. If this is granted, transportation aid cannot be looked upon as a gift from the state to compensate for the difference in assessment ratios.¹⁵

Possible tendency of transportation aid to intrench the present district organization. From the standpoint of consolidation of school taxing units, transportation aid may not be an unmixed blessing. To the extent that it induces rural districts to close their schools and transport their pupils without merging the taxing district with the district or districts where the pupils are schooled, the effect of closing such schools will in some cases be to create low tax areas which may be expected to oppose consolidation of taxing units. If closing such schools results in economies great enough to permit the resulting no-teacher districts to have a low tax rate, the result is a low tax "island" with a vested interest in the existing organization. The lower that tax rates are in a given area under the present system, the

¹³*Tax Rate Limits and Assessment Ratios, 1925-1940* (Illinois Tax Commission), pp. 113 ff.

¹⁴*State Aid to Schools in Illinois* (Department of Finance), pp. 56-57.

¹⁵While no statistics are now available on the number of districts consolidated, conversations with officials and students of school administration indicate that there has been little if any impetus given to consolidation of rural districts since 1930.

more difficult will it be to establish economic inducements to consolidate taxing units, due to the cost to the state which would be entailed by a state aid plan generous enough to give rates which will be less than the rates prevailing at present in the low rate areas.

The educational tax rates for 1939-40 of no-teacher districts in selected counties were investigated. In a sample group of 13 counties,¹⁶ 15 no-teacher districts were found which claimed transportation aid. The median tax rate of this group was 38 cents per \$100 of assessed valuation, four having made no levies. In 1935-36, the median rate for no-teacher districts for the entire state was 21 cents, while it was 49 cents for one-teacher districts with less than twenty pupils, 58 cents for such districts with 20 or more pupils, and \$1.00 for districts with two or more teachers. These figures indicate that the tax rates of no-teacher districts are, on the whole, well below the typical downstate rural rates.¹⁷ These considerations suggest the possibility that if a large number (for example half) of the rural districts throughout the state were to close their schools without merging with other taxing units, the cause of consolidation of taxing units would be done more harm than good, so far as economic considerations are concerned.¹⁸ As yet this situation is not acute, since the number of no-teacher districts and their populations, as inferred from their school attendance, is relatively small.¹⁹ It might, however, make the establishment of economic incentives to consolidation more difficult if a substantial proportion of the rural districts centralize their enrollments without merging with other taxing units. This problem might be solved by requiring that districts which have not operated a school for a specified number of years be annexed to adjoining districts. Aside from the political difficulties of securing such legislation, such an approach is subject to the criticism that it would probably deter the closing of small rural schools and that the annexing district might not always want to annex the territory of a district closing its school. A second solution would be to establish economic incentives for the merging of taxing units by providing for lower tax rates in the new large districts than prevail throughout the area now.

¹⁶Sample group was same as that indicated in Table 2.

¹⁷The disparity between no-teacher district rates and those prevailing around them may not be as great as the above figures might seem to indicate, due to more wealthy areas being over-represented in the sample. For example, there is some indication that no-teacher districts tend to be relatively more numerous in counties with high taxpaying ability than in counties with low ability. It has been estimated that practically all districts with less than seven pupils in average daily attendance could, by transferring their pupils to other schools reduce their tax rates, many of them by one-half or more. "Illinois Rural Schools Hit by Steady Decline in Enrollment," 19 *Illinois Agricultural Association Record*, No. 3 (March, 1941), p. 27.

¹⁸It might be argued that, if all rural schools were closed and the pupils schooled in urban centers, the increased use of facilities in urban centers and the tuition collected from rural districts might reduce unit costs so that tax rates in these centers, as well as in the rural districts, would be reduced. That this tendency would be great enough to reduce very much the disparity between the rates of no-teacher districts and the rates of districts maintaining schools would seem to be very problematical, however.

¹⁹Of 2,211 districts with less than 7 ADA in 1939-40, 374 were no-teacher districts. Mimeographed release, Research Department, Illinois Agricultural Association, No. 687-a, January, 1941.

GENERAL APPORTIONMENT AND SPECIAL EQUALIZATION AID

Since 1927 the major portion of the state aid going to the common schools has consisted of a "general apportionment" or fixed sum (now \$11) per ADA pupil and a special equalization quota sufficient to enable needy districts which levy the qualifying rate to have enough revenue to maintain a given level of expenditure. Until 1939, districts with less than 18 pupils received credit for 18, as far as the general apportionment was concerned. The equalization level was successively raised to \$51 per elementary pupil in 1939 and to \$56 in 1941. Until 1939 the equalization level was also defined as a specified sum per teacher, but this feature obtains now only for one-teacher schools and for two-teacher schools with more than 25 attendance pupils, the per-teacher minimum now being \$1,048.²⁰

The 18-pupil "pegging" provisions and the per-teacher minimum. While various features of the law have been changed since 1927, the main pattern remains: a general apportionment plus special equalization aid. It has been suggested that the effect of some of these features has been to intrench the present small district system.²¹ For example, the 18-pupil "pegging" provision, in effect until 1939, assured to some small schools more aid if they operated separately than if they were consolidated. This can be seen if three non-special aid districts each having five pupils be assumed. Each district would be entitled to claim \$198 ($\11×18), or \$594 for the three districts. If the three districts were to combine, the new district with 15 pupils would also be entitled to claim only \$198.

It is arguable, however, that the discouragement to consolidation would not be very strong, since it would be outweighed, from the standpoint of financial burden, by the fact that the cost of maintaining three schools with 5 pupils each would be \$2,000 or more, whereas the cost of maintaining only one with 15 pupils would be about \$1,000. Even with this "pegging" provision, consolidation would still be desirable if economic factors alone are considered. If the argument is confined to economic considerations, and psychological factors are ruled out, it can be argued that with the "pegging" provision in effect, the people in the three local districts assumed would not operate three schools at a cost of \$1,000 more in order to claim an added \$396 from the state. Basing the general apportionment on the actual attendance, however, would result in making consolidation in such a case as that assumed even more attractive from a financial point of view than when the "pegging" provision was in effect, since the general apportionment would remain the same after consolidation as before. In other words, with the 18-pupil "pegging" provision

²⁰See Chapter III.

²¹See Chapter II.

(and assuming that the 15 pupils could be educated for \$1,000 in one school) the financial saving to the locality would be only \$604 (\$1,000 minus \$396); without the "pegging" provision, the financial saving would be \$1,000.

When the 18-pupil "pegging" provision was abolished in 1939, the per-teacher equalization goal was increased from \$850 to \$1,048. Therefore, for equalization districts, the effect was to keep the "pegging" provision²² (\$850 plus \$198 is \$1,048). Abolition of the "pegging" provision and raising equalization levels changed the proportions between general and special aid. In 1938 approximately one-sixth of the state aid was distributed as special aid. In 1939 approximately one-third was distributed as special aid.²³ Assuming the three districts described in the preceding paragraph to be special aid districts, it can be argued that, insofar as equalization districts are concerned, the present law still discourages consolidation, since the three districts assumed would be guaranteed more if operated separately than if consolidated, with the same rejoinder to this argument being possible as was pointed out in the preceding paragraph.

Defining the equalization goal in terms of a minimum sum per teacher changes in significance as the equalization goal per pupil changes. For example, when the equalization goal was \$850 per teacher or \$30 per pupil,²⁴ as it was from 1935 to 1939, schools with less than 28.3 attendance pupils per teacher would find use of the per-teacher guarantee more advantageous (\$850 divided by \$30 is 28.3). When the equalization goal was \$1,048 per teacher or \$51 per pupil, as was the case from 1939 to 1941, schools with less than 20.5 attendance pupils found the per-teacher guarantee more advantageous (\$1,048 divided by \$51 is 20.5). When the equalization goal was changed to \$1,048 per teacher or \$56 per pupil in 1941, only schools with an average daily attendance of less than 18.7 found it advantageous to use the per-teacher minimum (\$1,048 divided by \$56 is 18.7). Similarly, if the per-pupil goal were eventually raised to \$75, the per-teacher minimum would be advantageous only to schools with less than 14 average daily attendance per teacher. From this it may be argued that increasing the per-pupil goal does not give more aid to the small attendance schools, which find the per-teacher goal more advantageous, but would help the needier elementary schools where the number of pupils per teacher is reasonable.²⁵ So far as the effect of the per-teacher minimum is concerned this is true, but it is also true that, as the per-pupil goal is raised, smaller schools find the per-pupil goal more advantageous,

²²The general grants are to be counted in determining special aid under the 1939 amendments. Prior to 1939 they were not. See Chapter III.

²³*Statistical Report of Superintendent of Public Instruction, 1938, Table 51. Ibid., 1939, Table 51a.*

²⁴Not counting the general apportionments.

²⁵*The Common School Bills* (Illinois Education Association, 1941), p. 2.

and smaller and smaller schools are subsidized more generously by the state than when they were using the per-teacher goal. For example, if the per-pupil equalization goal were raised to \$75, a one-room school with an average daily attendance of 15 would be more generously subsidized than it is now. In answer to this it is arguable that, since the larger schools would be similarly subsidized, more generous subsidization of one-room schools would not operate to intrench such schools, since the advantages of having children educated in the larger systems would be increased at the same time.

Financial data for school districts for the years 1937-38 and 1939-40 were studied for the purpose of comparing the state aid distribution before and after the 18-pupil "pegging" provision was abolished and the equalization level raised from \$41 to \$51. The districts in two counties—Champaign and Pike—were studied in an intensive manner. These two counties were selected because the former is a county in which relatively little special aid is claimed, while the latter relies on special aid to a marked degree. Another consideration was the relative convenience in obtaining data for these two counties. Dividing a district's aid claim by its assessed valuation furnishes an index of the extent to which the state is subsidizing such a district, since it indicates the extent to which a tax increase would be necessary if the same amount of revenue were to be raised by local taxation. Comparing the distributions for the two years in Champaign County reveals that the typical one-room district was subsidized to a lesser extent in 1940 than in 1938 (as a result of abolition of the "pegging" provision), although even in 1938 the typical tax increase necessary had state aid been withdrawn was less than 20 cents per \$100 of assessed value. In Pike County, on the other hand, most of the districts—approximately 80 per cent—are special aid districts. One-room special aid districts fared practically the same under the two distributions, since in 1940 they regained as equalization aid what they lost as general grants (due to elimination of the "pegging" provision) and since they were, in general, small-enrollment schools and claimed equalization aid on the basis of the per-teacher minimum rather than on the basis of the number of pupils.

Study of a group of sample counties points to the same conclusions. Dividing the state aid claims of various classes of districts by their assessed valuations gives a typical hypothetical tax rate which would have been necessary had such districts raised the same amount of revenue by local taxation. Since such a procedure does not take into account the extent to which assessed values per teacher and per pupil vary from district to district, such hypothetical tax rates must be interpreted as expressions of the points of central tendency about which the hypothetical tax rates for the individual districts in those counties would vary markedly.

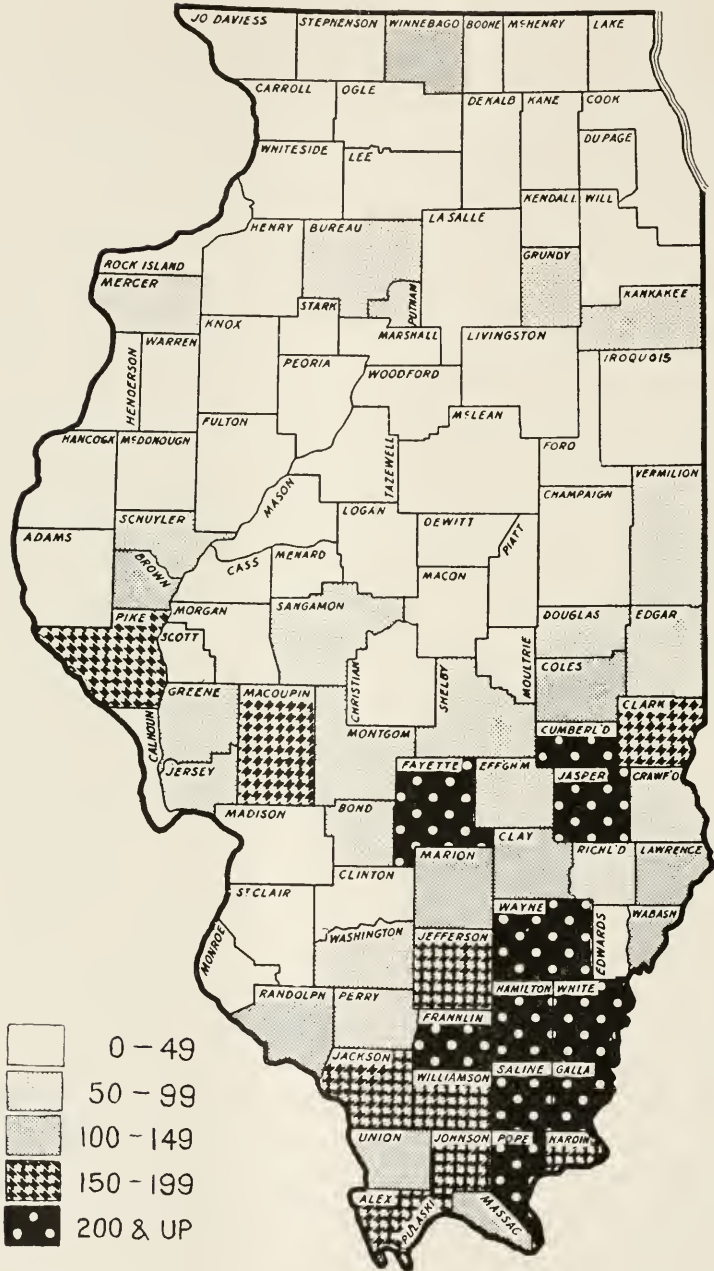
Such expressions of central tendency do, however, afford a rough standard for comparison. Study of these hypothetical tax rates reveals that, in counties in which relatively little special aid is claimed—Adams or Champaign for example—the difference between the two years for three-or-more teacher districts is slight, but that the difference is more marked in the case of one-, two-, and no-teacher districts, although the degree of subsidization of the smaller districts was not very great even in 1938, when it is expressed as a tax rate (Table 2). In the case of counties relying on special aid—Effingham or Pike, for example—three-or-more-teacher districts were subsidized more generously in 1940 than in 1938, but in some cases still not as much as were the one-, two-, and no-teacher districts in 1940.

Variations in reliance on special aid. As shown on the accompanying map (page 42), there is considerable variation between areas in the state in the extent to which schools rely on state aid for their support. The extent to which a county relies upon state aid is largely dependent upon the extent to which its districts claim special aid. Appreciation of these facts makes possible a few tentative evaluations of the policy of withdrawing the present state support to induce school reorganization. In

TABLE 2.—STATE AID CLAIMED BY COMMON SCHOOL DISTRICTS IN SELECTED ILLINOIS COUNTIES IN 1938 AND 1940*
(per \$100 assessed valuation)

County	Districts with Three or More Teachers		Districts with Less Than Three Teachers	
	1938	1940	1938	1940
Adams.....	\$0.12	\$0.11	\$0.17	\$0.12
Champaign.....	0.23	0.25	0.16	0.10
Effingham.....	0.27	0.30	0.40	0.36
Jefferson.....	0.82	0.82	1.18	1.13
Kane.....	0.11	0.16	0.13	0.11
Madison.....	0.28	0.42	0.14	0.71
McDonough.....	0.27	0.26	0.14	0.11
Ogle.....	0.17	0.17	0.15	0.09
Pike.....	0.63	0.71	0.76	0.78
Sangamon.....	0.22	0.20	0.17	0.12
Saline.....	1.70	2.78	1.22	0.32
Vermilion.....	0.30	0.34	0.19	0.15
Woodford.....	0.21	0.20	0.16	0.12

*The counties selected include the ten used in other school studies (e.g., *Teacher Tenure in Illinois*, Illinois Legislative Council) plus three others (Adams, Champaign, and Pike) with which the writer was more or less familiar and which offered opportunities for intensive investigation. The results in the table were obtained by dividing the amount of state aid claimed (Office of Superintendent of Public Instruction) by the assessed valuation for the county (*Property Tax Assessments, Levies, Rates, and Extensions, 1937-39*, Illinois Tax Commission). State aid claimed by independent high school districts is not included, although the figures for 1940 include small amounts of special aid claimed by unit districts, whose equalization goals are determined in terms of high school as well as elementary attendance. There is no mathematically sound way of excluding the amount of special aid claimed by such districts because of high school pupils.



Ratio (per cent) of special aid to general aid in districts operating grades 1-8. The percentages were computed from *Statistical Report of Superintendent of Public Instruction, 1939, Table 51a.*

counties where most of the state aid is claimed as general grants, it is doubtful if such a policy will be very effective, since only a small tax increase would be necessary to replace the state aid lost. In areas relying heavily on special aid the tax increase would be considerable and the economic inducement correspondingly more effective, but such areas constitute only a relatively small part of the total area of the state. Also, counties in which withdrawal of aid would be of only limited effect account for a large percentage of the rural elementary enrollment. For example, if it be assumed that withdrawal of state aid would be effective only where the special aid for common school districts amounts to 50 per cent or more of the general apportionment, only about one-half of the rural elementary enrollment would be included in counties in which this ratio of special to state aid held true. If it be assumed that withdrawal of aid would be effective only where the special aid amounts to 100 per cent or more of the general apportionment, only about one-third of the rural elementary enrollment would be included in counties in which this ratio of special to general aid held true.²⁶

The effectiveness of withdrawal of state aid would also be limited by the fact that in areas in which it would be most effective such a policy could be employed with less justification than in the more wealthy counties where the amount of special aid is relatively low. This is because areas relying heavily on special aid tend to be areas in which the percentage of rural road mileage unimproved is relatively high. While there are numerous exceptions as far as individual counties are concerned, strong reliance on special aid tends to be associated with percentage of road mileage unimproved.²⁷ This evidence does not necessarily mean that the number of small schools that will have to be maintained is directly proportional to the percentage of rural road mileage unimproved, because the surfaced roads bear more than their proportionate share of the traffic and contain more than their proportionate share of the farm units.²⁸ It does indicate, however, that there is considerable variation throughout the state in rural

²⁶Computed from *Statistical Report of Superintendent of Public Instruction, 1939*, Tables 3 and 51a.

²⁷Data on the percentage of unimproved road mileage was furnished by the Illinois Division of Highways. The percentage of reliance on special aid was calculated from Table 51a of the *Statistical Report of State Superintendent of Public Instruction, 1930*. The coefficient of correlation between reliance on special aid and unimproved road mileage was found to be .49, with a standard error of .076. However, no precise significance can be attributed to the coefficient, since the distribution for the X-variable (per cent special aid was of general apportionment) is badly skewed.

²⁸Figures are not available by counties, but rough estimates as to the extent to which this is true typically can be made in terms of state totals. In 1940 approximately 72 per cent of the rural mileage in the state was surfaced. It is estimated, however, that well over 90 per cent of the rural travel is on surfaced roads, and records of the Division of Highways indicate that approximately 82 per cent of the farm units and other rural dwellings in the state are on surfaced roads. *Mileage of Rural Highways in Each County in Each Highway System by Type of Surface* (Table RI-1, January 1, 1940, Bureau of Highway Research, Illinois Division of Highways). Letters from F. N. Barker, Engineer of Highway Research, Division of Highways, Springfield, Illinois, November 3 and November 7, 1941.

road conditions; that, in general, areas relying heavily on special aid tend to be areas with relatively high percentages of unimproved road mileage; and that some small rural schools may have to be maintained in such sections of the state until more roads are surfaced.

WITHHOLDING AID FROM SCHOOLS WITH LESS THAN SEVEN ATTENDANCE PUPILS

In the 1941 regular session the Legislature enacted a statute providing that, after July 1, 1943, no school district with an elementary resident ADA of less than seven pupils would be considered a recognized school or receive state aid, unless it was determined that transportation was not feasible or that the district would have a resident enrollment of eight or a total enrollment of ten during the next school year.²⁹ It was also provided that districts which close their schools and pay tuition and transportation costs of their pupils might claim equalization aid to supplement the proceeds of a one per cent tax rate and the general apportionment by an amount sufficient to pay the cost of such tuition and transportation up to \$100 per ADA pupil.³⁰

Since no later data were available at the time of writing, estimates have been worked out on the basis of 1940 data to indicate the manner in which the legislation would operate. In the school year 1939-40 there were 2,211 districts which had less than seven resident pupils in average daily attendance. Of these 2,211 districts, 1,837 employed a teacher, while 374 were without teachers. These 2,211 districts represented approximately 23 per cent of the 9,665 one-teacher and no-teacher districts in the state, but only one-twelfth of the average attendance in one-teacher and no-teacher districts.³¹ These 2,211 districts received only approximately 2 per cent of the state aid claimed for the 1939-40 school year.³²

Similar legislation in other states. Evaluations of the effectiveness of such laws in other states in bringing about consolidation of either attendance areas or taxing units must be qualified and tentative, since they are but one of several factors affecting the extent to which consolidation has taken place. Study of the opinions of state school officials does, however, reveal certain features about the experience of other states which are of significance for Illinois.

²⁹The determination was to be made jointly by the State Superintendent of Public Instruction and the County Superintendent of Schools.

³⁰*Laws of Illinois, 1941*, pp. 1130-1131.

³¹"Memorandum regarding proposed legislation altering state aid provisions for school districts having less than seven pupils in attendance." (Mimeographed release, Research Department, Illinois Agricultural Association, No. 687-a, January, 1940).

³²State aid for districts with less than seven pupils in 1939-40 was estimated at \$256,638. (Letter of June 19 from Allen D. Manvel, Director of Research, Illinois Agricultural Association). Total aid claimed in the state was \$12,277,122. (Advance statistics made available by Office of State Superintendent of Public Instruction.) The latter figure includes high school aid. The amount of state aid claimed by one-teacher and no-teacher districts is not available.

School officials in five states (Kansas, New York, Oklahoma, Texas, and Wisconsin) reported that limiting the amount of state aid received by small schools had tended to cause consolidation of attendance areas. Two states (New York³³ and Wisconsin³⁴) reported that such legislation had tended to bring about mergers of school taxing units, but Kansas reported that, on the whole, that had not been the case in that state. Michigan reported that there had probably been a slight tendency for small districts to disorganize due to a withdrawal of state aid.³⁵ Three states (Michigan, New York, and Oklahoma) reported that the effectiveness of withholding aid in encouraging consolidation was attributable to the fact that state aid represented a substantial proportion of school revenues and that maintenance of a small school without state aid would mean a high tax rate. Kansas reported that the main tendency was for the district to persist as a taxing unit after its enrollment was centralized. Texas reported that, if it were not possible for financially weak districts to educate their children in another district, the number of consolidations of taxing units would be materially increased. New York indicated that some small districts merged with contiguous districts, but more often remained as a taxing unit although maintaining no school. Oklahoma reported both tendencies. Kansas and Texas reported that, where small districts closed their schools and transported their pupils, there was a tendency for them to become low tax areas which can be expected to oppose consolidation of taxing units. New York reported that such districts are typically low tax areas, but are so scattered as to be not very effective in opposition to consolidation of taxing units; and also that, as a result of the liberal aid to central school districts, it is probable that not many of the present small districts would become high tax areas after consolidation.³⁶

Anticipated fiscal effects. To the extent that the 1941 Illinois legislation withdrawing aid from small schools induces the closing of such

³³"There are approximately 300 districts affected by this law, 38 of which have already consolidated with other districts or have been annexed by central school districts; 124 of the number are now contracting for the education of their children with other districts." (Letter from Wayne W. Soper, State Education Department, Albany, N. Y., October 31, 1941.)

³⁴Approximately 500 small districts have been consolidated since 1939, and the expectation is that 500 to 600 more will be consolidated by the end of the 1941-42 school year. An additional feature of this Wisconsin law, however, is authority vested in the State Superintendent to consolidate districts having a valuation of less than \$100,000. (Letter from John Callahan, State Superintendent of Public Instruction, Madison, Wisconsin, October 31, 1941.)

³⁵"It is impossible to determine the amount of consolidation that has been effected because of a limited or no allowance of state aid to smaller districts. Five years ago there were approximately 6,700 school districts in the state of Michigan. At present time we have less than 6,300. It is my belief that the majority of these districts have been somewhat influenced to give up their organization because it was no longer possible for them to operate without levying a heavy tax locally." (Letter from C. L. Taylor, Department of Public Instruction, Lansing, Michigan, November 4, 1941.)

³⁶Not all of the state officials thought that the questions could be answered definitely enough to warrant counting the report from that state as being "Yes" or "No" on some of the questions. This discussion is based on letters from state school officials as follows: C. C. Vinson, Statistician, Department of Education, Topeka, Kansas, November 4, 1941; C. L. Taylor, Director, Finance

schools, it is expected that it will, on the whole, reduce local expenditures. It has been estimated that, if all such schools had been closed in 1939-40, the savings to the local district would amount to 50 per cent, on the average.³⁷ As far as the state is concerned, the indications are that there would be a net saving to the state as a result of such legislation. If all districts affected by the legislation were to educate their pupils in other districts, there would be no reduction in general apportionments to the districts which close their schools. To the extent, however, that such districts continue to operate, there will be a saving to the state in general apportionments. Since the extent to which they will continue to operate can be only conjectured, the saving cannot be estimated. If the districts which continue contain one-half of all the attendance pupils in such small districts, the saving to the state would be approximately \$50,000 a year. The savings to the state in equalization aid would be more substantial. Such small districts in 1939-40 claimed approximately \$142,000 in equalization aid. In that year approximately \$22,000 in equalization aid would have been sufficient to enable the less able districts to educate their pupils in other districts. Thus the saving in equalization aid, had the legislation been operative in 1939-40, would have amounted to approximately \$120,000.³⁸

Anticipated effect on consolidation. Of the 2,211 operating and non-operating districts with less than seven attendance pupils in 1939-40, 286, or approximately one-eighth, were special aid districts. Assuming that the educational expenditures in such special aid districts are approximately \$1,050 per district, the state aid is estimated to account for approximately 53 per cent of the educational expenditures in such districts.³⁹ Assuming that educational expenditures are \$900 per district for operating non-special aid districts and \$97 per pupil for non-operating non-special aid districts, it is estimated that state aid accounts for only 7 per cent, approximately, of the educational expenditures of non-special aid districts having less than seven attendance pupils.⁴⁰

The foregoing figures suggest that withholding aid from non-special

Division, Department of Public Instruction, Lansing, Michigan, November 4, 1941; Wayne W. Soper, Bureau of Statistical Services, State Education Department, Albany, N. Y., October 31, 1941; Marshall Gregory, Director, Division of Research, Office of State Superintendent of Public Instruction, Oklahoma City, Okla., October 29, 1941; Myrtle L. Tanner, Director, Division of Information and Statistics, Department of Education, Austin, Texas; and John Callahan, State Superintendent of Public Instruction, Madison, Wisconsin, October 31, 1941.

³⁷The average per-pupil cost in non-operating districts which reported their expenditures for the school year 1939-40 was approximately \$97. It was estimated that, had schools in these districts been maintained, the cost would have amounted to approximately \$208. "Memorandum regarding proposed legislation altering state aid provisions for school districts having less than seven pupils in attendance." (Mimeographed release, Research Department, Illinois Agricultural Association, No. 687-a, January, 1940.)

³⁸*Ibid.*

³⁹ $286 \times \$1,050$ equals \$300,300 (educational expenditures). Total state aid claimed by such districts in 1939-40 was \$158,032.17. This is 53 per cent of the estimated educational expenditures. Letter and memorandum from Allen D. Manvel, Director of Research, Illinois Agricultural Association, June 19, 1941.

⁴⁰*Ibid.*

aid districts would act as only a very mild economic inducement to close their schools, but that such action would put considerable financial pressure on the special aid districts, since operating without state aid would mean either raising already high tax rates or drastically curtailing expenditures. Special aid districts make up only approximately one-eighth of the districts with less than seven attendance pupils. Such small non-special aid districts, on the other hand, tend to be in relatively wealthy counties and are probably themselves relatively wealthy districts, as judged by their assessed valuation per teacher or per pupil.⁴¹ Loss of state aid in a typical district of this type can be compensated for by a slight increase in the tax rate.⁴² In the light of these facts, it is quite likely that a considerable number of such districts will continue to operate, notwithstanding the withdrawal of state aid.

To the extent that withholding aid from small schools causes the more able districts which continue to operate to raise their tax rates, the result will be favorable from the standpoint of consolidating taxing units, as distinguished from consolidation of attendance areas, since it would make less acute the problem of organizing and financing a larger district with rates not substantially higher than the rates prevailing in the area prior to consolidation. As pointed out above, such increases are apt to be slight, however, since typically state aid makes up but a small portion of the revenue of such relatively able districts. To the extent that districts are induced to close their schools and are enabled thereby to lower their rates, the result will be unfavorable from the standpoint of consolidation of taxing units, although this danger is minimized somewhat by the fact that such districts will tend to be special aid districts and therefore high rate areas. These two opposite tendencies will tend to be concentrated geographically throughout the state, depending upon whether or not a given area receives only general apportionments or depends heavily on equalization aid. If the present high rate districts which close their schools as a result of this legislation effect substantial decreases in their tax rates,⁴³ this unfortunate effect, from the standpoint of consolidation of taxing units, may be not inconsiderable in certain areas. To the extent that small attendance districts which close schools decrease their tax rates and those which continue to operate increase their tax rates, the result will be to lessen the range of tax rates throughout the state. This will

⁴¹For example, in 1935-36 for districts with less than 10 ADA the assessed value per pupil was \$17,173 as compared with \$6,004 for the state as a whole, excluding Chicago. Despite the lower teaching load in such districts, the valuation per teacher was \$117,000 as compared with \$132,000 for the state as a whole, excluding Chicago. Cf. *State Aid to Schools in Illinois* (Department of Finance), Appendix 3, pp. 92-93.

⁴²The available data indicate that rates are typically low in such districts. For example, in 1935-36 the median educational tax rate in no-teacher districts was \$0.21, and was only \$0.49 in one-teacher districts with less than 20 pupils. *State Aid to Schools in Illinois*, Appendix 5, pp. 96-97.

⁴³It has been said that many districts which would close their schools under this law could reduce their local tax rates by one-half or more. "Illinois Rural Schools Hit by Steady Decline in Enrollment," 19 *Illinois Agricultural Association Record* No. 3 (March, 1941), p. 27.

somewhat simplify the problem of devising state aid plans to encourage reorganization, since the more the districts are concentrated at the point of central tendency the easier the problem will be of choosing a qualifying rate which will serve as an inducement for a majority of the districts to consolidate.

SUMMARY

While the full effect of the transportation aid law is probably yet to be felt, the data available indicate that, so far as the first year of its operation is concerned, it had a very limited effect on consolidation of attendance areas, since approximately 95 per cent of the pupils for which transportation aid was claimed were high school pupils or elementary pupils in districts with three or more elementary teachers. Less than 3 per cent of the pupils for which transportation aid was claimed were accounted for by no-teacher districts. An impetus to transportation of children in rural schools can be expected, however, as a result of the passage of a statute permitting districts to contract for transportation of their students. While it has as yet had a negligible effect with respect to consolidation of taxing units, transportation aid is a potential factor encouraging such consolidation to the extent that it leads rural people to think in terms of larger school communities and to the extent that it meets possible arguments regarding transportation costs and disparity of assessment ratios. To the extent that transportation aid induces centralization of rural enrollments and lowering of taxes without consolidation of political units, there is a danger of creating low tax areas with a vested interest in the present system.

Elimination of the 18-pupil "pegging" provision for calculation of the general apportionment has made possible an increase in the amount distributed as special aid. It is arguable that its abolition intrenches the present district organization less than when it was in effect, but it is doubtful if there has been much change in local sentiment toward consolidation as a result of its abolition, since the state aid lost could in most cases be replaced by small tax increases. Use of the \$1,048 per-teacher minimum for calculating equalization aid for rural schools in effect retained the 18-pupil "pegging" provision for such schools which find the per-teacher goal more advantageous than the per-pupil goal. The significance of the per-teacher minimum changes as the per-pupil equalization goal is increased, since each increase means that smaller and smaller schools find it advantageous to use the number of pupils.

Withdrawing the present state support will probably be of very limited effect in large areas of the state, since the state support can be replaced in such areas by relatively small tax increases. Areas in which such withdrawal would be of very limited effect contain a relatively large propor-

tion of the rural pupils of the state. Areas in which withdrawing aid would be most effective are typically areas in which it would be less justifiable than in the wealthier areas, due to the relatively high percentages of unimproved road mileages.

Withholding aid from rural schools with less than seven attendance pupils will probably result in substantial savings to the state, on the assumption that many of such districts will continue to operate, since small tax increases will, in many cases, be sufficient to replace the state revenue lost. The experience of other states indicates that there is danger of creating low tax areas where schools are closed and the political units are allowed to persist, although the experience of New York indicates that this may be minimized if the low tax areas are scattered, are not too numerous, and if liberal aid is offered to larger units.

CHAPTER V

A PROPOSED BUILDING AIDS PROGRAM

IT IS POSSIBLE to have consolidation of areas of school administration and support without there necessarily being a consolidation of school attendance areas, and conversely.¹ It is arguable, however, that enrollments in rural one- and two-teacher schools² must be centralized when possible, if anything approximating a modern curriculum is to be offered to such students at a reasonable cost. This raises the problem of rehousing the enrollments which become centralized. The effect of the cost of rehousing upon local incentive to consolidate must be considered.

The problem considered here is that of the extent of the need for and the cost of providing new housing facilities for elementary pupils now in rural one- and two-room schools who would be transported to urban³ centers under reorganization plans. The problem is restricted to such pupils for two reasons: (1) It is assumed that students in small high schools which may be eliminated under reorganization plans can be absorbed by the present larger high schools without there being any need for new construction merely as a result of the slightly enlarged enrollment in these larger high schools. (2) It might be argued that the present need for school construction is not limited to the need for new facilities to provide for elementary pupils from rural schools which might be eliminated; that many elementary (and secondary) school plants of reasonable size now being used are obsolete and that the state should bear part of the cost of their replacement. Such a contention has merit, but it raises issues which are outside the scope of this study. The purpose of this study is to investigate the manner and extent to which it may be possible to employ state aid policies to induce or encourage the consolidation of units of school support and administration. In view of this fact, then, it seems proper to limit the problem at hand to a consideration of the need for and possible cost of new housing made necessary as a result of transporting elementary pupils in rural one- and two-room schools to larger attendance centers.

If consolidation of attendance areas is included in a program of reorganizing and enlarging units of support and administration, new housing will in some cases be necessary to provide for the increase in elementary enrollment in the schools chosen as the attendance centers of the new large districts. If the local districts were forced to bear the entire

¹For a good statement of this issue, cf. *State Aid to Schools in Illinois* (Department of Finance), pp. 56-57.

²As used in this chapter, "rural" schools means one- and two-teacher schools.

³As used in this and the following chapter, "urban" means any incorporated place.

cost of new buildings as a result of this increase, it is possible that the financial burden of such new buildings would more than offset the economies resulting from better administrative practices made possible by a larger unit of administration.⁴ This is probably more true with respect to the first few years after consolidation, since normally the life of the building will extend beyond the time required to amortize the bonds. Thus, from the standpoint of the tax burdens imposed, if there were no state building aid, there would in some cases be a not inconsiderable local financial burden imposed by consolidation of attendance areas—one which might not be offset in the minds of local people by the increase in educational opportunities.

In the light of the foregoing considerations it is therefore proposed that a building aids program for Illinois might start with a subsidization by the state of new building made necessary by an increase in elementary enrollment in urban centers which would serve as attendance centers for new large districts.⁵ The second step would be for the state to share the burden of new construction necessary to replace present obsolete facilities in the towns which would serve as attendance centers in the new large units. There would be considerable justification, from the standpoint of those interested in school consolidation, for including this second feature along with the first when the building aid statute is drafted, since it would strengthen the inducement to form larger units. The research which must precede an inclusion of this second feature must, however, wait on a survey of present building facilities throughout the state. For this reason, and because the problem of state equalization of capital outlays not necessitated by centralizing rural enrollments raises issues outside the scope of this study, the problem treated here considers only state aid for new elementary buildings made necessary by consolidation of attendance areas.

The grant thus envisaged would be a conditional one, granted only to administrative units of reasonable⁶ size which need housing facilities to

⁴Cf. L. R. Grimm, *When the Old Order Changeth* (Illinois Education Association Study Unit No. 4, Jan., 1939) and *The Larger School District Unit: Some Problems and Issues in Illinois* (Illinois State Teachers Association, 1935), p. 83. Timon Covert, *Financial Implications of the Consolidation of Schools and the Transportation of Pupils* (Circular No. 117, 1934, U. S. Office of Education).

⁵Similar proposals have already been made in general terms. E.g., cf. L. R. Grimm, *The Larger School District Unit: Some Problems and Issues in Illinois* (Illinois State Teachers Association, 1935), p. 71, and S. E. Leland, *The Fiscal Problem of Education in Illinois* (speech published by Du Page Valley Division of the Illinois Teachers' Association, 1935), p. 33.

⁶What is a "reasonable" and politically feasible school unit for Illinois will perhaps be judged by reorganization plans drawn up by the School Survey Committees provided for by 1941 legislation. *Laws of Illinois*, 1941, p. 1137. Building grants might be conditioned on substantial compliance with the reorganization plan drawn up by the Committee for that county, or where there was no committee formed, upon certain area, enrollment, and valuation requirements. See *State Aid to Schools in Illinois, passim*. On the theory that the present independent high school districts represent in general a school community (especially where all or nearly all of the non-high school territory has disappeared), there is justification for thinking of the new taxing units as conforming to the present high school district boundaries in many cases. This approach is

accommodate an increased elementary enrollment due to consolidation of attendance areas. The problem is thus one involving additions to present elementary facilities in the attendance centers of the larger districts, rather than constructing whole new buildings for the entire elementary enrollment of the new large district.

METHODS OF CONTRIBUTION

It is the generally accepted view, and it is assumed in this study, that the most appropriate type of building grant for Illinois would be one following the equalization pattern. It is also assumed that such a grant should take into consideration the difference in assessment ratios throughout the state and that the local contribution required for participation in the grant should be phrased in terms of full value rather than assessed valuation. Working out the details of such a proposed grant may be approached in two ways. The first approach would be to define the state's contribution as the difference between the guaranteed cost and a certain percentage of full valuation, as the new New York legislation does. The other approach would be to define the state's contribution in terms of the difference between the annual expense of amortizing the cost of the minimum building program and the proceeds of a certain tax rate calculated in terms of full value, as proposed in California.⁷ The first approach would assume that the state would make its contribution in a lump sum, the local community doing likewise or bonding as it saw fit. The second approach assumes that the state would contribute each year toward the local district's debt service. The second approach has the advantage of being more just. For example, it would take into account variations between the interest rates that the various districts were forced to pay. It would also take into account changes in the full value of the district subsequent to the construction of the buildings. The first, or New York, plan in effect assumes that the full value as of the time of construction will fairly represent the district's economic power for the duration of the indebtedness and that districts will be able to borrow money on substantially the same terms. These assumptions are only approximately true. The New York plan does, however, have certain advantages from the standpoint of administrative feasibility and of constitutionality, as far as Illinois is concerned. It is assumed here that it will be more expedient for the state to make its contribution in a lump sum, since it is probable that school building construction to which the state might be expected to contribute will be spaced out over a period of years so that the state's burden

being followed in Washington. Cf. *Reports on School District Reorganization Proposals*. . . . (Typewritten memorandum dated Oct. 7, 1941, received from E. L. Breckner, Director, State Committee for Reorganization of School Districts, Olympia, Washington.) A given taxing unit might have more than one elementary attendance center.

⁷Weller, works cited.

will not all come in one year. If this is true, there seems no reason why the state should have to pay interest charges over a period of years.⁸ Furthermore, even if the constitutional debt limit of the district were to permit it to bond itself for the entire cost of the project, the state helping to pay the debt service if it exceeded a certain proportion of full value, such a plan would be of doubtful constitutionality in Illinois, because of the constitutional provision that "the state shall never pay, assume or become responsible for the debts or liabilities of, or in any manner give, loan or extend its credit to, or in aid of any public or other corporation, association, or individual."⁹ Indeed, it is possible that a building aid law of the type proposed here would have to be carefully drawn and carefully administered in order for it to be safe from attack in the courts under this section. For example, provision might have to be made for the state to make its contribution available to the local district or to the contractor before the district became indebted, in the technical legal sense. Perhaps two separate contracts might be necessary—one between the state and the contractor and one between the district and the contractor.

THE COST TO BE GUARANTEED

Distribution of building aid on an equalization basis involves guaranteeing a minimum program, in terms of minimum cost. This in turn involves determination of a unit of need and unit costs. Since the problem at hand is limited to that of rehousing elementary students now housed in rural schools, need may be determined by the number of such pupils which would have to be rehoused under a reorganization plan involving closing rural attendance centers. The financial burden imposed on a community for such rehousing will be roughly proportional to the number of additional classrooms needed, which will in turn be roughly proportional to the number of pupils involved.

In order to use the classroom and pupil as units of need, as is done here, assumptions must be made as to (1) the cost items included in the estimate of what it would be proper for the state to guarantee; (2) whether estimates should take into account amounts sufficient to pay for units in addition to classrooms and other general instruction units—e.g., gymnasiums; and (3) as to the number of pupils to be assumed per classroom and per teacher. These will be discussed in the order named.

Cost items to be included. The general construction contract, while constituting the major part of the cost of a building project, is usually far from the entire cost. In addition to this contract there must be heating

⁸Weller suggests that the state make its contribution in a lump sum due to its superior credit position, in which case the two plans become practically identical. Cf. his *State Equalization of Capital Outlay for Public School Purposes*, pp. 186-187, and "A Plan for State Equalization of Capital Outlays for Public School Buildings," pp. 23-24.

⁹Art. IV, sec. 20.

and ventilation, plumbing, and electric contracts. These four contracts may be estimated to account for approximately 65 per cent of the cost of a building project, on the average.¹⁰ Since these four contracts would be necessary in all cases where new facilities had to be built, it seems only reasonable that they be considered in estimating the cost to be guaranteed by the state. The same may be said of miscellaneous items (such as the cost of the bond issue and architect's fees) which may be assumed to account for approximately six per cent of the complete cost of the project. As to cost of equipment, the same reasoning would indicate that the state's guarantee should include a reasonable allowance for equipment, which may be assumed to be approximately five per cent of the total cost of the program on the average. This consideration is subject to the qualification that some of the existing equipment of rural schools might be used in the new building; in administering the state aid proposal, perhaps a deduction should be made to the extent that this is true.

Where it is necessary to buy land, equity would demand that the state's guarantee be based on the assumption that new land will have to be secured since, where this is true, the cost of the site is not an inconsiderable item in the total cost of the project—probably ten per cent, typically. In some cases, however, consolidation of elementary attendance centers will probably necessitate only additions to present buildings which are on sites large enough to accommodate the new building and enrollment comfortably. In the absence of data on the extent to which present elementary sites in urban centers could accommodate additions without undue crowding, this question can only be resolved tentatively by recourse to some estimates regarding the extent to which present schools of various sizes would be expected to absorb the present enrollment of rural elementary schools. Although the figures in Table 3 should be interpreted as rough approximations, they indicate that, if rural children were taught in districts now employing three or more elementary teachers,¹¹ schools of 50 to 200 attendance pupils would have their elementary enrollment increased 140 per cent, while the 200 to 1,000 group would experience an increase of approximately 35 per cent. Over 85 per cent of the rural elementary enrollment would be rehoused in centers in which the elementary average

¹⁰Estimates of the average percentage of total cost consumed by the various cost items are based on Stuart H. Jones, "Budget Plan for Checking Income and Costs That May Be Incurred in the Planning of a Single School Building," in Q. M. Whipple, ed., *The Planning and Construction of School Buildings* (33rd Yearbook of National Society for the Study of Education, Pt. I, 1934), pp. 82-84. On this point generally, see also N. L. Engelhardt, Jr., "School Building Costs," in *The American School and University*, 12th ed., 1940, pp. 13 ff., and 90 *American School Board Journal* (June, 1935), pp. 38-39.

¹¹Some students of educational administration might argue that assuming attendance centers in towns where there are now three-teacher schools would result in some attendance areas not large enough to be efficient. It is recognized that in some areas there would be no need or justification for an attendance center in such small towns. A three-teacher school is assumed to afford a nucleus for a possible six- or eight-teacher school if surrounding rural children were educated in

daily attendance now is less than 500.¹² Excluding land from the estimates upon which a building aid plan is based could be justified only on the assumption that present sites in such centers are from 35 to 40 per cent larger than is necessary—which is highly improbable. In the larger centers also it seems reasonable to assume that new sites would have to be bought, since class sizes in these centers tend to run larger than in the smaller centers,¹³ and land costs are probably high enough so that site area per enrollment does not at present exceed an adequate minimum.

The building program in relation to the curriculum. Before discussing the second and third issues mentioned above—whether estimates should

TABLE 3.—DOWN-STATE ELEMENTARY ENROLLMENT IN SCHOOLS WITH THREE OR MORE TEACHERS, 1936, CLASSIFIED BY SIZE OF SCHOOLS*

Size of School (ADA)	Number of Districts	Percentage of Total Number of Districts	ADA Pupils	Rural ADA Pupils to Be Absorbed†	Cumulative Totals	
					ADA Pupils	Pupils to Be Absorbed
1-50	62	6	2,551	9,100	2,551	9,100
50-100	399	37	29,029	56,100	31,580	65,200
100-200	275	25	38,857	37,800	70,437	103,000
200-300	96	9	22,557	13,600	92,994	116,600
300-400	56	5	19,507	7,500	112,501	124,100
400-500	39	4	17,295	6,700	129,796	130,800
500-1000	73	7	52,456	10,600	182,252	141,400
1000-	76	7	193,155	10,600	375,407	152,000

*Data derived from *State Aid to Schools in Illinois* (Department of Finance), pp. 92-93.

†Assuming that each school with three or more teachers absorbs an equal proportion of pupils now educated in rural one- and two-room schools. Figures were obtained by multiplying the number of attendance pupils in rural one- and two-room schools in 1936 (152,000; *State Aid to Schools in Illinois*, p. 92) by the percentages in the third column.

include the cost of units other than classrooms, and the number of pupils to be assumed per classroom and per teacher—it should be pointed out that what is considered an adequate building program to be guaranteed by the state will depend to a considerable extent on the kind of cur-

the present three-teacher school. In other words, the estimates are desired to err on the side of conservatism, if at all. This is because of a desire not to think in terms of attendance areas requiring elementary children to walk or ride too long a distance; a desire to keep abandonment of adequate buildings to a minimum; and a desire to think in terms of a program that rural people can be brought to accept within the near future, even though maximum efficiency would not be attained.

¹²The figures on which these estimates are based are for 1936, but are the latest which can be obtained. It is unlikely that trends since 1936 have altered the relationships shown in the table to an extent sufficient to make their use indefensible. It is emphasized that these estimations should be interpreted as rough approximations, since they rest on assumptions which are only approximately true. For example, it is assumed that the new larger attendance areas will be of approximately equal size and that the smaller urban centers will serve as centers for the new attendance areas. These figures leave out of account the extent to which present facilities would accommodate rural pupils if used to capacity.

¹³*State Aid to Schools in Illinois* (Department of Finance), p. 92.

riculum that is contemplated. A plant necessary to accommodate a modern enriched curriculum is likely to be more costly than one adequate to house a traditional curriculum. Three important factors contributing to higher costs are: (1) gymnasiums, auditoriums, and other special rooms; (2) higher expenditures for equipment; (3) the higher ratio necessary between the number of pupil stations and the number of pupils.¹⁴

These considerations must be kept in mind because communities vary in the extent to which they approach an enriched curriculum; also because they relate to two assumptions upon which this discussion is based. (1) From the standpoint of political expediency,¹⁵ assumptions regarding the type of educational program which the legislature will in the immediate future guarantee should not be based on a curriculum too far in advance of what now obtains in a majority of each new large district's most progressive present component districts. That is, it is proposed that the most progressive present district included in each proposed large district serve as the standard. If the state were divided into 500 larger districts, for example, the standard for each of these larger districts would be the most progressive of the present districts embraced by it. If a substantial majority of these key districts have curricula costing x dollars per pupil, it seems reasonable to assume that the legislature would not accept a plan of guaranteeing a curriculum costing much more than this.¹⁶ (2) It is also assumed that the contemplated building program necessitated by centralizing rural enrollments should be and can be so planned that, as local communities and the legislature become desirous of financing an enriched curriculum, these buildings can be adapted to such a curriculum with as few changes in or additions to the buildings as possible. This may be possible by building rooms to accommodate 40 enrollment pupils but assuming class sizes of only 30 pupils per teacher during the transition period after consolidation. Then, as the enriched curriculum wins acceptance, class sizes can be increased without lowering the quality of instruction and without incurring the displeasure of rural people who are accustomed to having their children in schools where small classes are the rule. This would make available space for special rooms and facilities.¹⁷

¹⁴Letter from N. L. Engelhardt, Jr., Acting Director of Research, Board of Education, Newark, N. J., Sept. 24, 1941. This higher ratio is necessitated by shops and laboratory units which may not be used to capacity throughout the day, and to the increased size and facilities of the elementary home room.

¹⁵That is, from the standpoint of what the legislature can be prevailed upon to enact within the not too remote future.

¹⁶This would mean of course that the communities with buildings and a curriculum in advance of this minimum would be offered a guarantee of less than what they now desire. The force of this objection may be lessened, however, by the possibility that such communities would be called upon to absorb only a small percentage of the elementary enrollment now in rural schools and by the probability that they are relatively wealthy areas.

¹⁷Another factor, and it might be an important one, is rural population trends. Any decrease in rural population and school enrollment would make available additional space in buildings constructed in rural communities before such decrease. Of course, the enrollment in urban areas might increase somewhat, throwing a strain on buildings in these areas, but new buildings in such areas could also be aided by the state.

This second assumption is not inconsistent with the first, as it may appear to be at first glance. It is assumed that, from the standpoint of what is politically feasible within the immediate future, the minimum school *program*¹⁸ guaranteed cannot be too far in advance of what prevails today in a substantial majority of the key districts; but that the *buildings* can be so constructed that they can house a modern curriculum without much new construction being necessary, if classes are enlarged to compensate partially for the drop in building utilization due to curriculum enrichment.

Special units—gymnasiums. A second issue is whether or not estimates used in the state aid proposal should contemplate a state guarantee of a minimum which includes merely general instruction units, such as classrooms and study halls, or whether the estimates should be intended to cover the cost of gymnasiums and other special rooms. This issue raises questions involving the type of curriculum and educational philosophy expected to be demanded in the elementary schools throughout the state within the not-too-distant future. If local communities are willing to tax themselves to some extent to provide an enriched elementary school program including such features as physical education, laboratory and shop work, and activity projects, it would seem reasonable that the state's building aid program be based on cost estimates sufficient to provide the kind of building necessary to carry out such a program. On the other hand, if local people are, on the whole, unwilling to vote higher taxes upon themselves to provide such a program, it is arguable that the state is under little obligation to offer it to them.

Gymnasiums and auditoriums are illustrative of this principle. If the prevailing practice is that gymnasiums are used as an integral part of the elementary school program, then it would seem reasonable that estimates upon which the guaranteed cost is based should include a sum per classroom or per pupil sufficient to build and equip a gymnasium, and conversely. Including gymnasiums and auditoriums affects unit costs substantially.¹⁹ Does prevailing practice accept gymnasiums and auditoriums as essential parts of the elementary school plant? In the absence of a survey of building facilities and elementary school practices, this question can be approached only on the basis of tentative assumptions based on the experience of school officials. It is assumed that relatively few elementary schools in Illinois have their own gymnasiums and that this is especially

¹⁸Which would include current expenses and equipment as well as building costs.

¹⁹See Tables 6 and 7, pages 65 and 66. For example, in Table 6 the difference in the medians, in the case of construction only was \$1,000, which would indicate that the cost of constructing a building with a gymnasium-auditorium would, on the average, be 112 per cent of the cost of constructing it without a gymnasium. In the case of construction and equipment, the corresponding figure is 117 per cent. Using the figures in Table 7 gives an even more pronounced difference—164 per cent in the case of construction and equipment and 127 per cent in the case of construction only. Thus, these figures serve to indicate that an estimate as to the added per-pupil or per-classroom cost for gymnasiums should be somewhere between 112 and 164 per cent of what the cost would otherwise be, with 125 per cent being a defensible conservative estimate.

true in the smaller communities, which must absorb a large portion of the elementary rural enrollment under a reorganization plan involving attendance areas of the type contemplated here.²⁰ This statement should be qualified by noting that in some of these communities the elementary school uses the gymnasium and auditorium of the high school. In general, however, the use of such facilities could hardly be said to constitute a modern physical education program, especially in the smaller communities. Therefore, it is probably true to say that prevailing practice does not regard gymnasiums as essential parts of the elementary school programs in small communities.

TABLE 4.—ELEMENTARY SCHOOL BUILDINGS IN ILLINOIS CONSTRUCTED UNDER FEDERAL GRANTS FROM 1933 TO 1939, CLASSIFIED ACCORDING TO TYPE OF BUILDING AND POPULATION OF COMMUNITY*

Population	New Buildings		Gym-Auditorium Added to Existing Building
	Without Gym-Auditorium	With Gym-Auditorium	
Under 1,000.....	4	4	7
1,000-2,500.....	3	4	4
2,500-5,000.....	2	6	1
5,000-10,000.....	3	6	1
10,000-20,000.....	2	2	0
20,000 and over.....	4	4	2
<i>Totals</i>	<u>18</u>	<u>26</u>	<u>15</u>

**Allotment for Educational Building Construction*, Federal Works Agency, Public Works Administration, Washington, D.C., 1939.

Examination of the available data on elementary school construction indicates, however, that there may already have started a transition period with respect to construction of elementary school gymnasiums (Table 4). Of 44 elementary school buildings constructed between 1933 and 1939 under Federal grants, 26 were built with gymnasiums, auditoriums, or both, while only 18 were not. The proportion between the two classes of buildings was practically the same in communities under 2,500 as in communities over 10,000. There appeared to be a greater tendency to build with gymnasiums in cities in the 2,500 to 10,000 population groups than in cities under 1,000 or over 10,000. The number of cases is small, and of course does not take into account buildings which were not subsidized by the Federal government, for which no data are available. Nevertheless, the fact that communities of the size that must be counted on to absorb a large share of the elementary rural enrollment built schools

²⁰It is estimated that not more than 15 per cent of the elementary pupils in towns over 500 have access to gymnasiums. (Letter from Don Cash Seaton, State Director of Physical Education, October 29, 1941.)

with gymnasiums or auditoriums (or both) more often than not, would seem to be of some significance. Also, a relatively large number of the gymnasiums and auditoriums built as additions to elementary schools were constructed in communities under 2,500. Building elementary schools with auditoriums and gymnasiums did not appear to be confined to the more wealthy communities, there being no significant difference in the median full valuations per pupil between the group of communities building without gymnasiums and the group building with gymnasiums. In interpreting these figures it must be recognized that construction of a gymnasium does not mean that the school possessing it has a modern physical education program; the building may be used chiefly for inter-scholastic contests, and only slight emphasis, if any, may be placed on physical and health education for the entire elementary school enrollment. Nevertheless, the fact that gymnasiums are being built in some small communities not possessing high tax-paying ability seems worthy of consideration, even if it is conceded that some of these gymnasiums represent extravagant catering to community pride which would not be indulged in if the community had to bear the whole cost itself.

The communities which serve as attendance centers in the new larger districts are not similarly situated with respect to gymnasium and auditorium facilities. Discussion will be facilitated if three classes are distinguished: (1) communities where there are at present gymnasium facilities sufficient to accommodate the extra elementary pupils without an addition; (2) communities where there are now gymnasiums but which would require additions to the gymnasiums due to a large increase in the number of elementary pupils to be accommodated; (3) communities where there are no gymnasium facilities available for elementary pupils.

If all the communities of the state were in the first and last classes, a good case could be made for not including an estimate for the cost of gymnasiums in the guaranteed minimum building program, since there is sufficient excess capacity in the first class, and the local community in the last class evidently does not consider a gymnasium as an integral part of the elementary curriculum. If all communities were in the second class, there would be a strong justification for including an estimate for gymnasiums in the guaranteed minimum building program, since such communities evidently consider gymnasiums an essential part of the elementary program, and an influx of additional elementary pupils would mean (1) lowering the quality of the present physical education program, or (2) imposing additional taxes on the taxpayers of the present district having the building, or (3) allowing only the elementary students of the present district with the building to have access to the gymnasium facilities. Any of these solutions would work an injustice on some group of

taxpayers or pupils; therefore, there is a good case for the state subsidizing gymnasium costs, as far as the second class of communities is concerned.

Since there are communities in all three of the classes described, the question as to whether or not the minimum building cost guaranteed should include an estimate for gymnasium facilities cannot be answered dogmatically in the absence of a comprehensive state-wide survey of building facilities and needs. It is resolved tentatively here by excluding the estimate for gymnasiums, on the assumption that situations of the first and third classes outlined above are the more numerous. A second consideration has been the fact that a relatively large attendance center—larger than some of those envisaged here—will be necessary in order to provide a gymnasium at a reasonable per-pupil cost. While a debatable proposition, it is arguable that gymnasium facilities are more urgently needed for the older elementary pupils than for the younger.²¹ Changing from a traditional to an enriched curriculum probably will involve a drop in building utilization ratios. The net effect of these considerations is to suggest the possibility of eventually centralizing the elementary school children of junior high school age in the same attendance centers as the secondary school pupils, where the state could later guarantee a building program sufficient to house a reasonably efficient physical and health education program.

Pupil-teacher ratios and utilization ratios. The preceding discussion of the problem of gymnasiums and auditoriums is only part of the larger problem of special rooms, pupil-teacher ratios, and utilization ratios involved in the question of the type of curriculum for which a building must be constructed.

The most reasonable assumption that can be made is that, if consolidation is to come within the not-too-distant future, class sizes should probably be estimated at 30 as a maximum. This does not mean that the local community would not be free to exceed 30 pupils per teacher if desired, but merely that building aid computations should assume such a ratio. Rural patrons would probably object strenuously to having their children put in larger classes, since they are accustomed to thinking in terms of small pupil-teacher ratios; also, it is assumed that estimates regarding the curriculum during the transition period immediately after consolidation should not be made in terms of a program too far in advance of what is prevailing in rural areas and small urban centers; but that buildings should be built to accommodate enriched curricula eventually, insofar as that is possible.

²¹Inspection of elementary health and physical education programs required for recognition indicates that many of the activities recommended for the younger elementary children can be carried on in recreation rooms which may be obtained by remodeling classrooms. Cf. *Health and Education Syllabus* (Office of State Superintendent of Public Instruction), pp. 98-99, 156 ff.

The latter problem is complicated by the fact that building utilization ratios may be lower in schools with an enriched curriculum than in schools with a traditional curriculum.²² How can buildings constructed to house traditional curricula be adapted to enriched curricula, in the light of this fact?²³ It is suggested that this problem may be dealt with by (1) providing for fairly small pupil-teacher ratios during the transition period—probably 30 per teacher; (2) building classrooms to accommodate more pupils than this—probably 40;²⁴ (3) increasing class sizes as the utilization ratio drops. For example, if a new building were needed to house 240 elementary children now in one- and two-room schools, a building with eight classrooms would be required in order to maintain a pupil-teacher ratio of 30 to 1. As the enriched curriculum gained acceptance, the class size could be increased to 40, on the assumption that a class of 40 in a school with a modern curriculum provides a more satisfactory education than a class of 30 where the curriculum is more traditional, and on the assumption that school patrons could be brought to realize this. Increasing the class size would thus compensate—partially at least—for the drop in the utilization ratio. Taking the example of the 240 pupils, if it were desired to use two rooms for special rooms, the other six rooms would

²²Letter from N. L. Engelhardt, Jr., Director of Research, Board of Education, Newark, N. J., September 24, 1941. By an "enriched" curriculum is meant one providing for work in laboratories and other special rooms, projects and learning situations using the facilities and resources of the local community, and in general learning situations involving real life activities. By "utilization ratio" is meant the relationship between the enrollment and the number of pupil stations (sittings, places at a table or laboratory, or allocated space of a floor). The ratio is ordinarily less than 100% because of such factors as failure to use a room during all periods of a day, and failure of class sizes to be up to the minimum permitted in the system. This tendency is greater in the case of some special rooms than in the case of classrooms. The U. S. Office of Education studied the building utilization of four types of schools. A *Usual* type school was one defined as (1) one in which one teacher teaches all subjects in one room to one grade or section within a grade and (2) in which there are no special rooms. A *Usual-With-Variations* type was defined as one in which one teacher teaches one grade in one room but takes pupils to special rooms for special subjects. The *Platoon* school was defined as one in which the entire school is divided into two groups or platoons, one of which uses the home rooms while the other uses special rooms, the gymnasium, or the playground. An *Activity Program* school was defined as one in which all subjects are taught by one teacher in one room but in which projects are carried on in space at the front or the back of the room devoted to work-benches, art material, and science equipment. The *Activity Program* school thus demands a classroom larger than the *Usual* type school. Utilization was found to be higher in the *Platoon* type than in the *Usual* type because in the former type special facilities were used every period of the day, while in the second type they are idle for certain periods. The *Usual-With-Variations* type was found to have a lower utilization ratio than the *Usual* type, since special rooms are not utilized every period of the day. The *Activity* type school was found to have about the same utilization as the *Usual* type since it had no special rooms, but it necessitated a larger classroom. "For example, a building with 12 rooms, an auditorium, and a gymnasium under the *Usual* or *Activity Program* types of school organization accommodated 12 classes; under the *Usual-With-Variations* type, 10 classes; and under the *Platoon* type, 14 or 16 classes. It is obvious, therefore, that the number of cubic feet per pupil in a 12-room building and corresponding per pupil costs would differ greatly according to the type of organization. . . ." *Functional Planning of Elementary School Buildings* (U. S. Office of Education Bulletin, 1936, No. 10), pp. 6, 32, 46.

²³On the question of building utilization, see also N. L. Engelhardt and Fred Engelhardt, *Public School Business Administration* (1927), pp. 348 ff.; E. L. Morphet, *The Measurement and Interpretation of School Building Utilization* (1927); George F. Womrath, *Efficient Business Administration of Public Schools* (1932), p. 49; *First Report of the Joint Legislative Committee to Investigate Procedures and Methods of Allocating State Moneys for Public School Purposes*. . . (State of New York, Legislative Document, 1941, No. 54), p. 45.

²⁴This is the standard size. Cf. *Allotments for Educational Building Construction* (Public Works Administration, Federal Works Agency, 1939). That is, classrooms should be built large enough to accommodate 40 pupils even if the utilization ratio were less than 100%.

accommodate the enrollment if the class size were increased to 40. By building the classrooms large enough to permit the room to be used under an activity program plan, class sizes could be left at 30. A second factor which would tend to offset drops in building utilization ratios would be a decrease in enrollment in some attendance centers where population had declined. Where population increased, new facilities would be necessitated. Where these two factors—increasing pupil-teacher ratios and population decline—do not suffice to compensate for decreases in building utilization ratios, new construction would perhaps be most desirable in the attendance centers in which the secondary school pupils are educated, elementary pupils of junior high school age being centralized in the large attendance centers in sufficient number to make room for the younger elementary pupils in the smaller attendance centers where the new curriculum is being installed.

CHOICE OF A COST UNIT

The cost units used in this study are the classroom and the enrollment pupil. These units are open to certain objections, as would be almost any unit adopted. For example, the per-pupil cost will be affected by the building utilization ratio. The per-classroom cost will be affected by the proportion of space allotted to units other than general instructional units. More accurate standards exist for comparing the costs of individual buildings, such as cost per cubic foot, or cost per cubic foot of building secured for every square foot of shell area.²⁵ The classroom and enrollment pupil are used in this study for the sake of simplicity and because, for the purpose of making estimates relating to school buildings generally, these units would seem to be valid, providing those who use them are clear as to what are their assumptions as to such matters as class size, type of curriculum, and building utilization ratios.

VARIABLE FACTORS

Estimates as to what is a reasonable unit cost can be formed only upon the basis of studies of costs of buildings constructed. In such studies, and in interpretation of their results, it must be kept in mind that there are several variable factors which may affect the cost of a building.

Building costs vary from time to time, as a result of trends in material costs and wage rates. Some conception of the extent to which this factor influences building costs generally can be gained from an inspection of building cost indices. For example, it is possible that a building constructed

²⁵On cost units generally, see A. B. Moehlman, "Theory of School Plant Costs," in G. M. Whipple, ed., *The Planning and Construction of School Buildings* (33rd Yearbook of the National Society for the Study of Education, Pt. I, 1934), pp. 309 ff.; N. L. Engelhardt and Fred Engelhardt, *Planning School Building Programs* (1930), pp. 388 ff.; N. L. Engelhardt, Jr., *School Building Costs* (1930), esp. Chapter II.

in 1933 might cost 20 or 25 per cent more a few years later. At any given time building costs will vary from place to place within the same state due to such factors as varying distances from the place where materials must be bought, differences in freight rates, and differences in the degree of unionization. For example, in 1938-39 building costs for brick farm houses as computed by the Illinois Tax Commission were on the average 20 to 25 per cent higher in high cost counties than in low cost counties.²⁶ These figures are especially impressive when it is recalled that they are based on averages and that the differences between the ten highest cost counties and the ten lowest cost counties would be even more striking. Another factor which will affect unit costs is the number and type of the items included in the total estimated cost of a project. For example, some estimated total costs will include land and landscaping, while others will not. Still other factors are the educational philosophy of the planner of the building and the type of curriculum which the building is to house; the type of materials and style of construction; and the efficiency with which the enclosed space is allocated and used.²⁷

ILLINOIS SCHOOL BUILDING COSTS BETWEEN 1933 AND 1939

Costs of school buildings built in Illinois under Federal grants between 1933 and 1939 were analyzed for the purpose of making estimates of unit costs. The method employed was as follows:

From a list of Federal educational building projects in Illinois during this period²⁸ were selected all elementary school building projects which did not involve repairs to existing buildings. The total cost, as estimated by Federal officials, was then converted into what the cost could have been under 1939-40 conditions. This adjustment was made on the basis of cost indices which were developed for buildings other than school buildings, no index of school building costs for Illinois being available. Therefore, the adjusted costs must be interpreted only as rough approximations. An index relating specifically to school building costs might have given slightly different results, since the proportions between the various types of materials used in school building construction are somewhat different from the proportions existing in the case of the buildings which formed the bases for the indices used.²⁹ Use of an index based on Illinois build-

²⁶*Illinois Assessors' Manual, 1939* (Illinois Tax Commission), p. 149.

²⁷On this latter point see N. L. Engelhardt, Jr., *School Building Costs* (1939), *passim*.

²⁸*Allotments for Educational Building Construction* (Public Works Administration, Federal Works Agency, 1939).

²⁹See N. L. Engelhardt, Jr., *School Building Costs*, pp. 25 ff. A building cost index was developed in his study, but it related only to New York conditions. For a time building indices based on U. S. averages were published. Cf. 5 *Nation's Schools* (1930), No. 2, pp. 86-90; No. 3, pp. 71-73; 49 *School Executives Magazine* (1929), pp. 102, 133, 196; 48 *ibid.* (1929), pp. 203-204, 262, 311, 358, 404, 450, 500, 549; 48 *American Educational Digest* (1928), pp. 156-157; 62 *American School Board Journal* (1921), pp. 37-38. Also see Engelhardt and Engelhardt, *Planning School Building Programs* (1930), pp. 396, 431. These indices have not, however, been kept up to date. (Letter from Professor N. L. Engelhardt, Teachers' College, Columbia, September 23, 1941.)

ing cost conditions generally does, however, provide a rough means of making the desired adjustments.³⁰

The Boeckh index was chosen in preference to the building cost index maintained by *Engineering News-Record* for the reason that the latter is based on U. S. averages, while the former is based on cost conditions in the St. Louis and Chicago areas.³¹ A minor consideration was the fact that use of the Boeckh index would not involve, ordinarily, as much of a change from the original cost figures as the *Engineering News-Record* index, and it was considered desirable to risk understating the amount of change rather than overstating it.³² The index finally used was a composite of four Boeckh indices, each of which was established for a different type of building. The indices for each year for these four building types were averaged to obtain the index numbers for the Boeckh index appearing in Table 5, on the ground that school buildings embody features and construction problems similar to those found in the four types.³³ While the resulting index is not as defensible as an index developed especially for Illinois school buildings, it is more defensible than an index for any one of the four types of buildings or an index based on Dow-Jones averages or on average building costs for the country as a whole.

After the total cost was adjusted to 1939-40 conditions, the per-classroom cost was calculated.³⁴ These per-classroom costs were then classified according to various criteria. For example, separate classifications were established for high cost, low cost, and average cost counties.³⁵ Of the various measures of central tendency, the median classroom cost was selected as the typical cost (Table 6). The principal consideration dictating this choice was that this measure of central tendency is affected less by cases at the extremes of the array than is a mean.

Calculations based on the same basic data have been made by Mr. A. D. Manvel, Director of Research, Illinois Agricultural Association, and

³⁰In a recent New York study such adjustments were even made on the basis of Dow-Jones averages. *First Report of the Joint Legislative Committee to Investigate Procedures and Methods of Allocating State Moneys for Public School Purposes*. . . . Leg. Doc., 1941, No. 54), p. 43.

³¹126 *Engineering News-Record* (April 24, 1941), pp. 100-101.

³²The index numbers are given in Table 5 so that the method used in determining unit costs for this study will be clear, and also in order that the study will be useful in the future, even though cost conditions may be different from those obtaining at the date of writing. For example, if a composite Boeckh index, such as the one used here, for the Chicago area stands at 150 in 1945, the per-pupil and per-classroom costs used here should be increased one-fifth. (150 — 125 is 25. 25 is one-fifth of 125.) Or, if a given building in this area were built in 1936, consulting Table 5 would show that it would cost 1.37 times as much in 1945. (150 ÷ 110 is 1.37.)

³³The choice of the four types was based on the advice of C. E. Palmer, Professor of Architectural Engineering, University of Illinois.

³⁴Although unit costs in terms of dollars per enrollment pupil were desired for use in this study, per-classroom costs were first calculated in order to have costs expressed in units as nearly comparable to Illinois Agricultural Association data as possible. Per-pupil costs were then calculated by dividing a given per-classroom cost by 30.

³⁵Counties were classified as to cost conditions on the basis of farm building unit costs calculated by the Illinois Tax Commission in 1939. Cf. *Illinois Assessors' Manual*, 1939 (Illinois Tax Commission), p. 148.

TABLE 5.—BUILDING COST INDICES*

Year	Average of Four Boeckh Indices†		ENR Index‡
	Chicago Area	St. Louis Area	
1926-29.....	112.5	109.0	.....
1933.....	.....	98.4	79.0
1934.....	.....	106.3	89.0
1935.....	103.5	104.4	88.5
1936.....	110.0	104.6	92.0
1937.....	116.0	114.7	104.5
1938.....	122.3	119.5	105.0
1939.....	123.0	118.5	105.0
1940.....	125.0	118.7	108.3

*Based on indices given in "Construction Costs" issue of *Engineering News Record*, April 24, 1941, pp. 104 ff.

†Simple average of indices for four types of building: (1) apartments, hotels, and office buildings—brick and concrete; (2) same—brick and steel; (3) commercial and factory buildings—brick and steel; (4) same—brick and concrete. United States averages for 1926-29 equal 100 for the individual indices.

‡As given in the *Engineering News Record*, 1913 is 100. As given here, 1926-29 is 100.

TABLE 6.—MEDIAN COST PER CLASSROOM OF ELEMENTARY SCHOOL BUILDINGS
CONSTRUCTED IN ILLINOIS UNDER FEDERAL GRANTS FROM 1933 TO 1939,
CLASSIFIED BY COST CONDITIONS AND NATURE OF PROJECT
(Cook and St. Clair Counties excluded)*

Costs Included in Project	Number of Buildings	Median Cost per Classroom†
Construction only:		
High cost counties.....	15 ^a	\$11,500
Low cost counties.....	7 ^b	8,200
Average cost counties.....	16 ^c	8,500
Construction and equipment:		
High cost counties.....	9 ^d	14,000
Low cost counties.....	.....^e	.....
Average cost counties.....	11 ^e	13,500
Construction only:		
Buildings with instructional units only.....	22 ^f	8,500
Buildings with auditorium, gym, or both.....	14 ^f	9,500
Construction and equipment:		
Buildings with instructional units only.....	13 ^g	12,800
Buildings with auditorium, gym, or both.....	10 ^h	15,000

*Source: *Allotments for Educational Building Construction, 1933-1939* (Public Works Administration, Federal Works Agency, Washington, D.C., 1939).

†Adjusted to 1939-40 building costs.

^aFor six buildings the estimated cost included items which may be designated as "extra costs"—e.g., demolition of an existing building, land, special rooms.

^bExtra costs in one case. Six of the buildings are in Madison County.

^cExtra costs in three cases. ^fExtra costs in six cases.

^dExtra costs in five cases. ^gExtra costs in eight cases.

^eOnly two cases. ^hExtra costs in two cases.

TABLE 7.—AVERAGE COST PER CLASSROOM OF ELEMENTARY SCHOOL BUILDINGS
CONSTRUCTED IN ILLINOIS UNDER FEDERAL GRANTS FROM 1933 TO 1939,
CLASSIFIED BY URBAN DENSITY AND NATURE OF PROJECT*

Costs Included in Project	Number of Buildings	Number of Class- rooms	Classrooms per Building	Average Cost per Classroom
Construction, equipment, and land:				
15 urban counties.....	5	20	4.0	\$15,500
87 other counties.....	1	9	9.0	17,000
State.....	6	29	4.8	15,900
Construction and equipment:				
15 urban counties.....	7	51	7.3	14,900
87 other counties.....	11	85	7.7	11,600
State.....	18	136	7.6	12,900
Construction and land:				
15 urban counties.....	1	6	6.0	19,700
87 other counties.....	2	10	5.0	6,600
State.....	3	16	5.3	11,500
Construction only:				
15 urban counties.....	17	117	6.9	12,700
87 other counties.....	14	96	6.9	8,200
State.....	31	213	6.9	10,700
Total:				
15 urban counties.....	30	194	6.5	13,800
87 other counties.....	28	200	7.1	10,000
State.....	58	394	6.8	11,900
Construction and equipment, including:				
Gym, auditorium, or both.....	6	29	4.8	15,900
Land.....	11	96	8.7	14,300
Other costs.....	4	22	5.5	9,000
No mentioned special costs.....	3	18	6.0	9,700
<i>Sub-total</i>	(24)	(165)	6.9	13,400
Construction only, including:				
Gym, auditorium, or both.....	20	165	8.3	11,700
Land.....	2	10	5.0	6,600
Other costs.....	4	11	2.8	6,800
No mentioned special costs.....	8	43	5.4	9,200
<i>Sub-total</i>	(34)	(229)	6.7	10,800
<i>Total</i>	58	394	6.8	11,900

*Courtesy of Illinois Agricultural Association. These data were computed by Allen Manvel, Director of Research, and are based on *Allotments for Educational Building Construction, 1933-39* (Public Works Administration, Federal Works Agency, Washington, D.C.). "Urban" counties are those which in 1940 had at least 60% urban population.

are presented in Tables 7 and 8 for purposes of comparison. These two sets of calculations, although the results of different approaches, tend to supplement and corroborate each other, especially when the differences in method are considered. The chief differences are:

(1) The writer's calculations excluded buildings in Cook and St. Clair counties. The former county was excluded because the large number of buildings and relatively high costs in this county would tend to exert a rather strong influence on even median costs;³⁶ the latter was excluded

³⁶That is, what is desired are unit costs which may be considered adequate for downstate, since the problem of rehousing rural elementary pupils is chiefly a downstate problem.

TABLE 8.—COSTS OF ELEMENTARY SCHOOL BUILDINGS CONSTRUCTED IN ILLINOIS UNDER FEDERAL GRANTS FROM 1933 TO 1939, CLASSIFIED BY AREAS AND URBAN DENSITY*

	15 Urban Counties	22 Southern Counties	65 Other Counties	State
Number of school buildings.....	30.0	3.0	25.0	58.0
Number of classrooms.....	194.0	16.0	184.0	394.0
Average number of classrooms per building.....	6.5	5.3	7.4	6.8
Cost per classroom (\$000):				
Average.....	13.8	9.8	10.0	11.9
Median school building.....	12.0	na	8.7	10.6
Median school room.....	14.6	na	9.3	11.4

*Courtesy of Illinois Agricultural Association. These data were computed by Allen D. Manvel, Director of Research, and are based on *Allotments for Educational Building Construction, 1933-39* (Public Works Administration, Federal Works Agency, Washington, D.C.). "Urban" counties are those which in 1940 had at least 60% urban population.

because building costs in that county were not investigated by the Tax Commission. The Association's sample included buildings in these counties.

(2) The Association's high cost group was made up of fifteen urban counties. In other words, urbanization was assumed to be an index of cost conditions. The writer's high cost group contained 21 counties, which group contained some but not all of the urban counties and some non-urban counties as well. On the other hand, some of the urban counties appeared in the writer's low cost group. In other words, the assumption underlying the writer's classification according to intrastate cost conditions is that school building costs vary from place to place within the state much as do farm building costs.

(3) The Association's classifications as to type of construction and nature of the project are more detailed than the writer's.

(4) In some of the Association's calculations, measures of central tendency different from the one used by the writer were employed.

(5) The Association's calculations were based on unadjusted costs, while those of the writer were based on original costs as corrected for price trends.

A word of caution should be voiced regarding the interpretation of both sets of calculations. As has been pointed out, many variable factors influence the total unit costs. With the data available it is impossible to classify the buildings into enough classes to hold many of the variable factors constant at the same time. If that is done, the number of cases in each classification becomes so small that generalization from them is hazardous. Since the number of classifications must be limited in order to have a large enough number of cases in any given category, differences in per-classroom costs may be affected by factors other than the one

sought to be isolated. The higher per-classroom costs in high cost counties may be interpreted as due in part to differences in cost conditions, but it may also be partially due to differences in the type of buildings constructed. It may be that people in the high cost communities demand better buildings than do people in lower cost areas.

Choosing a definite figure as the sum which the state should guarantee raises problems of whether intrastate variation in cost conditions should be taken into consideration as well as price trends,³⁷ and whether the state should guarantee only a sum sufficient to construct instructional units or should include an allowance for gymnasiums or other special units. Using 1939-40 conditions and average cost counties as a standard, it

TABLE 9.—VALUE OF ELEMENTARY SCHOOL PROPERTY IN ILLINOIS, 1939*

Population Group	Enrollment	Value of School Properties	Value per Enrollment Pupil
1,000-2,500.....	50,276	\$ 14,616,553	\$292
2,500-5,000.....	42,692	12,929,024	303
5,000-10,000.....	55,329	19,740,851	358
10,000-20,000.....	50,288	21,168,898	421
Over 20,000.....	489,965	210,781,737	430
<i>Total</i>	688,550	279,237,063	406

*Statistical Report of Superintendent of Public Instruction, 1939, pp. 130, 134, 136, 137, 138.

can be argued that, if the state had had a building aid program at that time which contemplated a guarantee of both construction and equipment cost, the guarantee should have been not less than \$10,000 a classroom or \$333 per pupil, assuming no allowance for gymnasiums; and that if an allowance had been included for gymnasiums and other costs, a guarantee of \$15,000 per classroom would probably be reasonable.³⁸

³⁷The New York building aids law provides that the \$450 guarantee be adjusted quarterly in the light of indices established by the Industrial Commission, but makes no provision for adjustment for intrastate variation in cost conditions. *Cahill's Consolidated Laws, 1941 Supp.*, c. 15, sec. 185. It would seem not outside the bounds of administrative feasibility to provide for a district's guarantee to be adjusted by indices established to reflect variation in cost conditions from place to place within the state. The injustice resulting from guaranteeing the same sum to all areas of the state, with no adjustment for local cost conditions, would be alleviated, although not eliminated, to the extent that local taxpaying ability varied directly with building costs. There is some indication that, as a group, the high cost counties have more taxpaying ability than the low cost counties, although there are some exceptions.

³⁸In making grants for buildings in rural areas, Federal officials estimated the cost on a basis of \$10,000 per classroom. (Letter from Julius R. Hall, Assistant Regional Director, Public Works Administration, July 31, 1941.) This figure may be higher than the actual cost of buildings constructed without Federal aid. An architect with some experience in school building construction (and who has requested that his name not be used) has stated orally to the writer that Federal cost data is high, and that elementary school buildings, equipped, can be built for \$6,000 a classroom. Although several instances were found where the per-classroom cost under Federal projects was this low or lower, an estimate this low probably should not be used as a basis for state aid, since the costs on which it was based may have been only a part of those which may be necessary to incur in a new building project. For instance, it may ignore cost of land. Also, there is some

Evidence corroborative of the reasonableness of a guarantee of an amount somewhere between \$333 and \$400 per pupil is offered by the value of school property per enrollment pupil (Table 9). In urban centers of 1,000 to 5,000 population, the value of school property per elementary enrollment pupil is approximately \$300. These figures also indicate that, since value per enrollment tends to vary directly with the size of the community, values per enrollment in centers of less than 1,000 population are less than \$300. Since centers under 5,000 may be expected to absorb a large share of the rural elementary enrollment, there is considerable justification for adopting a guarantee figure at, or slightly above, the average for these communities.

THE LOCAL CONTRIBUTION

The determination of what would be a proper local contribution as a condition for participation in the state's building aid fund will depend to some extent on certain working hypotheses and assumptions which it seems most reasonable to adopt. As has been suggested, it is assumed that full value, not merely assessed value, should be used as the index of tax-paying ability, in order for the system to be as equitable as possible. It is likewise assumed that the district will have to bond itself for its share of the cost.³⁹ Another assumption is that the required contribution should not be set so high that many needy larger districts would be precluded from qualifying for building aid due to the required contribution being greater than the amount for which it can bond itself under its existing assessment practices. Finally, the following analysis is based on the assumption that the relatively wide variation in assessment ratios throughout the state will persist for some time to come, and that school consolidation will have to be brought about within the pattern of existing assessment practices. It is possible that future events will prove this latter assumption untenable, as more uniform assessments may come about.⁴⁰ To make a program of school reorganization and consolidation contingent on reform of local assessment administration would, however, make a difficult problem still more difficult.

The net effect of these assumptions is to impose an upper limit on what can be expected from the localities as their contribution. This is because

justification for thinking in terms of Federal cost data, even though it may be high, on the assumption that many building programs in the future will be carried on under them, and on the assumption that a state aid program might also tend to increase unit costs.

³⁹Accumulation of surpluses and a pay-as-you-go policy are not to be ruled out as possibilities, but bonding is assumed to be the method that will be used in the great majority of cases. Also, there is the possibility of using holding companies to circumvent debt limits. Such action has been upheld by the courts in cases where there was no legal obligation (as distinguished from economic expediency) to renew the contract from year to year or eventually to purchase the building.

⁴⁰For example, it has been proposed that full-time property tax supervisors be provided in each county of 40,000 population or more, and that employment of such an official in the smaller counties be made optional. Cf. *First Report of Governor Dwight H. Green's Advisory Committee on Taxation*, April 22, 1941, p. 38.

the constitutional debt limit is 5 per cent of the assessed value,⁴¹ and assessment ratios vary widely throughout the state. For example, county average assessment ratios vary from 25 to 75 per cent.⁴² Ratios for areas the size of proposed larger districts would probably vary even more, assuming that the new districts were smaller than the counties.⁴³ Ratios for some urban areas run as low as 20 per cent or lower (Table 10). The combined effect of the four assumptions outlined above is to impose an upper limit on the local contribution, which upper limit will be determined by debt limits expressed in full valuations. For example, where the assessment ratio is 40 per cent, the constitutional debt limit, in terms of *full* valuation, is two per cent of full value. If a local contribution of two

TABLE 10.—ASSESSMENT RATIOS OF MUNICIPALITIES AND URBAN TOWNSHIPS, 1939*
(Cook County Not Included)

Ratio (per cent) of Assessment to Full Valuation	Number of Municipalities and Townships†	Cumulative Total	Ratio (per cent) of Assessment to Full Valuation	Number of Municipalities and Townships†	Cumulative Total
10-15	1	1	40-45	16	100
15-20	7	8	45-50	9	109
20-25	9	17	50-55	7	116
25-30	20	37	55-60	1	117
30-35	29	66	60-65	1	118
35-40	18	84	65-70	3	121

**Tax Rate Limits and Assessment Ratios, 1925-1940* (Illinois Tax Commission), pp. 113 ff.

†Some ratios were for two or more townships combined.

per cent of full value were to be required, no area where the assessment ratios were less than 40 per cent would qualify for state building aid, assuming present assessing practices, since the local contribution required would exceed the district's bonding capacity. There are a few areas in the state where the assessment ratio was less than 20 per cent in 1939, but only one where it was less than fifteen per cent (Table 10). If it were desired to set the contribution requirement low enough to make it possible for areas with ratios as low as 15 per cent to qualify, the contribution would have to be set at .75 of one per cent. Thus, the rate of contribution finally determined will probably lie somewhere between the two limits (.75 of one per cent and two per cent).

Some of the considerations involved in the determination of the exact

⁴¹Art. IX, sec. 12.

⁴²*Tax Rate Limits and Assessment Ratios, 1925-40* (Illinois Tax Commission), pp. 1, 14.

⁴³That is, there would be areas within each county both above and below the county average. The range between the lowest and highest *district* assessment ratio would thus be even greater than in the case of the county averages.

figure may be pointed out. In 1939, 65 per cent of the enrollment in one-room elementary schools was in counties in which the county average assessment ratio was 40 per cent or more; 89 per cent was in counties where the average ratio was 35 per cent or more; and 96 per cent was in counties where the average ratio was 30 per cent or more.⁴⁴ Thus, if the county average ratio were to determine a district's full valuation, setting the contribution at two per cent of full valuation would include counties with 65 per cent of the children in one-room schools; setting the contribution at 1.75 per cent would include counties with 89 per cent of the children in one-room schools; and setting it at 1.5 per cent would include counties with 96 per cent of such children. The above figures suggest that the figure finally determined upon might justifiably be toward the upper limit (two per cent), since the lower the contribution is set the more costly the program would be to the state, and relatively few additional one-room school children would be included.

There are certain suppositions implicit in the above analysis, however, that need further examination. (1) In the first place, if separate assessment ratios for the proposed larger districts were established and used instead of the county average ratio in calculating full values, the required contribution would probably have to be lower than indicated above, since several of the district ratios in a county might be considerably below the county average. (2) Thus far the limit to what a given district could contribute has been assumed to be its constitutional debt limit in terms of full value. There is a strong justification for the argument that estimates for a building aid program should not be based on the maximum bonding power of the various districts. To do so would leave it no bonding "leeway" to exceed the minimum program if the local people so desired. These considerations argue that the local contribution might justifiably be set at a point relatively near to the lower limit mentioned above (.75 of one per cent)—or possibly even below it. (3) Also, the analysis in the preceding paragraph does not take into account the fact that some districts already have bonded indebtedness.

The data are at present lacking for a more precise and scientific determination of a reasonable local contribution. An accurate estimate would depend on the number and size of the proposed larger districts, their enrollment, their relative taxpaying ability, and the past building programs of their component districts. Until these data are available, it will not be possible to apply the techniques which have been worked out for developing equalization formulae.⁴⁵

⁴⁴Computed from assessment ratios in *Tax Rate Limits and Assessment Ratios, 1925-40* (Illinois Tax Commission), p. 14, and enrollment figures in *Statistical Report of Superintendent of Public Instruction, 1939*, pp. 8-9.

⁴⁵For example, developing an equalization formula involves, among other things, calculating taxpaying ability in terms of per-pupil (full) valuations, the investigation of the costs of building

The problem of existing indebtedness. An issue which complicates the problem of a state equalization grant for building purposes is the treatment of existing indebtedness. Where there is existing indebtedness for facilities of a present district which are to be used by the new proposed larger district, it can be argued that equity demands that the state assume a part of this indebtedness, if it exceeds a certain per cent of full value. There seems to be no good reason, from the standpoint of justice, for the state to guarantee a future building program in one area while refusing to aid in a building program in another area just because it has been completed in the past.⁴⁶ This would seem to be an impossibility in Illinois, however, due to the constitutional prohibition against the state's assuming any indebtedness contracted by a local unit of government.⁴⁷

A second problem relating to present indebtedness exists in areas which would need new facilities to accommodate centralized rural enrollments, but which already have considerable indebtedness. Allowing such areas to deduct their indebtedness⁴⁸ from the required contribution would be desirable from the standpoint of justice, but might also be attacked on the ground that it in effect would amount to the state's assuming or becoming responsible for the debt.⁴⁹ Allowing no such deduction would not entirely dispose of the problem, from the standpoint of wording a building aids program so that virtually all areas of the state could qualify under it. This is because some areas already have considerable school indebtedness.⁵⁰ If an independent high school district with indebtedness were to be converted into a twelve-grade district, it might not be able to raise the required local contribution and still stay within its debt limit.⁵¹ The difficulty perhaps

programs of a group of districts of average taxpaying ability, and calculating what tax rate would be necessary to pay for the minimum program so determined in the wealthiest district or group of districts. For a good description of these techniques, see Gerald M. Weller, *State Equalization of Capital Outlays for Public School Buildings* (unpublished doctor's dissertation, University of Southern California, 1935), pp. 142 ff. and sources cited. For the technique for determining the qualifying rate in equalization programs generally, cf. Paul R. Mort and W. C. Reusser, *Public School Finance* (1940), pp. 442 ff.

⁴⁶See *An Improved System of State School Finance for New York State* (Committee on State Aid, Educational Conference Board of New York State, Albany, N. Y., 1940), p. 32.

⁴⁷"The State shall never pay, assume or become responsible for the debts or liabilities of, or in any manner give, loan or extend its credit to or in aid of any public or other corporation, association, or individual." Art. IV, sec. 20.

⁴⁸Perhaps the amount so deducted should be limited to a certain sum per pupil.

⁴⁹Art. IV, sec. 20, quoted *supra*. It would seem arguable, however, in defense of such a provision, that the state would not be responsible for the bonds, and that, where the state has authority over the public school system, it has power to spend money on it. Cf. *Mitchell v. Lowden*, 288 Ill. 327, 123 N. E. 566 (1919), and *Martens v. Brady*, 264 Ill. 178, 106 N. E. 266 (1914).

⁵⁰In 1939 the median ratio between debt and assessed valuation for downstate was 1.03 per cent in the case of elementary school districts and 1.59 per cent in the case of high school districts. *Bonded Indebtedness of Local Governments, 1927-1940* (Illinois Tax Commission), pp. 53-54. In the light of these facts, the local contribution would have to be relatively low. These medians are, however, based only on the number of districts having indebtedness. In 1939, only 899 of the 11,430 common school districts and only 376 of the 699 high school districts had indebtedness. If the indebtedness of each class of districts were divided by the assessed valuation of each class of district, the ratios of debt to value would be lower.

⁵¹It is assumed that the present high school district boundaries will be followed, in many cases, in mapping community school taxing units to administer twelve grades.

could not be entirely avoided by relying on the principle that the debt limit applies to each borrowing government and by making the new twelve-grade district a municipal corporation separate and distinct from the old high school district, in the light of the ruling that, where high and elementary boards exercise jurisdiction over exactly the same territory, the constitutional limit for school purposes is still only five per cent, as it would be in the case of any twelve-grade district.⁵² In this case there were not two separate and distinct municipal corporations.⁵³ Nevertheless, the argument might be effectively made against two coterminous school districts.⁵⁴ The objection might be extended to situations where the new district was not exactly coterminous with a former district;⁵⁵ the differences in boundaries might have to be substantial before the courts would allow the new unit to bond itself up to the full five per cent without regard to other school indebtedness previously contracted in that area.⁵⁶ In the light of these problems, it may well be that a building aid law should be drafted excluding provisions intended to allow districts with a substantial proportion of their bonding capacity used up to qualify for building aid. The reasoning behind such a treatment would be that consolidation may be expected to be a long-time, gradual process; that some areas will lag behind other areas; and that building aid inducements can be expected to apply to areas barred from qualifying for it as a result of indebtedness as soon as such areas reduce their existing indebtedness to a point where they could raise the local contribution within their debt limit.

The measure of need. A second issue involved in the problem of building aids to induce consolidation is the question of the treatment of the fraction of the total enrollment for which new facilities are needed as a result of consolidation. This can be best explained by recourse to an example. Assume a proposed large district of \$1,000,000 valuation, an assessment ratio of 33 per cent, and 400 students. Assume that present facilities in the urban area will take care of 200 and that new buildings to accommodate 200 would be needed if the rural enrollment were cen-

⁵²*Board of Education v. Upham*, 357 Ill. 263, 191 N. E. 876 (1934). *Wilson v. Board of Trustees*, 133 Ill. 443, 27 N. E. 203 (1890). *Bonded Indebtedness of Illinois Local Government* (Illinois Tax Commission), p. 131.

⁵³*Russell v. High School Board*, 212 Ill. 327, 72 N. E. 441 (1904); discussed and distinguished in *Fiedler v. Eckfeldt*, 335 Ill. 11, 166 N. E. 505 (1929).

⁵⁴It has, however, been held that, where a school district is exactly coterminous with a city, the district is a separate corporation and has its own debt limit, unaffected by the city's debt limit. *Board of Education v. Upham*, 357 Ill. 263, 191 N. E. 876 (1934).

⁵⁵In the case of a sanitary district not exactly coterminous with a city, however, the constitutional debt limit applies to each corporation singly. *Wilson v. Board of Trustees*, 133 Ill. 443, 27 N. E. 203 (1890). If the differences in boundaries were great enough, it might be possible to invoke the rule that the constitutional limit does not mean that no territory or property included within two or more school districts can become liable for school indebtedness exceeding the limit. Cf. *Fiedler v. Eckfeldt*, *supra*.

⁵⁶That is, the courts might refuse to follow *Board of Education v. Upham*, *supra*, since in the case of school districts, the indebtedness would be all for one governmental function; and it might be difficult to invoke reasoning similar to that employed in *Wilson v. Board of Trustees*, if the difference between the boundaries were only slight.

tralized. Let A = state building aid; U = guaranteed unit cost of housing a student; r = the local contribution as a per cent of full value; and V = full value.

The possible methods for drafting the formula are as follows:

$$(1) A = 400U - rV \quad (2) A = 200U - rV \quad (3) A = \frac{400U - rV}{400U} \cdot 200U.$$

In the first formula the amount of state aid is based on the total enrollment of the school district; in the second, it is based on the number of pupils for which new housing is needed; in the third formula, the amount of state aid is a function of both the total enrollment and the number for which new housing is needed.⁵⁷

The first formula is open to the objection that districts with similar valuations and total enrollments might have different proportions between the number of students for which housing facilities already exist and the number of students for which new housing is needed. For example, in a similar district, housing facilities might exist for 300 students, with new housing necessary for only 100. In another the proportions might be reversed. Use of the first formula would favor the district where the ratio was 300 to 100 and work to the detriment of the district where the ratio was 100 to 300. In the first case (where the ratio is 300 to 100) the result might be an inducement to excessive building; in the second case (where the ratio is 100 to 300) the aid might be inadequate in the light of housing needs made necessary by consolidation.

The second formula ($A = 200U - rV$) would result in some districts not being able to claim building aid, or being able to claim such a small amount of aid that it might not be a sufficient inducement to construct new buildings. In this class would fall districts whose taxpaying ability was relatively high and whose proportion of "unhoused" to "housed" enrollment was relatively low. For example, if a new large district were to centralize 100 rural children in an urban center in which there are already enrolled and housed 1,000 children, it might be entitled to only a slight amount of aid, or perhaps none at all.

While the third formula might result in some fairly wealthy districts failing to qualify for aid unless the required contribution were set rather low, it is, in comparison to the other two, the most desirable, since it is more free from the defects pointed out in connection with the other two.

Deduction for present unused capacity. Another issue involved in

⁵⁷The third formula, which is the one embodied in the New York building aid law (*Cahill's Consolidated Laws, 1941 Supp.*, c. 15, sec. 185), gives the same ratio of state aid to the local contribution as the first formula. The amount, however, will depend on the proportion between "housed" and "unhoused" enrollment.

drafting a building aid proposal is the problem of whether or not, in measuring new housing need, to deduct present unused building capacity from the number of rural pupils to be centralized. If this is done, it might be argued that the urban district with the unused capacity has paid for facilities to be used by rural children from areas which have not borne taxes to pay for those facilities, and that this is unjust to the urban area. It might be argued also that the state should base its state aid computations on the full number of rural children centralized, leaving to the local community the question of how much existing buildings should absorb rural enrollment. In answer to this it might be said that it will be impossible to achieve exact justice; and consolidation will presumably redound to the advantage of the urban community also, since it will result in a unit in which more efficient administration will be possible, and all areas stand to gain by a better educated community. Also, the fact that such facilities are not used to capacity argues against the urban area's being compensated therefor, which would be the effect of making no deduction for excess capacity.

COST OF THE REHOUSING PROGRAM

Estimates of the cost of a program of rehousing rural elementary enrollments will be influenced by certain assumptions and working hypotheses. In the first place, the estimated cost of such a program will be affected by the unit cost per pupil or per classroom used in the calculations. This problem has been met by working out estimates assuming various unit costs. Secondly, the extent to which new housing will be necessary will depend on whether or not all rural enrollments are centralized. In some areas it may be necessary to continue one- and two-room rural schools for some time to come as a result of highway conditions which make transportation not feasible. The estimates which follow do not take such considerations into account.⁵⁸ They should be interpreted as an estimate of what such a rehousing program would cost when and if highway conditions permit centralization of all rural elementary pupils of

⁵⁸For example, highway statistics for 1940 show that, while there has been considerable improvement of rural highways during the last ten years, more than one-fourth of the rural road mileage in that year was represented by earth roads. In some areas of the state the percentage of road mileage unimproved will run considerably higher. For example, 72 per cent of the rural mileage in Clay County is represented by earth roads. *Mileage of Rural Highways in Each County in Each Highway System by Type of Surface* (Table RI-I, Jan. 1, 1940, Bureau of Highway Research, Illinois Division of Highways). It should be pointed out, however, that a large part of the traffic in any given area is borne by the relatively small percentage of total road mileage which is represented by improved roads (see Chapter IV). In 1940, over 80 per cent of the schools outside corporate limits were on paved or low-type surface roads. The proportion of children attending schools on these types of roads was even higher. (Letter from Allen D. Manvel, Director of Research, Illinois Agricultural Association, October 21, 1941, based on advance statistics of the Division of Highways.) In 1940 over 80 per cent of the farms and other rural dwellings were on improved roads. (Letter from F. N. Barker, Division of Highways, Springfield, Illinois, November 7, 1941.)

the state. Furthermore, the extent to which new housing will be necessary will be also influenced by the minimum size assumed for the attendance centers. For example, if all elementary pupils were to be schooled in urban centers of 1,000 or more, more new housing would be needed than if they were to be schooled in centers of 500 or more. The basis for estimation used here has been rather conservative in that respect, assuming that the present schools of three or more teachers would serve as attendance centers for the new attendance areas. In some cases, this would result in elementary attendance units centering in villages of 500 or less.⁵⁹

In order to obtain the necessary data, the estimates have been based on 1936 figures, since these are the only figures available on enrollments classified by size of school.⁶⁰ It can be assumed that enrollment in rural schools has declined slightly since 1936, although exactly comparable statistics are not available.⁶¹ This fact will not affect the validity of the estimate greatly, since the decline in such enrollment is not only small but also because part of such decline may be assumed to be represented by rural pupils who are now educated in urban centers, which would tend to cause the unused capacity available to decrease as well as to cause the rural enrollment to decrease.

Statistics of the Superintendent of Public Instruction show that in 1936 the total enrollment of elementary students in rural schools and municipalities of less than 1,000 population was 253,157.⁶² If we assume

⁵⁹It is emphasized that using present three-or-more-room schools as centers for new large attendance areas is for purposes of estimating rehousing cost and does not mean that retention of such schools will in all cases be deemed necessary. It is recognized that use of such small schools will in some cases result in attendance centers that are not large enough to attain maximum efficiency. This basis for estimation has been adopted, however, out of a desire not to base estimations on assumptions involving attendance areas larger than rural public opinion can be brought to accept within the not-too-distant future. In other words, concessions to political expediency will probably have to be made before the point of maximum efficiency is reached. For example, some attendance areas may have only 200 pupils. Maximum efficiency in elementary schools is probably reached in enrollments larger than this, although attendance areas of 200 to 300 elementary pupils will be much more efficient than the present ones, and elementary per-pupil costs become constant at about 300 pupils. Cf. H. A. Dawson, *Satisfactory Local School Units* (1934), pp. 22 ff., and Paul R. Mort and W. C. Reusser, *Public School Finance* (1934), pp. 238-239.

⁶⁰*State Aid to Schools in Illinois* (Department of Finance), pp. 92-93. The *Statistical Report of the State Superintendent of Public Instruction* does classify statistics according to one-teacher schools and two-or-more-teacher schools, and according to the population of the municipality, but does not contain data necessary to calculate pupil-teacher ratios in the various types of schools, as has been done here.

⁶¹For example, total average daily attendance in schools with one teacher was 118,669 in 1939, while average daily attendance of resident pupils in such schools was 113,633 in 1940. *Statistical Report of Superintendent of Public Instruction, 1939*, p. 8, and memorandum by Allen Manvel, Director of Research, Illinois Agricultural Association.

⁶²*Statistical Report of the Superintendent of Public Instruction, 1939*. The total elementary enrollment in Illinois was found to be 941,707 (pp. 8, 10); enrollment in municipalities of 1,000 or more was computed to be 688,550 (pp. 130, 134, 136, 137, 138); this leaves a difference of 253,157 as the enrollment in rural schools and municipalities of less than 1,000. Total enrollment was used rather than net enrollment on the assumption that figures for cities of 1,000 and over contain duplications also. It was also desired to avoid understating the amount of new housing needed.

that new facilities would be required for all such pupils, the cost of rehousing them would be as follows, depending on the unit cost per pupil:

<i>Unit Cost</i>	<i>Total Cost</i>	<i>Unit Cost</i>	<i>Total Cost</i>
\$200.....	\$ 50,700,000	\$450.....	\$114,000,000
250.....	63,300,000	500.....	127,000,000
300.....	76,000,000	550.....	139,500,000
350.....	88,700,000	600.....	149,600,000
400.....	101,500,000		

The figures given above are the maximum costs of rehousing if schools of three or more teachers in centers of less than 1,000 population are not continued and their present unused capacity is not utilized. However, if such schools are continued, as is proposed in the present study, only the students in the one- and two-teacher schools would need to be rehoused. The average daily attendance in one- and two-teacher elementary schools totaled 151,612 in 1936; if we assume an ADA of about 90 per cent, the net enrollment could conservatively be set at 168,200.⁶³ Estimates based on this latter figure still would not take into consideration the present unused capacity of three-or-more-teacher schools, which could accommodate an additional net enrollment of more than 16,500, or 9.8 per cent of the total net enrollment.⁶⁴ The cost of rehousing elementary pupils enrolled in one- and two-teacher schools, assuming 1936 conditions, would then be as follows:

<i>Unit Cost (per pupil)</i>	<i>If excess facilities are not used</i>	<i>If excess facilities are used</i>
\$200.....	\$ 33,600,000	\$30,300,000
250.....	42,100,000	37,900,000
300.....	50,500,000	45,600,000
350.....	58,800,000	53,100,000
400.....	67,300,000	60,700,000
450.....	75,700,000	68,300,000
500.....	84,200,000	76,000,000
550.....	92,500,000	83,500,000
600.....	100,400,000	90,500,000

These estimates are considerably lower than some others which have been made,⁶⁵ due to the considerations outlined at the beginning of this section.

⁶³*State Aid to Schools in Illinois* (Department of Finance, Springfield, Illinois), 1939, pp. 92-93. Cf. *Statistical Report of the Superintendent of Public Instruction*, 1939, p. 8.

⁶⁴*State Aid to Schools in Illinois* (Department of Finance, Springfield, Illinois), 1939, pp. 92-93. The total number of elementary teachers in separate elementary districts with three or more teachers and less than 400 attendance pupils and in unit districts with less than 200 elementary attendance pupils was 4,422 in 1936. The total elementary ADA in the same districts was 104,298. Assuming an ADA of approximately 90 per cent of net enrollment and an enrollment per teacher of 30 (ADA 27), the capacity of the schools would be $4,422 \times 27$, or 119,394 attendance pupils; the unused capacity would then be 119,394 minus 104,298, or 15,096 attendance pupils, which is equal to an enrollment of more than 16,500.

⁶⁵For example, see L. R. Grimm, "Financial Requirements of Education in Illinois," in *Illinois Tax Problems* (Illinois Tax Commission, 1939), p. 100. Using a per-pupil cost of \$400, his estimate is over 100 million dollars, as compared to approximately 60 million estimated here. Since it would probably be unnecessary to close all schools in centers of less than 1,000 people

In all cases the above estimates represent the total cost, no attempt being made to estimate what the state's and the localities' shares would be. Any such calculation at the present time would have to be based on state totals or averages for valuations, assessment ratios, enrollments, and housing needs. It is doubtful if such a calculation would be valid, since it involves assumptions as to how valuations, enrollment, and housing needs vary from place to place within the state. A number of case studies of proposed larger districts will be necessary before such an estimate can be formed.

SUMMARY

The building grant proposed here would be one conditional upon the taxing unit's being of reasonable size, from the standpoint of area, enrollment, and perhaps valuation. The measure of need would be derived from the number of rural elementary pupils centralized, present unused capacity being allowed for. The guaranteed cost could defensibly be set anywhere between \$300 and \$400, assuming 1939-40 cost conditions. If a single specific figure is selected, \$333 or \$350 is the most defensible. The local contribution would have to be less than two per cent of full value if most of the areas of the state were to be able to qualify. It would be desirable to allow existing indebtedness, or at least a part of it, to be deducted from the required local contribution. If this feature were invalidated, and if the new municipal corporation had to be charged with the indebtedness of high school districts with which it is coterminous or substantially so, the qualifying contribution would have to be considerably lower, perhaps .75 of one per cent or lower, in order that areas with low assessment ratios or high ratios of indebtedness to assessed valuation might qualify for aid. The cost to the state of such a program may be estimated at approximately 60 million dollars, assuming a per-pupil cost of \$400 and no abandonments of schools with three or more teachers. This latter assumption would mean that some attendance units would be relatively small and inefficient in comparison to larger systems. Such a procedure has been followed, however, out of a desire not to assume attendance areas so large that it would be difficult to get rural public opinion to accept them within the foreseeable future.

in order to have efficient attendance areas, the estimates given here may be interpreted as maxima for an elementary rehousing program. Even further reductions are possible if we take into account the possibility that federal funds may be made available for school building construction. See S. 1305, 76th Cong., 1st Sess., Part 3.

CHAPTER VI

APPLICATION OF VARIOUS STATE AID PLANS TO LARGER DISTRICTS

THE PROPOSAL has been made that local communities in Illinois be encouraged to form larger school districts by extending state aid on such terms as to keep the tax rates of the new districts from being much, if any, greater than the rates prevailing in the districts as now constituted. In 1939 the Department of Finance expressed the proposal in specific terms.¹ Under this plan, each newly formed district which meets the requirements set up as to twelve-grade organization, area, and enrollment² would be guaranteed equalization goals, as are the present districts, of \$80 per high school and \$56 per elementary ADA pupil. The qualifying rate would be 0.4 per cent of the full value of the district.³ The state aid to which such a district would be entitled would be determined in the following manner: (1) compute the full value of the district and multiply this value by 0.4 per cent; (2) deduct the product of these amounts from the guaranteed goals (\$80 per high school and \$56 per elementary attendance pupil). Where the remainder is less than the present flat grants of \$11 per pupil, the aid would be \$11 times the resident elementary average daily attendance.⁴ This proposal, and variations of it, are tested in the following pages by application to test areas, using various qualifying rates for equalization aid for current expenses and various qualifying local contributions for building aid.

METHOD USED

There is no way to evaluate the proposal of the Department of Finance in terms of present data expressed as state-wide totals or averages, but some evaluation may be made by applying it to test areas. Before describing this analysis, some of the methods used should be explained. The boundaries of the hypothetical larger districts were drawn by taking the common school districts which are included in whole or in large part by the boundaries of the high school district overlying them. Where a common school district has been divided by a high school district boundary,

¹*State Aid to Schools in Illinois* (Department of Finance), esp. pp. 60 ff.

²Fifty square miles and 1600 pupils, respectively. Conversations with Mr. A. D. Manvel, who drafted the proposal, indicate that these minima were regarded as tentative and suggestive rather than as hard and fast requirements. Also, cf. *State Aid to Schools in Illinois*, p. 59.

³Thus, where the assessment ratio is 40 per cent (a typical downstate ratio), the qualifying rate would be \$1.00 ($\$0.40 \div .40 = \1.00). The present rate for unit systems is \$1.50. The combined qualifying rate for elementary districts and overlying high school districts is \$1.75. Thus, the qualifying rate of the new type district would be substantially lower than the rates of present districts. The original proposal was in terms of an elementary goal of \$51. The law now guarantees \$56, so the original proposal should be interpreted accordingly.

⁴*State Aid to Schools in Illinois*, p. 60.

the whole elementary district has been included in the area used if a substantial part of the district was included by the area served by the high school district and excluded if the high school district, or area served by it, included only a small part of the divided district. The "whole district" method has been followed because of the great amount of time which would be required to apportion valuations and enrollments between the part of the district included and the part excluded.⁵

The three-year average "over-all"⁶ tax rate for both educational and building purposes (including debt service) for the component elementary school districts was calculated from the state aid claims for the school years 1938, 1939, and 1940. These over-all tax rates, when compared with the rates of the hypothetical larger district under various state aid programs, furnish the standard for judging the effectiveness of a given state aid program as a means for inducing reorganization. The tax rates of the hypothetical larger districts were worked out on the basis of various assumptions. For example, three different levels of expenditure were used—the present level, a level assuming substantial economies in instruction costs as a result of the number of teachers needed in the new district being less than now obtains in the present elementary districts, and an expenditure level assuming a substantial increase in elementary expenditures which would presumably enable the school to offer an enriched program. Various combinations of state aid plans were then applied to each of these situations to investigate the effect of such plans on local tax rates. In order to do this, it is necessary to make certain assumptions as to where elementary school children are to be educated and housed, since the necessity for building aid will be affected by the assumption adopted. In the hypothetical larger districts used as test areas, it is assumed that the elementary enrollment will be centralized as indicated in the case studies, although it is recognized that, in some such districts, complete centralization may have to wait on improved road conditions. It is also necessary to

⁵It is emphasized that the hypothetical twelve-grade districts used for testing the state aid formulae are not defended here as being the units which will be found to be most desirable under reorganization plans. What is sought here is a test area for the application and testing of state aid formulae. The assumption is that the area bounded by high school district lines or served by a high school is a community, as far as school organization is concerned, or at least a large enough part of a school community to make the area defensible as a political unit. In other words, local reorganization plans might, where a high school or high school district is surrounded by non-high-school territory, result in political units larger than those used here, but there seems no good reason why the political unit for elementary school purposes need be any smaller than the present political unit for high school purposes.

⁶I.e., the sum of the elementary school district rate and the overlying high school district rate. Where a common school district was partly in one high school district and partly in another, the tax rate of the high school district containing the largest part of the common school district was used. The combining of tax rates was done on the basis of the latest maps of the Tax Commission. A common school district was assumed to have been underlying the same high school district during the entire three-year period. Although there were a few changes in high school boundaries during the three-year period, calculations were carried on according to the above-stated assumption, because only a few of the figures would have been changed (and to a relatively slight extent), and because of the great practical difficulty of securing reliable information as to the date at which changes of boundaries took effect.

consider whether or not consolidation is usually thought of as an economy measure. One argument is that, if pupils are educated in systems of adequate size, per-pupil costs can be reduced. It is arguable, however, that consolidation will result not in less but more money being spent for schools, as a result of the higher standards and more adequate curricula demanded by the public when it is seen what the larger system can accomplish.⁷ For this reason, one set of results has been worked out on the basis of the present level of educational expenditure, one on the basis of possible economies in instruction costs, and one on the basis of increased elementary educational expenditure. In the latter case, a per-pupil cost of \$82 was used, that being the estimated typical educational expenditure in small city elementary schools which in 1935-36 were offering relatively modern curricula to their pupils.⁸

The building aid formula applied is the one developed in the preceding chapter, various qualifying rates ranging from 2 to 0.5 per cent of full value being used. The district's contribution has been computed from the formula $C = \frac{rV}{TU} \cdot EU$.⁹ It has been assumed that the district would issue bonds, and that the principal would be paid off over a twenty-year period, the maximum allowed by the constitution.¹⁰ This does not mean that the local communities would need or choose to use the full twenty years. Use of the full twenty years in the calculations is justified, however, on the ground that keeping the yearly principal repayments as small as possible will help to keep down the tax rate after consolidation and that, since the building will benefit the taxpaying generations of ten, fifteen, or twenty years from the date of consolidation, they can properly be asked to share the burden. Debt service has been assumed to be approximately equal for each year, payments on principal being increased as interest payments decrease as a result of the decrease in the outstanding principal. This could be done by the use of serial bonds whose denominations were arranged and whose maturity dates were scheduled according to the proper amortization table. A rate of interest of 4½ per cent has been assumed, since that was a typical rate of interest for school bonds

⁷For example, see L. R. Grimm, "Financial Requirements of Education in Illinois," in *Illinois Tax Problems* (Illinois Tax Commission, Chicago, Ill., 1939), pp. 100-101. Also, cf. *Financial Implications of the Consolidation of Schools and the Transportation of Pupils* (U. S. Office of Education, Circular No. 117, 1934).

⁸L. R. Grimm, *Our Children's Opportunities* (Illinois Education Association, Springfield, Illinois, 1938), found that schools whose median current expenditure per enrollment was \$95 had programs well in advance of other schools investigated. However, only 64% of this figure, or \$62, was devoted to staff salaries, whereas the average for the counties considered in this study was 74% (*Statistical Report of Superintendent of Public Instruction, 1930*, pp. 58-59). Assuming \$62 to be 74% of the educational expenditure, the total required for an enriched curriculum would be \$82.

⁹See page 74 where the ratio between the state's contribution and the total cost is determined. The above formula represents the difference between the amount of aid received from the state and the total cost. C = local contribution; r = rate as a per cent of full value; V = full value; T = total enrollment; U = unit cost of \$350; E = enrollment to be housed.

¹⁰Art. IX, sec. 12.

during the period studied.¹¹ Where present bonded indebtedness exists, it is assumed that it will be met by the proceeds of a tax upon the property within the boundaries of the district as of the time the indebtedness was contracted.¹²

The application of the various state aid proposals to the hypothetical districts has been carried out in such a way that the possible effects of tax rates on voting behavior can be evaluated. In making this analysis, the electorate of a present district, as inferred from its resident elementary average daily attendance, is considered to have an economic incentive to vote for consolidation if the new tax rate is less, or no greater, than its three-year average. It is also necessary to make assumptions as to the manner in which the vote is to be taken. If the vote were taken under the present law providing for the establishment of consolidated districts, there would have to be a majority favorable to consolidation in each of the present districts which would be included within the boundaries of the new large district.¹³ Organization of consolidated districts is therefore relatively difficult. Community consolidated districts can be established by majorities of the urban and rural electorates, the count to be taken separately.¹⁴ The analysis of tax differentials and the proportions of the electorate affected by such differentials is based on the assumption that a similar method of voting will be employed in the organization of the new large districts. Although the present law provides that only the people residing within corporate boundaries shall be considered urban, in the analyses which follow all the average daily attendance of the district or districts containing an incorporated municipality is assumed to be urban. This is necessary because there is no reliable method of estimating what percentage of a given urban district's average daily attendance or electorate resides within or without the corporate boundaries. Since a large part of the urban district's population tends to be concentrated within the corporate limits, this limitation is not a serious one.¹⁵

The result of the case studies should be interpreted as the result which would have obtained had the consolidation taken place in the school year of 1939-40, since that is the period to which the data pertain. It is especially important in the case of the building aid computations to remember that the unit cost guaranteed is based on 1939-40 conditions.

¹¹*Bonded Indebtedness of Local Governments, 1927-1940* (Illinois Tax Commission), p. 104.

¹²*School Law of Illinois, 1939* (Office of Superintendent of Public Instruction), p. 204.

¹³*Ill. Rev. Stat., 1939, c. 122, sec. 130 (b) and (c).*

¹⁴" . . . if a city, village, or incorporated town or part thereof, is located within such territory, the proposition establishing such community consolidated school district shall not be deemed to have received a majority of the votes cast on such proposition unless a majority of the votes cast within such corporate limits, and a majority of the votes cast in such territory outside of such corporate limits, the count to be taken separately, are in favor of establishing a community consolidated district." *Ill. Rev. Stat., 1939, c. 122, sec. 89.*

¹⁵The writer wishes to acknowledge his indebtedness and appreciation to Mr. Allen D. Manvel, Director of Research, Illinois Agricultural Association, Chicago, Illinois, and to Mr. L. R.

MILTON DISTRICT

A possible larger unit centering about Milton, in Pike County, was taken as a test area for the Department of Finance proposal. The boundaries of the hypothetical larger district are roughly coterminous with the boundaries of the Milton Community High School District, No. 175. Since this high school district is bounded on all sides except the south by other high school districts, the hypothetical district is probably a justifiable attendance area, within the limits of the "whole district" method.¹⁶ Where parts of common school districts are in other high school districts, it is probable that such areas should be allotted to other attendance areas, but it is assumed that "splitting" districts would not greatly affect the valuation, expenditure, and attendance data based on the whole district method. Another reason for choosing the Milton area is that it appears to be a typical one for the county insofar as tax rates are concerned. Eight of the ten common school districts levied a dollar rate and were special aid districts in 1940. Inspection of the state aid claims in the office of the County Superintendent shows that approximately 80% of the districts in this county are special aid districts. The rates of the community high school district have, however, on the average been slightly higher than the rates of the other high school districts of the county.¹⁷

On the basis of 1939-40 state aid claims, the hypothetical larger district, comprising 49 square miles and consolidating ten existing common school districts, would have an assessed value of \$716,000 and a computed full value of \$1,885,000.¹⁸ The new district would have an elementary enrollment of 214 and a high school enrollment of 66.¹⁹ If the building aid qualifying contribution were set at 2 per cent of full value, the new large district would still have some bonding leeway, even if it had to assume the indebtedness of the present high school district.²⁰ In one respect this

Grimm, Research Director, Illinois Education Association, Springfield, Illinois, for several suggestions helpful in working out the method employed in these investigations.

¹⁶Cf. *Atlas of Taxing Districts* (Illinois Tax Commission).

¹⁷*Property Taxation: Assessed Valuations, Levies, Tax Rates, and Tax Extensions, 1937 and 1938* (Illinois Tax Commission), pp. 145, 223. *Property Tax Assessments, Levies, Rates, and Extensions: 1939* (Illinois Tax Commission), p. 105.

¹⁸The assessment ratio for Pike County is 38% of full value. *Tax-Rate Limits and Assessment Ratios, 1925-40* (Illinois Tax Commission), p. 14.

¹⁹The high school had 17 tuition pupils in 1939-40, but most of these came from Scott, Greene, and Calhoun counties, according to the County Superintendent. This was due to the athletic record of the Milton coach. It is assumed that such students would be more properly included in larger units in other counties. It is recognized that this unit would be too small for maximum efficiency. Local attitudes in this area are such, however, that additional valuation and students could probably not be obtained by adding more territory to the Milton district. Also, it is improbable that a majority of the voters of this area could be convinced that the buildings in Milton should be abandoned and the pupils in this area educated elsewhere.

²⁰The new district's debt limit would be 5 per cent of \$716,000, or \$35,800. The high school district had bonds outstanding in 1939 amounting to \$9,500. *Bonded Indebtedness of Local Governments* (Illinois Tax Commission), p. 283. If the qualifying contribution for building aid were 2 per cent of full value, the district's share would be \$16,700, leaving an unused bonding capacity of \$9,600.

TABLE 11.—PERCENTAGES OF VARIOUS ELECTORATES WHOSE TAXES WOULD BE NO HIGHER AFTER CONSOLIDATION OF THE MILTON DISTRICT THAN THE 1937-39 AVERAGE, ASSUMING VARIOUS STATE AID PLANS AND LEVELS OF EXPENDITURE

Qualifying Rate for Building Aid	Qualifying Rate for Equalization Aid for Current Expenses*												
	Present Level of Expenditures						Assuming Economies						Enriched Curriculum
	1.50	.40	.35	.30	.25	.20	1.50	.40	.35	.30	.25	.20	
No building aid:													
Rural	0	0	13	13	47	55	0	47	55	55	55	55	0
Entire district†	0	0	9	9	32	70	0	32	70	70	70	70	0
2.00 per cent:													
Rural	0	21	47	55	55	55	13	55	55	69	69	100	0
Entire district	0	14	32	70	70	70	9	70	70	79	79	100	0
1.75 per cent:													
Rural	0	21	47	55	55	55	13	55	55	69	69	100	13
Entire district	0	14	32	70	70	70	9	70	70	79	79	100	9
1.50 per cent:													
Rural	0	38	47	55	55	55	21	55	55	69	69	100	13
Entire district	0	26	65	70	70	70	14	70	70	79	79	100	9
1.25 per cent:													
Rural	0	47	47	55	55	55	21	55	55	69	69	100	13
Entire district	0	32	65	70	70	70	14	70	70	79	79	100	9
1.00 per cent:													
Rural	0	47	55	55	55	55	21	55	55	69	69	100	13
Entire district	0	32	70	70	70	70	14	70	70	79	79	100	9
0.75 per cent:													
Rural	0	47	55	55	55	55	21	55	55	69	80	100	13
Entire district	0	32	70	70	70	70	14	70	70	79	87	100	9
0.50 per cent:													
Rural	0	47	55	55	55	69	47	55	69	69	100	100	13
Entire district	0	32	70	70	70	79	32	70	79	79	100	100	9

*Assuming equalization goals of \$56 per elementary pupil and \$80 per high school pupil. The qualifying rate of \$1.50 refers to the present law; all other rates are based on full valuation.

†The urban district (Milton, district 16) would have a lower rate than its three-year average in all cases where the percentages for "Entire district" are 65 or higher.

hypothetical district is atypical, since the urban district does not have the highest tax rate in the area.²¹

If the new district were formed and claimed equalization aid for current educational expenses under the present law, it would receive less state aid than do the present districts. It would, however, receive a substantial increase under the Department of Finance proposal, and if a lower qualifying rate were used the incentive to reorganization would be still greater.²²

²¹For the state as a whole, the tax rates in the more populous districts tend to be higher than those in rural districts. *State Aid to Schools in Illinois*, p. 96.

²²On the basis of state aid claims in the office of the County Superintendent, educational expenses for the entire district would be \$24,700, and state aid under the present law would amount to \$4,530, whereas the total now received by all the districts in this area is \$5,800. Under a qualifying rate of \$0.40 per \$100 of full value, as proposed by the State Department of Finance, state aid would amount to \$7,730. If the qualifying rate were reduced to \$0.20, the state aid would come to \$11,510. The resulting educational tax rates would be \$2.81, \$2.37, and \$1.85 respectively.

Table 11 shows that if the rural enrollments were centrally schooled and the necessary building constructed, and if the present level of educational expenditures were maintained,²³ the present state aid law, with no building aid, would not enable the new district to claim enough aid for any of the local electorate to vote for consolidation without voting higher taxes upon themselves. Even if there were building aid with the qualifying rate set as low as 0.5 per cent of full value, no part of the electorate would have an economic incentive to vote for reorganization. Even if economies in instruction costs²⁴ were carried out and building aid were offered with a qualifying local contribution of 0.5 per cent, only 47 per cent of the rural electorate could vote for consolidation without voting increased taxes upon themselves, and the urban electorate would also experience an increase.²⁵

The Department of Finance proposal would finance the new district more generously than the present law, although in some circumstances a lower qualifying rate would be necessary for it to be effective.²⁶ This proposal contained no provision for building grants. While it is possible to merge taxing units without merging attendance areas, it is assumed that adequate educational opportunities at a reasonable cost are possible only if there is consolidation of attendance areas, where feasible,²⁷ rather than mere consolidation of political and administrative units. The Milton district would have to erect an additional building in order to house students from surrounding rural districts. If the district had to raise the entire cost of this new construction from local taxation the burden would be considerable.²⁸ In this case, if a rate of \$0.40 per \$100 of full value were required for equalization aid for current expenses, the reduction in the educational tax rate would be offset to such an extent by the tax rate necessary to amortize the cost of the new building that the urban

²³Using \$24,700 as the current level of expenditure, the per pupil costs on the basis of present enrollment would be \$65 in the elementary school and \$153 in the high school.

²⁴A saving of \$2,700 could be effected, since the new district would require only 7 elementary teachers (30 pupils to a teacher) instead of the 10 now employed.

²⁵It is assumed that the ratio between the resident elementary ADA in each present district and the total ADA for the new large district is approximately the same as the ratio between the electorate in each present district and the total electorate in the new large district. The percentages in Table 11 were derived by comparing the average tax rates in each district, as shown by state aid claims, with the rates which would go into effect if the Milton district were consolidated. In computing the new rates various levels of educational expenditure were assumed, as indicated in the table, and allowance was made for the cost of a new building and miscellaneous expenditures which would result from consolidations (see footnote 28).

²⁶In this discussion "effective" means that a given combination of state aids would give a majority of an electorate a lower (or no higher) tax than before.

²⁷Since high school pupils are already being transported by the present high school district, which is largely coterminous with the proposed larger district, and since the proposed district is relatively small in area (49 square miles), it is concluded that it would be possible to transport elementary pupils to an attendance center in Milton.

²⁸According to the principal of the grade school, present facilities would accommodate 90 pupils, leaving 124 pupils for whom additional facilities would be needed. Assuming a per-pupil cost of \$350 this would amount to \$43,300; amortization over a twenty-year period at 4½% interest would require a tax rate of \$0.47 if no building aid were received. In addition to the cost of the building, a total of \$3,405, representing a tax rate of \$0.50, would be added to the yearly expense of the new district to cover the cost of transporting pupils, increased expenditures for building maintenance and operation, and retirement of the existing high school indebtedness.

electorate could not vote for consolidation without voting increased taxes upon themselves, and only 47% of the rural electorate could, assuming the present level of education expenditure. Table 11 shows that the following combinations would, however, be effective with respect to both the rural and urban electorate, assuming the present level of educational expenditure: \$0.35 and 1 per cent; \$0.30 and 2 per cent; \$0.20 and no building aid. If economies in instruction costs were instituted, the \$0.40 qualifying rate would be effective with respect to both electorates if building aid were offered with a local contribution of 2 per cent, and a \$0.35 qualifying rate would be effective with respect to both electorates with no building aid.

If educational expenditures were increased to \$82 per elementary ADA pupil and the same level of expenditures for high school purposes maintained,²⁹ state aid plans which were effective under assumptions of the present or a lower level of expenditure become ineffective. This is true to a marked degree, since much greater state subsidization would be necessary to keep tax rates, under such conditions, from rising above the 1937-39 averages. Even with a qualifying rate of \$0.20 for equalization aid for current expenses and building aid with a local contribution of 0.5 of 1 per cent the urban electorate would not be able to vote for consolidation without voting increased taxes upon themselves, and the same holds true for a substantial majority of the rural electorate.

Summary. In the proposed larger Milton district, if building aid were made available with the local contribution being set at 2 per cent of full value, the district would have been able in 1939-40 to qualify for building aid and still have approximately 27 per cent of its bonding capacity unimpaired, assuming that the new district would have to be responsible for the outstanding indebtedness of the high school district. Assuming the present level of educational expenditure, the present state aid law would not enable majorities of the rural and urban electorate to vote for consolidation without voting increased taxes upon themselves, even with building aid available at a qualifying local contribution of 0.5 per cent of full value. Assuming the present level of educational expenditure, the least expensive effective combination of state aid would be \$0.35 per \$100 full value qualifying rate for equalization aid for current expenses and 1 per cent of full value qualifying local contribution for building aid. If economies in instruction costs were instituted, the smallest contribution by the state which would be effective would be a combination of equalization aid with a \$0.35 qualifying rate and no building aid. If elementary educational expenditure were raised to \$82 per pupil, qualifying rates as

²⁹Since the per-pupil cost of \$153 in the high school is already higher than the average, no increase is contemplated. If the per-pupil cost in the elementary school were raised to \$82 (computed per-pupil cost of an enriched curriculum under 1935-36 conditions), the educational revenue needed would be raised to \$30,000.

low as \$0.20 and 0.5 per cent would not prevent local taxes in the new district from rising above the three-year average for the urban and most of the rural electorate.³⁰

PITTSFIELD DISTRICT

The various combinations of state aid were also tested by applying them to another hypothetical larger district in Pike County. This hypothetical larger district was formed by combining the data for elementary school districts which are included wholly or in large part by the Pittsfield Community High School District (District No. 168). This district is bounded on all sides by other community high school districts and therefore may be assumed to be a reasonable unit as far as the electorate is concerned.³¹ While it at present contains but one attendance area for high school pupils, it is possible that two elementary attendance centers would be desirable, since Pittsfield is not in the geographic center of the high school district, and the eastern part of the district might find it inconvenient to transport its elementary pupils there. This problem is minimized by the fact that a small village (Detroit) in the eastern part of the hypothetical larger district, contains a two-room school.³² If the enrollments of the four districts³³ nearest to this village were centralized in a school in the village, a four-teacher attendance unit would result.

The hypothetical large twelve-grade district used as a test area here was formed by combining financial and enrollment data for the elementary districts underlying High School District No. 168 by the "whole District" method as described above. If such a twelve-grade district were formed, it would result in the consolidation of 27 elementary districts, of which number 25 are rural districts and 2 contain a city or village. All except 4 of these elementary districts were special aid districts in 1939-40. This proportion is about the same as that for the entire county.³⁴ On the basis of state aid claims for 1939-40 the hypothetical twelve-grade district, comprising an area of 126 square miles with an enrollment of 1,116, would have an assessed valuation of \$2,968,000 and a computed full value of \$7,810,000.³⁵ Even if the new district were responsible for the indebtedness outstanding of both High School District 168 and District 88 (\$63,000

³⁰As used in this discussion, "least expensive combination of state aids" means that combination of equalization and building aid which would result in the least expense to the state treasury. The effective combination which would be least expensive to the state can be determined by examination of Table 11.

³¹Latest maps of the Tax Commission show non-high-school territory on the west side, but inspection of county records reveals that a high school district centering in Barry has been formed in this area since the publication of these maps.

³²Cf. *Atlas of Taxing Districts* (Illinois Tax Commission, 1939), p. 112.

³³Districts 12, 13, 42, and 43, which enrolled 119 pupils in 1939-40. (Data from state aid claims.)

³⁴Approximately 85% of the present elementary districts included in the hypothetical larger district are special aid districts, while 80% of the districts of the county are special aid districts.

³⁵The assessment ratio is 38%. *Tax Rate Limits and Assessment Ratios, 1925-1940* (Illinois Tax Commission), p. 14.

in 1939),³⁶ it would still have been able to qualify for building aid and have bonding leeway left, providing the qualifying local contribution were no higher than 3 per cent of full value.³⁷

The cost of rehousing rural elementary pupils in the town of Pittsfield and the village of Detroit would be a relatively small part of the total tax burden.³⁸ This is so because the number of rural pupils is relatively small when compared with the total enrollment of the district and because present unused capacity will accommodate approximately 40 per cent of the rural enrollment.³⁹

Table 12 shows that if the new large district were to maintain the present level of educational expenditures and were to construct new buildings to house the rural pupils which present facilities will not accommodate, under the present law none of the rural districts could vote for consolidation without voting increased taxes upon themselves. This would be true even if building aid were offered with a qualifying local contribution set as low as 0.5 per cent of full value. Assuming the present level of educational expenditures, the least expensive combination of state aids which would give a majority of the rural electorate as well as a majority of the urban electorate a favorable tax rate differential after consolidation would be equalization aid with a qualifying rate of \$0.40 per \$100 of full value and no building aid. If reasonable economies in instruction costs were realized as a result of consolidation, a large majority of the rural electorate and all of the urban electorate would experience a reduction in tax rates, even assuming the present equalization law and no building aid. If elementary educational expenditures were to increase to \$82 per enrollment pupil, with high school educational expenditures remaining at their present level, the least expensive combination of state aids providing favorable tax rate differentials for a majority of the rural electorate as well as for a majority of the urban electorate would be equalization aid with a qualifying rate of \$0.25 per \$100 of full valuation and building aid with a qualifying local contribution of 2 per cent of full value.

Summary. In 1939, the hypothetical large district could have assumed the bonded indebtedness of the Pittsfield High School District and still have qualified for building aid without using up all of its bonding power, assuming that the local qualifying contribution for building aid did not

³⁶In 1939 the outstanding indebtedness of District 88 was \$40,000, and of High School District 168 it was \$23,000. *Bonded Indebtedness of Local Governments, 1927-1940* (Illinois Tax Commission), p. 282.

³⁷For example, if the qualifying rate for building aid were set at 2% of full value, the district could assume the \$63,000 debt, issue bonds for \$28,000 for new buildings (40% of cost of rehousing 200 students), and thus have a total debt of \$91,000. The 5% debt limit for the district would be \$148,400.

³⁸Only 18 cents per \$100 of assessed valuation if no building aid is granted, and only 7 cents per \$100 if building aid is granted with the local contribution set at 2 per cent of full value.

³⁹Present facilities will accommodate 137 of the 337 rural pupils, assuming 30 pupils per teacher unit.

TABLE 12.—PERCENTAGES OF VARIOUS ELECTORATES WHOSE TAXES WOULD BE NO HIGHER AFTER CONSOLIDATION OF THE PITTSFIELD DISTRICT THAN THE 1937-39 AVERAGE, ASSUMING VARIOUS STATE AID PLANS AND LEVELS OF EXPENDITURE

Qualifying Rate for Building Aid	Qualifying Rate for Equalization Aid for Current Expenses*								
	Present Level of Expenditures		Assuming Economies	Enriched Curriculum					
	1.50	.40‡		1.50‡	1.50	.40	.35	.30	.25	.20
No building aid:									
Rural.....	0	68	92	0	0	0	0	32	51
Entire district†.....	0	83	97	0	0	0	55	68	76
2.00 per cent:									
Rural.....	0	88	94	0	0	0	32	51	88
Entire district.....	55	95	98	0	0	55	68	76	95
1.75 per cent:									
Rural.....	0	88	94	0	0	0	32	51	88
Entire district.....	55	95	98	0	0	55	68	76	95
1.50 per cent:									
Rural.....	0	88	94	0	0	0	32	51	88
Entire district.....	55	95	98	0	0	55	68	76	95
1.25 per cent:									
Rural.....	0	88	94	0	0	0	32	51	88
Entire district.....	55	95	98	0	0	55	68	76	95
1.00 per cent:									
Rural.....	0	88	94	0	0	0	32	51	88
Entire district.....	55	95	98	0	0	55	68	76	95
0.75 per cent:									
Rural.....	0	88	97	0	0	0	35	56	88
Entire district.....	55	95	99	0	0	55	69	78	95
0.50 per cent:									
Rural.....	0	88	97	0	0	0	39	68	88
Entire district.....	55	95	99	0	0	55	71	83	95

* Assuming equalization goals of \$56 per elementary pupil and \$80 per high school pupil. The qualifying rate of \$1.50 refers to the present law; all other rates are based on full valuation.

† The majority of the urban electorate would have a lower tax rate than its three-year average in all cases where the percentages for "Entire district" are 55 or higher.

‡ A qualifying rate for equalization aid for current expenses of less than \$0.40, assuming the present level of expenditures, or of less than \$1.50 assuming economies, would result in lower taxes for the overwhelming majority of both rural and urban electorates.

exceed 2 per cent of full value. The cost of rehousing rural elementary pupils in this district would represent a relatively small proportion of the total tax burden, especially if building aid were given. The least expensive combinations of state aids which would be effective, as far as both rural and urban electorates are concerned, are as follows: if the present level of educational expenditures is maintained, equalization aid with a qualifying tax rate of \$0.40 per \$100 of full value and no building aid; if reasonable economies are realized, the present equalization aid (with a qualifying rate of \$1.50 per \$100 of assessed value) and no building aid; if educational expenditures were markedly increased, equalization aid with a qualifying rate of \$0.25 per \$100 of full value and building aid with a qualifying local contribution of 2 per cent of full value.

ST. JOSEPH DISTRICT

The hypothetical twelve-grade St. Joseph District is an area in Champaign County whose boundaries are substantially coterminous with those of the St. Joseph High School District (Number 305). This hypothetical twelve-grade district would have an area of approximately 72 square miles, an assessed valuation of \$2,421,000, with a computed full value of \$8,260,000, and an enrollment for the twelve grades of 457. Eighteen elementary districts would be consolidated if such a district were formed.⁴⁰ If the proposed larger district had been formed in 1939-40 and had assumed the indebtedness of the high school district, it would still have been able to bond itself for the entire cost of new buildings required by centralized elementary enrollment, as would have been required if the qualifying rate for building aid had been set at 2 per cent of full value. Its unused bonding capacity, had this taken place, would have been approximately 8 per cent of the 5 per cent bonding capacity which the State Constitution allows.⁴¹

If the new district maintained the same level of educational expenditure as the present component districts, the least expensive combination of state aids which would give both the rural and urban electorates a lower tax rate after consolidation than they had before would be equalization aid with a qualifying rate of \$0.20 per \$100 of full valuation and building aid with a local contribution of 1.5 per cent of full value (Table 13). If economies in instruction costs were realized, the least expensive combination would be equalization aid with a qualifying rate of \$0.25 per \$100 of full value and no building aid; or equalization aid with a qualifying rate of \$1.50 per \$100 (present law) and building aid with a qualifying rate of 1.75 per cent of full value. If the new district were to maintain the present level of high school educational expenditures and increase elementary educational expenditure to \$82 per enrollment pupil, none of the combinations of state aid investigated would be sufficient to give a majority of the rural electorate lower tax rates after consolidation than before. This test area is noteworthy for the fact that comparatively low qualifying rates are required to give the rural areas a favorable tax rate differential. The reverse is true regarding the urban area, all of the combinations of state aids investigated giving a tax rate differential favorable to consolidation. This is because the three-year average tax rate for the urban

⁴⁰State aid claims for the school year 1939-40 and *Tax Rate Limits and Assessment Ratios, 1925-1940* (Illinois Tax Commission), p. 116. In computing the full value, a figure midway between the rural ratio of 28.8 and the urban ratio of 29.9 is used because approximately one-half of the county's valuation is urban.

⁴¹Five per cent of the assessed value of the proposed large district would be \$121,000. The indebtedness of the high school district, as of 1939, was \$36,000, leaving \$85,000 unimpaired. Assumed cost of the new building would be \$74,600, leaving a bonding capacity of \$10,400, or approximately 8 per cent of \$121,000. *Bonded Indebtedness of Local Governments, 1927-1940* (Illinois Tax Commission), p. 180.

TABLE 13.—PERCENTAGES OF VARIOUS ELECTORATES WHOSE TAXES WOULD BE NO HIGHER AFTER CONSOLIDATION OF THE ST. JOSEPH DISTRICT THAN THE 1937-39 AVERAGE, ASSUMING VARIOUS STATE AID PLANS AND LEVELS OF EXPENDITURE

Qualifying Rate for Building Aid	Qualifying Rate for Equalization Aid for Current Expenses*									
	Present Level of Expenditures				Assuming Economies				Enriched Curriculum	
	1.50	.40-.30	.25	.20	1.50	.40-.30	.25	.20	1.50	.40-.20
No building aid:										
Rural.....	4	4	7	15	28	28	51	91	0	0
Entire district†.....	44	44	46	51	58	58	72	95	42	42
2.00 per cent:										
Rural.....	4	4	7	15	28	28	51	91	0	0
Entire district.....	44	44	46	51	58	58	72	95	42	42
1.75 per cent:										
Rural.....	4	4	7	15	51	51	51	97	0	0
Entire district.....	44	44	46	51	72	72	72	98	42	42
1.50 per cent:										
Rural.....	7	7	7	51	51	51	60	97	0	0
Entire district.....	46	46	46	72	72	72	77	98	42	42
1.25 per cent:										
Rural.....	7	7	7	51	60	60	74	97	0	0
Entire district.....	46	46	46	72	77	77	85	98	42	42
1.00 per cent:										
Rural.....	7	7	11	56	74	74	91	100	0	0
Entire district.....	46	46	49	74	85	85	95	100	42	42
0.75 per cent:										
Rural.....	11	11	11	65	91	91	91	100	0	0
Entire district.....	49	49	49	80	95	95	95	100	42	42
0.50 per cent:										
Rural.....	11	11	20	91	91	91	91	100	0	0
Entire district.....	49	49	54	95	95	95	95	100	42	42

*Assuming equalization goals of \$56 per elementary pupil and \$80 per high school pupil. The qualifying rate of 1.50 refers to the present law; all other rates are based on full valuation.

†All of the above combinations of state aids would give a tax rate in the new large district lower than the three-year average in the urban district.

district is considerably higher than the three-year averages for the rural districts.

Summary. The hypothetical twelve-grade St. Joseph district would be able to assume the existing debt of the high school district and still bond itself for the entire cost of the new building, although this would leave but 5 per cent of its bonding capacity unimpaired. The new district would not be eligible for building aid if the qualifying local contribution were set at 1.75 per cent or higher. The least expensive combinations of state aids which would provide tax rate differentials favorable to consolidation are as follows: if the present level of educational expenditure were maintained, equalization aid at \$0.20 per \$100 of full value and building aid

at 1.5 per cent of full value; if economies were realized, equalization aid at \$.25 per \$100 of full value and no building aid or equalization aid at \$1.50 per \$100 of assessed value and building aid at 1.75 per cent of full value. If the present level of high school expenditures were maintained and elementary educational expenditures increased to \$82 per enrollment pupil, none of the combinations of state aid investigated would provide a tax rate differential favorable to consolidation. Relatively low qualifying rates would be required in order to provide tax rates in the new large district which would be lower than the average tax rates in the rural area.

SUMMARY

Evaluation of the Department of Finance proposal is not possible in terms of state-wide totals or averages available at present. Such evaluation must be made by intensive case studies of hypothetical larger districts. Due to the amount of investigational effort required in making one of these case studies, the number of cases studied here is not large enough to permit inferences as to what the findings would be if similar case study techniques were employed throughout the entire state. They do, however, serve to clarify certain issues and to suggest problems worthy of further study.

The least expensive combinations of state aids which would give a tax rate differential favorable to consolidation to a majority of both the rural and urban electorates in the three districts investigated are summarized below. The first figure refers to the qualifying rate for equalization aid for current expenditure, expressed as dollars per \$100 of full value, except where \$1.50 appears, which is expressed in terms of dollars per \$100 of assessed value. The second figure refers to the qualifying local contribution for building aid, expressed as a percentage of full value.

<i>Expenditure Level Assumed</i>	<i>Milton District</i>	<i>Pittsfield District</i>	<i>St. Joseph District</i>
Present level	\$0.35, 1%	\$0.40, no bldg. aid	\$0.20, 1.5%
Economies in instruction costs	\$0.35, no bldg. aid	\$1.50, no bldg. aid	\$0.25, no bldg. aid; \$1.50, 1.75%
Increased expenditure	None of combinations studied effective	\$0.25, 2%	None of combinations studied effective

From this summary it can be seen that areas will vary considerably with respect to the amount of state aid needed to provide tax rate differentials favorable to consolidation. For example, in areas where tax rates have been relatively low, as in the St. Joseph area, lower qualifying rates

will be needed in order for state aid to provide tax rate differentials favorable to consolidation than in areas where tax rates have been higher, as in the Milton district. State aid to induce consolidation will be costly, therefore, to the extent that low rate areas obtain throughout the state. The available data indicate that low rate areas are relatively numerous.⁴² The preceding summary also indicates that the effect on the local tax rate of changing the expenditure level in the new large district may outweigh changes in the amount of state aid received.

The case studies reveal that the Department of Finance proposal would give more generous aid to the test areas than the present law. They also suggest, however, that similar studies throughout the entire state may show that the qualifying rate for equalization aid for current expenses should be lowered and building aid made available in order to establish tax rate differentials favorable to consolidation throughout a substantial portion of the state. The case studies suggest that the cost of new buildings made necessary by consolidation will not be very great where a large part of the new district's enrollment is already educated in an urban center where there exists some unused building capacity. For example, in the hypothetical large Pittsfield district, the tax rate to amortize the cost of the new buildings would be only \$0.18 per \$100 of assessed valuation, assuming no building aid. Where a relatively small urban community would serve as an attendance center for the new large district, there would be a tendency, other things being equal, for such a tax rate to be higher, since the ratio of the enrollment to be housed to the resources of the district would be higher. For example, in the Milton district, the tax rate to amortize the cost of the new building would be \$0.47 per \$100 of assessed valuation, assuming no building aid.

The case studies also reveal that, in typical situations where the urban district's tax rate is the highest tax rate in the area, the problem of securing favorable tax rate differentials for a majority of the people in the rural area makes a more expensive combination of state aids necessary than would be the case if a vote were taken in which the urban electorate could over-ride the rural electorate. "Under-cutting" the tax rates of a majority of the rural people is more difficult and expensive than merely "under-cutting" the rates of a majority of the people of the entire district. The effectiveness of a given amount of state aid in inducing consolidation will therefore depend to some extent upon the manner in which the vote is taken.

⁴²For example, in 1936 it was found that, of 11,245 elementary districts studied, 8,830 had educational tax rates less than \$1.00 per \$100 of assessed valuation (the qualifying rate for equalization aid). *State Aid to Schools in Illinois* (Department of Finance), p. 96. The more populous districts tend to have higher rates, however.

CHAPTER VII

THE DISPARITY BETWEEN URBAN AND RURAL ASSESSMENT RATIOS

ECONOMIC FACTORS

CONSIDERATION of the disparity between urban and rural assessment ratios is directly related to the problem of economic inducements for school consolidation, since the disparity in assessment ratios has constituted one of the hindrances to the creation of larger units of taxation for school purposes.¹

It has been pointed out that the problem of establishing tax rate differentials favorable to consolidation is, in typical situations, more difficult in rural areas than in urban areas, since tax rates in rural areas tend to be lower than in urban districts.² This is the result of three factors. In the first place, standards regarding such matters as curriculum and pay of teachers are lower in the rural areas. Secondly, the ratio of tax resources of the rural districts to the educational need as locally conceived is relatively high as compared with the resources of the urban districts.³ In the third place, even if other factors were equal, rates in the rural districts (as expressed in terms of assessed valuations) would tend to be lower than in urban districts because the assessment ratios in rural areas are typically higher than in the urban areas, as is pointed out later. For example, assume an urban and rural district each with the same full valuation—\$1,000,000—and the same educational need. If the assessment ratio is 35 per cent in the urban district and 45 per cent in the rural district, the respective assessed valuations would be \$350,000 and \$450,000. In order to raise the same amount of money from these two tax bases, a higher tax rate would be needed in the urban district than was needed in the rural area.

If in the proposed larger school taxing units, the urban assessed valuation were raised to the same proportion of full value obtaining for rural assessed valuations, the problem of establishing economic inducements for the rural electorate would be simplified. Since more money would be raised in the urban area than if the lower urban assessed valuation were used, the tax rate of the rural area would be lower than if no

¹*State Aid to Schools in Illinois* (Department of Finance), p. 57.

²*Ibid.*, p. 96. Also see Chapter VI, especially the summary. "Tax rate differentials favorable to consolidation" means lower rates in an area after consolidation than those prevailing before consolidation.

³For the school year 1935-36, the average assessed value per pupil was \$9,107 for one-teacher districts, \$4,716 in separate elementary districts with three or more teachers, and \$5,671 in unit districts (excluding Chicago). Notwithstanding the low pupil-teacher ratios in rural areas, the corresponding average assessed values per teacher were: \$121,592; \$125,028; and \$169,455. *Ibid.*, pp. 92-93.

such correction were made. Therefore, rural people could no longer argue that their inclusion in a large taxing unit containing a municipality would mean their being forced to shoulder more than their fair share of the tax burden of the large district.

Examination of rural and urban assessment ratios in a sample group of counties indicates that apportioning tax levies in the new large school districts on the basis of full value would in most cases result in lower tax rates in rural areas than if assessed valuations were used, since urban assessment ratios are typically lower than rural ratios (Table 14).⁴ The extent to which such a procedure would contribute to solving the problem of providing tax rate differentials favorable to consolidation in rural areas will depend on the extent to which the rural assessment ratio is higher than the urban assessment ratio. Some conception of the extent to which this is true in typical situations can be gained by an examination of county average rural and urban ratios. For example, in Adams County in 1939, the rural ratio was approximately 64 per cent and the urban ratio was approximately 50 per cent. In a new large district in which the same relationship exists between rural and urban assessments, apportioning tax levies between urban and rural areas on the basis of full value would result in tax rates, in terms of assessed value, of 88 per cent in the rural area and 112 per cent in the urban area of what they would be if levies were apportioned on the basis of assessed valuation, assuming that half of the new district's valuation is rural and half is urban. This situation is fairly typical.⁵

Another factor which will affect the extent to which apportioning tax levies on the basis of full value will result in lower rural tax rates is the proportion of the valuation of the large school district which is contained in the urban area. The calculations in Table 14 are based on the assumption that the assessed valuation of the new large district is divided equally between the urban and rural area. Where the urban area contains less than half of the valuation of the district, apportioning tax levies on the basis of full value becomes of less significance, from the standpoint of

⁴In the 40 counties contained in this table, urban assessment ratios were lower than rural ratios in 30 cases. Where urban ratios were higher, they were higher by only a slight amount except for two counties (Cumberland and Marion). If both urban and rural ratios were established for each township in the counties studied, it might be found that counties which appear to be exceptional cases (with urban ratios higher than rural ratios) may conform to the typical pattern after all. For example, in a county in which the average urban ratio is higher than the average rural ratio, the urban average ratio for the county may be largely determined by the ratio for the largest city in the county. The rural property in the township surrounding this city may be assessed higher than the property in the city, but since it represents but a small part of all the rural property of the county its effect on the county average rural ratio may be slight. In other words, the township is the unit of assessment, and a given township's ratio may influence the county average urban ratio profoundly and the county average rural ratio only slightly. Conversely, determining ratios for the smaller municipalities of the county may show them to be assessed at a lower ratio than the surrounding rural property.

⁵In Table 14, 16 of the figures in column 5 are 90 or less. Also, it may be that the extent to which urban and rural assessment ratios differ within areas of the size of present high school districts is somewhat obscured by combining the data for all rural property.

TABLE 14.—EFFECT OF USING FULL VALUE TO APPORTION TAX LEVIES IN NEW LARGE SCHOOL DISTRICTS, 1939*

County	Ratio of Assessed Value to Full Value			If full value is used, tax rate would be following percentage of present rate	
	Rural	Urban	Total	Rural	Urban
Adams.....	63.8	49.8	113.6	88	112
Boone.....	62.0	61.0	123.0	99	101
Cass.....	57.5	54.1	111.6	97	103
Champaign.....	28.8	29.9	58.7	102	98
Christian.....	49.5	45.4	94.9	96	104
Coles.....	39.6	28.2	67.8	83	117
Crawford.....	47.5	29.0	76.5	76	124
Cumberland.....	30.4	35.0	65.4	107	93
De Witt.....	39.5	38.8	78.3	99	101
Du Page.....	27.7	24.5	52.2	94	106
Effingham.....	51.9	42.8	94.7	90	110
Fayette.....	43.1	36.7	79.8	92	108
Ford.....	38.5	30.6	69.1	89	111
Franklin.....	38.1	34.7	72.8	95	105
Jackson.....	37.5	27.8	65.3	85	115
Jefferson.....	43.3	26.6	69.9	76	124
Jo Daviess.....	58.7	60.0	118.7	101	99
Kane.....	36.2	31.4	67.6	92	108
Kankakee.....	33.3	25.0	58.3	86	114
Knox.....	51.5	53.9	105.4	102	98
Lawrence.....	51.8	39.0	90.8	86	114
Lee.....	44.1	38.8	82.9	94	106
Logan.....	50.4	42.5	92.9	92	108
Macoupin.....	45.4	41.4	86.8	95	105
Madison.....	37.8	26.2	64.0	82	118
Marion.....	26.8	34.7	61.5	113	87
Mason.....	58.3	55.0	113.3	97	103
McDonough.....	40.0	41.1	81.1	102	98
Montgomery.....	48.9	40.7	89.6	91	109
Ogle.....	47.2	39.1	86.3	90	110
Pike.....	38.2	34.8	73.0	96	104
Pulaski.....	77.9	53.3	131.2	81	119
Rock Island.....	43.3	32.6	75.9	86	114
St. Clair.....	42.2	33.6	75.8	89	111
Saline.....	31.0	32.0	63.0	102	98
Sangamon.....	35.9	38.0	73.9	102	98
Shelby.....	43.0	42.8	85.8	100	100
Vermilion.....	40.8	42.8	83.6	102	98
Winnebago.....	36.8	28.9	65.7	88	112
Woodford.....	38.0	30.0	68.0	88	112

*Present rural and urban assessment ratios are from *Tax Rate Limits and Assessment Ratios, 1925-1940* (Illinois Tax Commission), pp. 113 ff. In computing the percentages of the present rate which the urban or rural sections would pay if tax rates were based on full value, it was assumed that the urban and rural areas each contain 50 per cent of the assessed valuation. Sample counties include the 35 used by the Illinois Education Association for making predictions regarding the effects of raising equalization levels, plus those counties in Table 2 which did not appear in the Association's sample.

its effect on rural tax rates, but it increases in significance as the proportion of the district's assessed valuation contained in the urban area increases. If the new large districts conform roughly to the present four-year high school attendance areas, many of the large districts will include municipalities which would contain less than half of the district's valuation. For example, the hypothetical Pittsfield district would have but 48 per cent, the Milton district would have only 12 per cent, and the St. Joseph district would have only 19 per cent of their respective assessed valuations in the urban areas.⁶ If a new large district were formed of the elementary districts lying in non-high-school territory in the area served by the Urbana unit system, however, the resulting district would have 82 per cent of its assessed valuation in the urban areas.⁷ Some conception of the extent to which areas would vary in this respect can be gained from an examination of the proportion of assessed valuation contained in urban areas in selected counties (Table 15). In the light of these facts, if an attempt should be made to draft legislation providing for apportioning tax levies between urban and rural areas on the basis of full values, it might be well, in the earlier years of the use of the plan, to restrict it to areas in which the cities are larger than a specified size.

PROBLEMS INVOLVED IN CORRECTIONS FOR DISPARITY IN ASSESSMENT RATIOS

The preceding treatment has been confined to an economic analysis of the problem posed by disparity of assessment ratios so far as school consolidation is concerned. If legislation were to be drafted to correct for, or minimize, this disparity, certain legal, administrative, and political problems would be encountered which must be considered.

Legal questions. The Illinois Supreme Court has, in two recent cases, refused to permit tax burdens to be corrected by resort to evidence concerning disparity in assessment ratios. In the light of the Court's attitude toward the problem of disparity of assessment ratios as manifested in these cases, the problem of providing a secure legal basis for the type of correction described above may be a serious one.⁸

⁶See Chapter VI.

⁷Data compiled from 1939-40 state aid claims.

⁸*Tuttle v. Bell*, 377 Ill. 510 (1941). *Mobile & O. R. Co. v. State Tax Commission*, 374 Ill. 75, 28 N. E. 2d 100 (1940). In the first case it was held that a County Treasurer could not be enjoined from collecting part of the property tax of protesting owners of rural real estate merely because rural property was assessed at a higher ratio than urban property on the ground that, when value is fixed by assessing officials, it is not, in the absence of fraud, subject to revision by the judiciary, and on the ground that one group of taxpayers cannot be given relief merely because another class of property is valued too low. In the second case the Tax Commission was required to use the state-wide average ratio in assessing railroad property rather than the average ratio of the county in which the property was located on the ground that the State is still a taxing unit and that to follow the procedure desired by the Commission would violate the requirement of the Constitution (Art. IX, sec. 1) that taxation must be uniform. For a discussion of the Illinois cases on assessment ratios generally, see "The Illinois Constitutional Requirement of Uniformity in Taxation," 33 *Illinois Law Review* (May, 1938), pp. 65 ff.

It is improbable that the problem could be solved merely by providing that assessed valuations need not be changed and that each area should bear the same proportion of the tax levy as it has of the full value of the district, as in New York,⁹ since to do this would result in a different tax rate (in terms of assessed valuation) in different parts of the district, which would probably be held to be in violation of the uniformity clause. The problem would probably have to be met by insuring that the assessed valuations bear the same relation to full values in all areas. This could be approached in either of two ways. The first would be to improve the original assessments by providing that local assessors be full time, trained, appointive officials supervised and aided by the Tax Commission.¹⁰ The second approach would be to equalize the original assessments in such a manner that rural and urban property would be assessed at the same ratio. The county boards of review have ample authority to make the type of urban-rural equalizations contemplated here¹¹ but do not exercise it, as examination of Table 15 will show. It would also be possible to have the equalization made by the State Tax Commission. This could be done by merely amending the present statute giving the Commission authority to equalize assessments for the state property tax to include school taxes as well as state taxes.¹² While the more nearly ideal solution would be good

⁹*Equalization within joint districts.* When a district embraces parts of two or more towns, the trustee, trustees, or board of education of such district may upon their own motion, and shall upon the written request of three or more persons liable to pay taxes upon real property in such district secure from the last completed town assessment-rolls a statement of the assessed valuation of each parcel of real property and all personal property subject to taxation for school purposes in such district and shall deliver such statement to the district superintendent of the supervisory district in which the school house of such district is located. Such district superintendent shall immediately secure from the state tax commission a statement of the rates of equalization fixed by the commission for the towns in which such district is situated and shall determine the full valuation of the real property of each part of a town included in such district by dividing the total assessed valuation of such real property in such part of a town by the rate of equalization fixed by the commission for such town. . . . Such district superintendent shall also determine what proportion of any tax thereafter to be levied in such district for school purposes shall be levied upon each part of a town included in such district by dividing the sum of the full valuation of real property and the assessed valuation of personal property in such part of a town by the total of all such full valuations of real property and assessed valuation of personal property in such school district. Such proportions should be expressed in the nearest exact hundredths and the trustee or trustees of such school district shall thereafter levy such a proportion of any tax to be raised in the district upon each part of a town included in such district as shall have been determined by the district superintendent, until a new determination shall have been made. . . ." *Cahill's Consolidated Laws*, 1930, c. 15, sec. 414. This results in different tax rates, in terms of assessed valuations, in different parts of the school district. Letter from Daniel R. Spratt, Department of Taxation and Finance, Albany, N. Y., September 18, 1941. This statement applies only to parts of the district lying in different towns, however, no distinction being made between urban and rural assessments. Letter from Daniel R. Spratt, October 3, 1941.

¹⁰See *First Report of Governor Dwight H. Green's Advisory Committee on Taxation*, 1941, p. 38.

¹¹*Ill. Rev. Stat.*, 1941, c. 120, sec. 589 (5). *People v. Millard*, 307 Ill. 556, 139 N. E. 113 (1923); *People v. Orvis*, 301 Ill. 350, 133 N. E. 787 (1921).

¹²The present statute reads as follows. "All State taxes shall be extended by the respective county clerks upon the property in their counties upon the valuation produced by the equalization and assessment of property by the Tax Commission. All other taxes shall be extended upon the valuation produced by the equalization and assessment of property by the local assessment officers, and all property originally assessed by the Tax Commission." *Ill. Rev. Stat.*, 1941, c. 120, sec. 644. Inserting the words "and school" after the first two words quoted and appropriate amendment of section 611 of the same chapter would give the Commission the power and duty to make the type of equalization contemplated here. Such legislation would be analogous to a bill introduced in the 1941 regular session of the legislature providing that the Tax Commission shall "for

original assessments, it is probable that equalization by the Tax Commission is the most nearly feasible politically, at least so far as the immediate future is concerned.

Administrative feasibility. In order for urban-rural equalization of assessments within new large school districts to be made, separate assessment ratios would have to be established for both the urban and the rural areas of the district. Assessment ratios for Illinois have been derived from sales data concerning real estate transfers.¹³ Only rarely will it be possible

TABLE 15.—RATIO OF URBAN ASSESSMENTS TO TOTAL ASSESSMENTS IN SELECTED COUNTIES, 1939*

County	Total Assessed Valuation in County (\$000)	Assessed Urban Valuation (\$000)	Percentage of Valuation That Is Urban
Adams	60,230	36,284	60
Champaign	53,530	24,084	45
Effingham	13,623	5,432	40
Jefferson	13,711	6,453	47
Kane	82,966	61,517	74
Madison	85,106	56,932	67
McDonough	25,975	8,523	33
Pike	14,173	3,467	25
Ogle	33,333	7,739	23
Sangamon	84,670	55,317	65
Saline	11,337	4,397	39
Vermilion	60,390	28,560	47
Woodford	20,735	3,487	17

*Computed from *Property Tax Assessments, Levies, Rates, and Extensions, 1939* (Illinois Tax Commission), pp. 12, 14.

to make from sales data valid determinations of assessment ratios for rural areas (and in many cases urban areas also) as small as those which would be enclosed by new large twelve-grade school districts conforming roughly to the present four-year high school attendance areas, because of the small number of sales of property which would be available for computing a ratio for such an area.¹⁴ In order to determine valid ratios for making the type of urban-rural equalization within large school districts suggested here, it would be necessary to supplement sales data by mass appraisals,¹⁵ as in Wisconsin, and by sample appraisals, as in Wis-

purposes of local taxation, equalize the valuation and assessment of property of political subdivisions of the State and municipal corporations therein in all cases where such political subdivisions and municipal corporations are located in two or more counties, to the end that all the property in any such political subdivision or municipal corporation shall be assessed as uniformly as may be possible." House Bill 517, 62nd General Assembly. The bill passed the House but was defeated in the Senate, the argument being that it delegated too much power to the Tax Commission. Letter from William F. Gibbs, State Representative, 36th district, September 20, 1941.

¹³*Tax Rate Limits and Assessment Ratios, 1925-1940* (Illinois Tax Commission), pp. 2 ff.

¹⁴Letters from E. L. Maynard, Illinois Tax Commission, Chicago, Illinois, October 9, 1941, and December 17, 1941.

¹⁵Multiplication of the units of real property by unit values determined by reference to soil maps and sales data.

consin and New York.¹⁶ By using these three techniques, it should be possible to establish ratios for areas as small as the new large school districts, as is already done in New York upon application by local people.¹⁷ Compared with the use of sales data, mass appraisals and sample appraisals are relatively costly, but for the first few years of a school reorganization program the problem of such costs would probably not be a serious one, since determination of district ratios would not have to be made throughout the entire state but only in those areas where new large districts were organized. Even if the entire state were organized into new large twelve-grade districts conforming in general to the present four-year high school areas, the number would be only approximately 700,¹⁸ as compared with 12,142 of the present districts.

Political feasibility. The most nearly ideal method of urban-rural equalization would be the improvement of the original assessment, since equalization can only approximate equity as between various classes of property and cannot alleviate injustices caused by differential treatment of individual holdings within a given class. Reform of the local assessment system may be expected to require a considerable amount of propaganda and political pressure because of vested interests which would be disturbed. Because of this fact, it seems unwise to make any plan of school reorganization dependent upon reform of the assessment system, or to ask the proponents of school reorganization to wait until the assessment system is reorganized. Reliance upon county boards of review would seem to be a forlorn hope, since they now have adequate power to correct manifest disparities in urban and rural assessment ratios, but are not doing so. The remaining solution is equalization by a state agency, such as the Tax Commission. Even this solution would encounter certain problems. The urban-rural equalization proposed here would somewhat complicate local finance and might be difficult for local public opinion to understand. For example, it might be difficult for a property holder to understand why his real estate should have one valuation for purposes of

¹⁶Letter from Forrest W. Gillett, Department of Taxation, Madison, Wisconsin, November 28, 1941. Letter from Daniel R. Spratt, Department of Taxation and Finance, Albany, N. Y., October 3, 1941. The New York ratios are said to be only approximate, but are defended on the ground that they enable a closer approximation to equity than would use of unadjusted assessed values. A. G. Grace and G. A. Moe, *State Aid and School Costs* (1938), p. 154.

¹⁷Letter from Daniel R. Spratt, Department of Taxation and Finance, Albany, N. Y., September 18, 1941. It may also be possible to supplement sales data, mass appraisals, and sample appraisals by ability indices derived by the use of predictive formulae based on such economic data as population, retail sales, motor vehicle registrations, postal receipts, etc. See Francis G. Cornell, *A Measure of Taxpaying Ability of Local School Administrative Units* (1936), pp. 85 ff. Although the study was made on the basis of county ability indices, it is suggested that similar techniques could be applied to local school districts large enough to be efficient. *Ibid.*, p. 90. On this point, however, cf. Paul R. Mort and W. C. Reusser, *Public School Finance* (1941), p. 439.

¹⁸In 1940 there were 118 unit districts and 623 high school districts; *Property Tax Assessments, Levies, Rates, and Extensions: 1940* (Illinois Tax Commission), p. 5. In Wisconsin the appraisal work for the entire state is handled by a field staff of four district supervisors, eight deputies, and eight stenographers. Letter from Forrest W. Gillett, *supra*.

school taxation and another for purposes of taxation by other governmental units. This objection, however, would seem to be no more valid with respect to school taxes than it was with respect to the state property tax when it was levied on a valuation different from the one used for taxation by other local governmental units.

SUMMARY

The problem of securing through state aid tax rate differentials favorable to consolidation is more difficult in the rural areas than in urban areas because tax rates are typically lower in the rural areas. One reason for this, but not the only reason, is that assessment ratios are, typically, higher in rural areas. Apportioning the tax levies of new large school districts between urban and rural areas more nearly on the basis of their respective full values than on the basis of their present assessed values would, in typical situations, necessitate less state aid to secure tax rate differentials favorable to consolidation. More money would be raised in the urban areas than if assessed values were used, and therefore less money would need to be raised in the rural areas. Hence, such a procedure would meet the argument based on equity that inclusion of urban and rural property in the same school district forces the rural people to bear more than their fair share of the school tax burden. The extent to which this procedure would lighten the rural tax burden will vary directly with the extent to which the rural and urban assessment ratios differ and with the proportion of the district's assessed valuation which is contained in the urban area. Such apportionment of tax levies between urban and rural areas might be carried out either by improving the original assessment or by equalization. While the former is the more desirable from the standpoint of equity, for reasons of expediency the latter may be the best solution which can be obtained within the foreseeable immediate future. If this is true, equalization by the Tax Commission would seem to be more feasible than by county boards of review, because of the difficulty in forcing such bodies to do what they have ample power to accomplish now but which they do not do. While the administrative problem of determining separate urban and rural assessment ratios for school districts in general conforming to the present four-year high school areas would demand appraisal techniques not yet used in this state for the determining of assessment ratios, the problem would not seem to be insurmountable, in the light of the experience of the New York and Wisconsin commissions, especially if the number of such districts were not large during the first few years of the program.

CHAPTER VIII

CONCLUSIONS

THE ILLINOIS system of school organization is a very decentralized one. Compared with many other states, Illinois has been a laggard in reducing the number of school units and the number of small rural schools, despite the fact that the amount of surfaced road mileage has increased markedly during the last decade.

In the light of the successful attacks on proposed legislation to give a state agency power to reorganize local school units, it seems reasonable to assume that, so far as the foreseeable future is concerned, reorganization by *fiat* of a state agency is not within the bounds of the politically feasible. If this is true, school reorganization must be promoted by other methods, such as leadership designed to convince localities that consolidation is desirable; propaganda and adult education regarding the advantages of consolidation; and the encouragement of the formation of larger school units by establishing economic inducements by granting them more liberal aid than the less adequate units. This study is devoted to the latter problem, and is an investigation of the means by which and the extent to which state aid policies can be used in Illinois to further consolidation of school units—both attendance areas and political units of school support and administration. It is thus largely restricted to the economic factors which motivate people to form larger school units or to keep the traditional organization. These economic factors are but a part of the complex of factors which so motivate people. There is disagreement as to how large a part of the total situation the economic factors are. It is argued that the economic is *one* of the important factors influencing the attitudes of local people toward consolidation. It can be argued that merely providing an economic incentive for consolidation, in the form of local tax rate differentials, will be relatively ineffective until education and propaganda have convinced local people, and especially rural people, that larger school units are desirable for their own sake. In answer to this, however, it is argued that, if economic incentives are established, the problem of education and propaganda will be simplified, since there will be an added argument for consolidation; and that local action for consolidation is more likely to come about if there is education plus an economic incentive than if exclusive reliance is placed on hortatory efforts of officials and civic organizations.

Grants-in-aid in general may be thought of as having three purposes: equalization; serving as an instrument of central administrative control; and serving as a reward for local effort in order to stimulate action in a

given direction. State aid policies intended to induce consolidation might be conceived as coming within either of the latter two categories. For instance, if grants were made conditional upon a district's having a certain area and enrollment, the grants could be regarded as primarily instruments of central control. If grants were extended more generously to large districts than to small districts, they could be conceived as grants intended to stimulate action in a given direction by rewarding local action. Stimulation grants have the disadvantage of being to some extent incompatible with the equalization philosophy, since they may result in state aid going to areas in reward for certain action which might have been taken anyway, partially because the given area is a relatively able one. Allocation formulae in which the teacher basis predominates may be expected to intrench rural schools more than formulae in which the pupil basis predominates, because of the low pupil-teacher ratios in rural areas.

Within the last three decades state aid to schools in Illinois has increased from \$1,000,000 to over \$16,000,000 per year. Despite this increase, over nine-tenths of the cost of elementary and secondary education is borne locally. The allocation formulae in the Illinois state aid laws first emphasized the number of educables, then reward for effort, and finally (since 1927-28) equalization. Despite the recent emphasis on equalization, in 1939 two-thirds of the state aid distributed to elementary and secondary schools was distributed on the basis of flat grants per elementary attendance pupils, and before that the proportion was even higher. Within the past decade there has been increasing attention devoted to the problem of distributing state aid in ways which would minimize any possible tendency for it to perpetuate the existing system or in ways which would positively encourage school consolidation. Examples of this trend are: the reiterated attitude of the Horner administration that reorganization should precede increases in state aid in order not to perpetuate the small district system; the passage of a transportation aid statute; repeal of the 18-pupil "pegging" clause regarding the general apportionment; passage of a statute denying aid to schools of less than seven attendance pupils where transportation is feasible; and a proposal by the Department of Finance that formation of new large twelve-grade districts be encouraged by granting aid to them on liberal terms.

Evaluation of the more recent legislation enacted as a result of this trend in the thinking of the educational leadership of the state must be tentative, since the data available at the date of writing (1941-42) were in some instances only estimates, and in other instances they were for a period of time before the full effect of the legislation would be felt. With these qualifications in mind, it is concluded that transportation aid during the first year of its operation had only a very limited effect so far

as closing rural schools and thus enlarging attendance areas was concerned, since only approximately three per cent of the pupils for which transportation aid was claimed were in no-teacher districts. Approximately 95 per cent of the pupils for which transportation aid was claimed were high school pupils or were in elementary systems with three or more teachers. An impetus in the transportation of rural elementary pupils is expected, however, as a result of 1941 legislation permitting districts to contract for the transportation of their pupils. As yet transportation aid has probably had a negligible effect upon the consolidation of political units, but it constitutes a potential encouragement to such consolidation in that it will lead rural people to think in terms of a larger school community and will tend to meet possible arguments against consolidation, such as the problem of transportation costs and, perhaps, the disparity between rural and urban assessment ratios. In one way transportation aid may operate to make consolidation of political units, as distinguished from attendance areas, more difficult, to the extent that closing rural schools permits such districts to become low tax areas which may be expected to have a vested interest in the existing system. The more of these districts there are, the more difficult and costly to the state will be the problem of providing local tax rate differentials favorable to consolidation.

The elimination of the 18-pupil "pegging" provision for calculation of the general apportionments has resulted in a larger proportion of the state aid being distributed as equalization quotas and less as general apportionment. It has been argued that removal of this clause from the statute would minimize the tendency of state aid to intrench the small enrollment district. It is doubtful, however, if removal of this clause has changed local sentiment regarding consolidation to any appreciable extent, since usually only a small local tax increase will be necessary to replace it. The \$1,048 per-teacher minimum for equalization aid has, in effect, retained the 18-pupil "pegging" provision for districts that find the \$1,048 goal more advantageous than the per-pupil goal. The significance of the per-teacher minimum changes as the per-pupil equalization goal is increased, since increasing the per-pupil goal results in smaller schools finding it advantageous to use the number of pupils. From this it may be argued that increasing the per-pupil goal does not give more aid to the small attendance schools which find the per-teacher goal more advantageous, but would help the needier elementary schools where the number of pupils per teacher is reasonable. So far as the effect of the per-teacher minimum is concerned this is true, but it is also true that, as the per-pupil goal is raised, smaller and smaller schools are subsidized more generously by the state than when they were using the per-teacher goal. Study of the various areas of the state with respect to the extent to which their school budgets are subsidized by the state reveals that withdrawing

the present aid as a sanction for reorganization proposals would be of limited effect in large areas, since such a loss could be replaced by relatively small increases in local tax rates. Such areas contain a relatively large proportion of the rural pupils. In areas where withholding aid would be more effective it would not be as easy to justify as in the more able areas, since there is some tendency for counties relying heavily on state aid also to be counties where road conditions are less favorable to consolidation.

The chief effect of withholding aid from rural schools with less than seven attendance pupils will probably be a saving to the state (so far as such schools are concerned) and the freeing of funds for distribution as equalization aid. The reason is that many such schools are expected to continue to operate, because the loss in state aid can in many cases be compensated by a small increase in the local tax rate, since it appears that such districts, as a whole, tend to be relatively able districts. To the extent that such districts close their schools and become low tax areas there is a danger that they will have a vested interest in the existing system. The experience of other states indicates that this can be one effect of closing rural schools without also merging political units, although the experience of New York indicates that the problem will be minimized if the low tax areas are scattered, are not too numerous, and if liberal aid is given to large units.

There is a possibility, in some areas at least, that consolidation of attendance areas would necessitate construction of new buildings to an extent that would offset economies resulting from consolidation. In order that this possibility might not discourage local communities from consolidating attendance areas, it is proposed that the state assist in the program of new construction made necessary by consolidation. Such aid would be conditioned on units being of reasonable size. The proposed grant would follow the equalization pattern, in which the state would provide the difference between a uniform local contribution and a guaranteed unit cost. What would be a reasonable unit cost will depend on conditions which exist at a particular time and on what assumptions are adopted with respect to certain issues. The following are suggested as reasonable standards for the state to adopt as a basis for its guarantee: \$10,000 per classroom unit, or \$350 per enrollment pupil, assuming 1939-40 cost conditions, without provision for gymnasiums or other special units; a pupil-teacher ratio of thirty to one; and cost conditions at the average for the state. If gymnasiums and other special units were to be guaranteed, a cost of \$15,000 per classroom would be reasonable.

In determining what would be a reasonable local qualifying contribution for building aid, it is assumed that such contribution should be stated in terms of full value, that most districts would have to issue bonds, that

a qualifying local contribution should not be set so high that a substantial part of the state would be unable to qualify, and that considerable variation in assessment ratios will persist during the foreseeable future. On the basis of these assumptions the upper limit for the local contribution should be 2 per cent of full value, since to require more than that would result in many areas being unable to qualify because of restricted bonding capacity. Restricted bonding capacity is caused by low assessment ratios and existing indebtedness. It would be desirable that a reasonable amount of existing debt be deducted from the amount which the locality would be required to contribute, but there is a possibility that this arrangement could not be defended in the courts. If such a provision were invalidated, and if a new district were forced to assume the indebtedness of existing districts with which it is coterminous, or substantially so, the qualifying local contribution would have to be less than 2 per cent of full value—perhaps .75 of one per cent or even lower—in order that areas with low assessment ratios or high ratios of indebtedness to assessed valuation would not be excluded from qualifying for aid as a result of the required qualifying contribution being higher than the amount which they can borrow.

The cost of a building aid program which would centralize rural enrollments in schools with three or more teachers is estimated at \$60,000,000, assuming a per-pupil cost of \$400. Abandoning no schools with three or more teachers would result in some relatively inefficient attendance areas, but the estimates have been based on such an assumption because of a desire not to assume attendance areas so large that it will be difficult to get rural public opinion to accept them within the not too distant future. Under 1939-40 conditions, \$100,000,000 may be estimated to represent the maximum cost of centralizing elementary enrollments, since this would make possible rehousing, at \$400 per pupil, all elementary pupils in rural schools and in urban centers under 1,000; it is unlikely that reorganization plans will need to be so drastic in order to provide relatively efficient units.

The State Department of Finance has proposed that formation of large twelve-grade districts meeting minimum area and enrollment requirements be encouraged by granting aid to them on more liberal terms than to present districts. In this proposal it is suggested that the new large districts be guaranteed the same equalization goals as the present districts, but that the new districts be allowed to qualify on the basis of a rate, expressed in terms of full value, which is lower than that which obtains typically in areas claiming equalization aid under the present law. The proposal contained no provision for building aid. Evaluation of this proposal must be made by intensive case studies of hypothetical larger

districts. Three such hypothetical districts were studied. The number of cases is not large enough to permit inferences as to what are typical situations throughout the state, but they do serve to clarify certain issues and to suggest problems worthy of further study. The case studies indicate that the effect of changing the expenditure level in the new large district may be more important than the amount of state aid received, and similar studies throughout the entire state may show that the qualifying rate for equalization aid should be lower than that proposed by the Department (0.4 per cent of full value) and that building aid should be made available in order to establish tax rate differentials favorable to consolidation throughout a substantial portion of the state. Study of the test areas shows that the tax rate to amortize the cost of new buildings will not be very great where a large part of the new district's enrollment is already educated in an urban center where there exists some unused building capacity. There would be a tendency for such a tax rate to be higher where a relatively small urban community would serve as an attendance center for the new large district, since the ratio of the enrollment to be housed to the resources of the district would be higher. The case studies also reveal that the problem of securing favorable tax rate differentials for a majority of the people in the rural area makes necessary, in typical situations where the urban district's tax rate is the highest in the area, a more expensive combination of state aids than would be the case if a vote were taken in which the urban electorate could override the rural electorate. "Undercutting" the tax rates of a majority of the rural people is more difficult and expensive than merely "undercutting" the tax rates of a majority of the people of the entire district. The effectiveness of a given amount of state aid in inducing consolidation will therefore depend to some extent upon the manner in which the vote is taken.

One reason for the fact that existing tax rates are typically lower in rural areas, but not the only reason, is that assessment ratios are generally higher in rural areas. If the tax levies of the new large districts could be apportioned on the basis of their respective full values rather than on the basis of their present assessed values, rural tax rate differentials favorable to consolidation could be effected, since more money would be raised in the urban area than if assessed values were used, and therefore the tax rate of rural areas would be lower. Hence, such a procedure would meet the argument based on equity that inclusion of urban and rural property in the same school district forces the rural people to bear more than their fair share of the tax burden. The extent to which the revised assessments would lighten the rural tax burden will vary directly with the amount of disparity between the rural and urban assessment

ratios and with the proportion of the large district's assessed valuation which is contained in the urban area. Such apportionment of tax levies between urban and rural areas might be effected in either of two ways: by improving the original assessment or by equalization. Although the former is more desirable from the standpoint of equity, the latter may be the most nearly practicable within the foreseeable future, in which case equalization by the Tax Commission seems to be more feasible than equalization by boards of review, because it would probably be difficult to induce these bodies to exercise the power which they now have but do not use. While the administrative problem of determining separate urban and rural assessment ratios for school districts conforming in general to the present four-year high school areas would demand appraisal techniques not yet used in this state, the experience of the New York and Wisconsin tax commissions indicates that the problem is not insurmountable, especially if the number of such districts were not large during the first few years of the program.

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- WELLER, GERALD M., "A Plan for State Equalization of Capital Outlays for Public School Buildings," 91 *American School Board Journal* No. 2 (August, 1935), p. 23.

VI. CORRESPONDENCE

- BARKER, F. N., Engineer of Highway Research, Division of Highways, Springfield, Illinois (Nov. 3 and Nov. 7, 1941).
- BURKE, A. J., Director of Studies, New York State Teachers' Association (May 27, 1941).
- CALLAHAN, JOHN, State Superintendent of Public Instruction, Madison, Wisconsin (Oct. 31, 1941).
- ENGELHARDT, N. L., Professor of Education, Teachers College, Columbia University, New York City (Sept. 23, 1941).
- ENGELHARDT, N. L., JR., Acting Director of Research, Board of Education, Newark, N. J. (Sept. 24, 1941).

- FEATHERSTONE, GLENN, Director of Research, Department of Public Schools, Jefferson City, Mo. (June 14 and Oct. 8, 1941).
- FLOYD, G. E., Department of Education, Little Rock, Arkansas (Oct. 6, 1941).
- FRISWOLD, I. O., Department of Education, St. Paul, Minn. (Oct. 8, 1941).
- GREGORY, MARSHALL, Director, Division of Research, Office of State Superintendent of Public Instruction, Oklahoma City, Okla. (Oct. 29, 1941).
- HALL, JULIUS R., Assistant Regional Director, Public Works Administration, Chicago, Ill. (July 31, 1941).
- HERBST, R. L., Director of Research, State Department of Public Instruction, Dover, Del. (Oct. 4, 1941).
- JOHNS, R. L., Department of Education, Montgomery, Ala. (Aug. 18, 1941).
- MANVEL, ALLEN, Director of Research, Illinois Agricultural Association (June 14, June 19, and Oct. 21, 1941).
- MORT, PAUL R., Professor of Education, Teachers College, Columbia University, New York City (Aug. 14, 1941).
- ROBINSON, R. W., Department of Public Instruction, Harrisburg, Pa. (Oct. 17, 1941).
- SCHMIDT, A. W., Assistant Commissioner for Finance, State Education Department, Albany, N. Y. (Dec. 13, 1941).
- SOPER, WAYNE W., State Education Department, Albany, N. Y. (Oct. 31, 1941).
- SPRATT, DANIEL R., Department of Taxation, Albany, N. Y. (Oct. 3, 1941).
- TANNER, MYRTLE L., Director, Division of Information and Statistics, Department of Education, Austin, Texas (Oct. 31, 1941).
- TAYLOR, C. L., Department of Public Instruction, Lansing, Mich. (Nov. 4, 1941).
- VINSON, C. C., Statistician, Department of Education, Topeka, Kansas (Nov. 4, 1941).

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