

OUTLINES AND EXERCISES IN ECONOMICS

BY
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California



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Outlines and Exercises In Economics

BY

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PREFACE

In an address to the Bankers' Club of Chicago on the evening of December 16, 1916, Mr. Frank A. Vanderlip, President of the National City Bank of New York, made the following interesting statements in regard to the necessity for a more general study and comprehension of the principles of political economy.

"There is a science of political economy. Some of its principles are as definite as laws of mathematics. It makes understandable principles and laws that can no more be broken with impunity by a nation than moral laws can be carelessly regarded by an individual. I believe sound thinking in regard to the principles of political economy to be one of the greatest needs of this nation. A man counting on his fingers may evolve enough mathematics to carry him through the needs of a simple life. A man unable to state a single principle of political economy may still think with what seems a sufficient degree of accuracy about his ordinary affairs.

"But when that man, ignorant of the principles of political economy, joined to others equally ignorant, begins en masse and nationally to project his judgments beyond directing the simple affairs of his life, so that his discussions are weighed and give substantial direction to the course of society or the action of government, then the danger which may follow from such lack of understanding is appalling."

The development of the student's ability to think accurately and sanely, to form sound judgments, and to express himself clearly and concisely in regard to questions of social and industrial importance is regarded as being the chief function of a course in Economics. Information is essential, however, for accurate thinking and a knowledge of the subject is the first requisite of ability to speak. These Outlines and Exercises in Economics have been prepared, therefore,

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with the hope, that they would not only raise interesting questions for study and discussion, but that they would direct the students' attention to those sources of information and along those lines of thought which lead to intelligent decisions of public questions and to rational action in both public and private affairs.

This book is not a textbook, nor a substitute for a textbook. It is intended to supplement the work provided in an economics textbook in much the same way that a laboratory manual supplements the work of the text and the recitation in physics and chemistry. Unless very unusual library facilities are available, the author regards the textbook method as an indispensable means of handling a beginning course in Economics. Nevertheless most texts have their shortcomings. No one text is a satisfactory source of information on all the points of inquiry which arise in a course in Economics; neither does a single book always afford the clearness of explanation nor the aptness of illustration that may frequently be found in other books. Consequently this book has been prepared with the hope that it would make immediately available for classroom use the wealth of material that exists in other books and sources. In the hands of the busy teacher, it should be a ready guide to the literature of the subject and a suggestive resource in providing exercises and problems for class use. In the hands of the pupil, it should be a manual which will direct his activities in a logical way toward a clearcut, definite comprehension of the fundamental principles of an interesting and practical science.

A word further about books for supplementary use may not be out of place. The study of Economics is not a study of a book, but of a *subject*. Teachers readily recognize the fact, and other school officials soon should do so, that a satisfactory course in Economics can no more be given without suitable library facilities than a course in manual

training or domestic science, without a shop or a kitchen. Just as a suggestion of what may be desirable and, in a sense, as a minimum of what should be provided, two lists of twenty books each have been printed in the pages immediately following. These may serve as a nucleus around which a very satisfactory library of books pertaining to this subject may be built up in a few years.

The general method that has been followed in the succeeding pages has been to divide the whole course into sections corresponding to the principal subjects or topics to be treated. These topics have been arranged as nearly as possible with the view of getting a logical sequence and of obtaining a progressive development of the main theme of the course. This theme is regarded as being an accurate and impartial exposition of the organization of industrial society and of the laws and principles which govern man's activity within that society. The result of this kind of exposition, from the standpoint of the student, should be such an appreciation of the nature of modern industry and such a realization of the importance of man's relation to it as will lead to more intelligent consideration of its problems and more rational action regarding its future developments.

Each section contains a topical outline which is intended to serve as a sort of chart or descriptive map of the work to be done in connection with that particular section. The exercises are then arranged in the main so as to follow the order of the outline. The author believes this sort of outline desirable because without it students read an assignment just as an assignment, usually without any definite notion of what is to be gained from it; with the outline, they may have a definite end in view and a definite motive for doing the work. It is hoped and believed the references given and problems set forth will be found pertinent to the work in hand since most of them have been carefully tested

out in classroom work at the Teachers' College. A few excerpts have been reprinted because of their unusual bearing on the subject to which they are related and because they would otherwise be inaccessible to students.

In conclusion the author desires to express his gratitude to his colleague, Mr. W. F. Mitchell, who has used many of the exercises and problems set forth in the succeeding pages and given many valuable criticisms and suggestions. He also desires to acknowledge his obligation to those authors and publishers who have so kindly permitted excerpts from their published articles and books, many of which are copyrighted, to be reprinted here. The details in each instance are listed in the bibliographical notes.

REUBEN MCKITRICK.

Cedar Falls, Iowa.

August 15, 1917.

LISTS OF REFERENCE BOOKS

I. The following list contains the names of twenty books which are standard texts in Economics and which should be accessible to every student that takes a beginning course in the subject.

Bogart, E. L., *Business Economics*; La Salle Extension University, Chicago, 1916.

Bogart, E. L., *Economic History of the United States*; Revised Edition; Longmans, New York, 1913, \$1.75.

Bogart, E. L. and Thompson, C. M., *Readings in the Economic History of the United States*; Longmans, New York, 1916, \$2.80.

Bullock, Charles J., *Introduction to the Study of Economics*; Fourth Edition, Revised and Enlarged; Silver, Burdette and Company, New York, 1913, \$1.28.

Day, Clive, *A History of Commerce*; Longmans, New York, 1907, \$2.00.

Ely, Richard T., *Outlines of Economics*; Third Edition; MacMillan, Chicago, 1916, \$2.25.

Ely, Richard T. and Wicker, George Ray; *Elementary Principles of Economics*, Revised Edition; MacMillan, Chicago, 1917.

Fetter, Frank A., *Economics*; The Century Company, Chicago, 2 Vols. 1915 and 1916, \$1.75 each Vol.

Fetter, Frank A., *Source Book in Economics*; The Century Company, Chicago, 1912, \$1.30.

Gide, Charles, *Political Economy*; An Authorized Translation from the Third Edition (1913) of the "Cours D'Économie Politique"; Heath, Chicago, \$3.00.

Hamilton, W. H., *Current Economic Problems*; University of Chicago Press, Chicago, 1915, \$2.75.

Haney, L. H., *Business Organization*; MacMillan, Chicago, 1913, \$2.00.

- King, Wilford I., *The Wealth and Income of the People of the United States*; MacMillan, Chicago, 1915, \$1.50.
- Marshall, Wright and Field, *Materials for the Study of Elementary Economics*; Second Edition; University of Chicago Press, Chicago, 1915, \$2.75.
- Moulton, Harold G., *Money and Banking*; The University of Chicago Press, Chicago, 1916, \$3.00.
- Nourse, E. G., *Agricultural Economics*; University of Chicago Press, Chicago, 1916, \$2.75.
- Seager, Henry R., *Principles of Economics*; Holt, Chicago, 1913, \$2.25.
- Seligman, E. R. A., *Principles of Economics*; Fifth Edition, Revised; Longmans, New York, 1912, \$2.50.
- Taussig, Frank W., *Principles of Economics*; Second Edition, Revised; MacMillan, Chicago, 2 Vols. 1915, \$4.00.
- Willis, H. Parker, *American Banking*; La Salle Extension University, Chicago, 1916, \$2.00.

2. The following list contains the names of twenty books which are very desirable for reference purposes in a beginning course in Economics but which are not nearly so indispensable as those on the preceding list:

- Carlton, Frank T., *History and Problems of Organized Labor*; Heath, Chicago, 1911, \$2.00.
- Carver, T. N., *Principles of Rural Economics*; Ginn, Chicago, 1911, \$1.30.
- Carver, T. N., *Selected Readings in Rural Economics*; Ginn, Chicago, 1916, \$2.80.
- Commons, John R. and Andrews, John B., *Principles of Labor Legislation*; Harpers, New York, 1916, \$2.00.
- Ellwood, Charles A., *Sociology and Modern Social Problems*; Revised and Enlarged Edition; American Book Company, Chicago, 1913, \$1.00.

- Ely, Richard T., *Property and Contract in Their Relation to the Distribution of Wealth*; MacMillan, Chicago, 2 Vols., 1915, \$4.00.
- Gillette, John M., *Constructive Rural Sociology*; New Edition, Revised and Enlarged; Sturgis and Walton, New York, 1916, \$1.60.
- Hayes, E. C., *Introduction to Sociology*; Appleton, New York, 1915, \$2.50.
- Hourwich, I. A., *Immigration and Labor*; Putnam's, New York, 1912, \$2.50.
- Redfield, William C., *The New Industrial Day*; The Century Company, Chicago, 1912, \$1.25.
- Robinson, Maurice H., *Organizing a Business*; La Salle Extension University, Chicago, 1915.
- Ross, E. A., *Old Worlds in the New*; The Century Company, Chicago, 1914, \$2.40.
- Ryan, John A., *Distributive Justice*; MacMillan, Chicago, 1916, \$1.50.
- Sanford, A. H., *The Story of Agriculture in the United States*; Heath, Chicago, 1916, \$1.00.
- Skelton, O. D., *Socialism, a Critical Analysis*; Heath, Chicago, 1911, \$1.50.
- Spargo, John, and Arner, George Louis, *Elements of Socialism*; MacMillan, Chicago, 1912, \$1.50.
- Taussig, Frank W., *Some Aspects of the Tariff Question*; Harvard University Press, Cambridge, 1915, \$2.00.
- Van Hise, Charles R., *Concentration and Control, a Solution of the Trust Problem in the United States*; Revised Edition, MacMillan, Chicago, 1914, \$2.00.
- Weld, L. D. H., *The Marketing of Farm Products*; MacMillan, Chicago, 1916, \$1.50.
- Wilson, Woodrow, *The New Freedom*; Doubleday, Page & Co., New York, 1913, \$1.00.

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PART I. INDUSTRIAL SOCIETY AS A PRODUCING ORGANIZATION.

A. The Industrial Field. Its Essential Elements.

I. POPULATION

Outline:

1. Growth of population.
 - a) Past and present rates of growth.
 - b) Probable future rate of growth.
 - c) Changes in the growth of population in Iowa.
2. Characteristics of American People.
3. Relation of population to the means of subsistence in America.
4. Problems of population.
 - a) "Race suicide."
 - b) Congestion in cities.
5. Constituent elements in the population.
 - a) Native white stock.
 - b) Negroes.
 - c) Immigrants.
6. Duration of human life.

Exercises:

1. Describe the growth of population as it has taken place in the United States during the past century. Ely, 64; Seager, 30; Fetter, I: 426-31.

2. State the probable future rate of growth of population in the United States as estimated by Dr. Henry Gannett. Materials, 108.

3. The federal census for 1910 shows that the population of Iowa diminished 0.3 of one per cent. during the decade 1900-10. Account for this decrease. (See Census of Iowa, 1915, pp. xvii-xviii; also, Brindley, John E., *A*

Study of Iowa Population, Engineering Experiment Station, Bulletin No. 27.)

4. Point out the relationship that exists between population and the means of subsistence. Ely, 64-65; Seager 30; Fetter, 1: 431.

5. State the problems of population as they exist at the present time. Ely, 65-66.

6. Do economic conditions affect the rate of growth of the population? Materials, 111; Ely, 434-7.

7. State the causes of the growth of cities as pointed out by Adna F. Weber. Materials, 134.

8. Which is growing the faster in your home state, the urban or the rural population? Give the statistics to support your answer.

9. State the tendency regarding the rate of growth of the native white element of the population of the United States. Ellwood, *Sociology and Modern Social Problems*, Rev. ed. 144-6.

10. Is this tendency a national menace? Taussig, 2: 235-7.

11. In what sense is the negro element of the population an economic problem? Ely, 66-8; Seager, 31 and 32.

12. Describe the immigrant movement to America during the past century as shown by the graph in Materials, 137.

13. In what senses does the immigrant element in our population constitute a problem in the economic development of the United States? Ely, 68-74; Seager, 30-35.

14. What was Francis A. Walker's view regarding the influence of immigration on the growth of population in the United States? Give his argument. Materials, 146-49.

15. Can human life be prolonged? Is the effort economically worth while? Materials, 123-130; same in Bogart and Thompson, 851-3.

2. NATURAL RESOURCES

Outline :

1. Meaning of the term, "Natural Resources."
2. Description of the natural resources of the United States.
3. Problems pertaining to natural resources.
 - a) Relation of the growth of population to natural resources.
 - b) Wasteful methods of development.
 - c) Private ownership and public policy.
 - d) Co-operation between state and federal governments.
4. Influence on the economic development of the United States.
5. Conservation.

Exercises :

1. Make a list showing the principal natural resources of the United States. Materials, 77-102.
2. Briefly describe each of these resources with particular reference to its quantity, relative importance, present use, and possibilities for future development. Materials, 77-102; Bogart, *Business Economics*, chapters 2 and 3. Fetter, 1: 442-55.
3. In a similar way list and describe the natural resources of your own state.
4. What has been the influence of our natural resources on the economic development of the United States? Ely, 74-5; Bogart, 40.
5. What has been the effect of an abundance of natural resources on wages in the United States? Bogart and Thompson, 457.

6. Give a brief account of the ways in which we are wasting or not using our natural resources properly and give statistical evidence of the extent to which this is true. Materials, 77-102; also Bogart, *Economic History of the United States*, pp. 524-6.

7. To what extent are the natural resources of the United States now privately owned? Materials, 101; Ely, 75-6.

8. Why is co-operation between private owners and between the state and federal governments necessary for the proper future development of our natural resources? Materials, 101-2.

9. What is meant by the term, "conservation?" Bogart, *Economic History of the United States*, 526-7.

10. State two opposing views of conservation. Bogart, 30.

11. Point out three economic considerations which affect the problem of conservation. Do you think these influences tend to favor or retard conservation at the present time? Materials, 102-4.

B. Main Divisions of the Industrial Field.

3. AGRICULTURE

Outline:

1. Relative importance as an industry in the United States.
 - a) As to number of persons engaged.
 - b) As to value of the products.
2. Influences affecting its importance.
 - a) Abundance of fertile land.
 - b) Favorable system of land tenure.
 - c) Personal character of farmer.
 - d) Existence of a world market.
3. Nature of the industry.
 - a) Individualistic, i. e. the individual farm is the economic unit of production and the individual farmer is the dominant factor in the industry.
 - b) A profit-seeking industry.
 - c) A competitive industry.
4. Tendencies.
 - a) Former, large production per man.
 - b) Present, increased production per acre.

Exercises:

1. State the relative importance of the agricultural industry as indicated by the number of persons engaged in it and by the value of its products. Judging from these points of view, is the industry increasing or declining in relative importance? Abstract of the 13th Census; Ely, 74-5; Bogart, 18.

2. What has been the influence of a large body of fertile land in America on agricultural development. Bullock, 42-3.

3. Make a statement showing the influence of the use of machinery in agriculture in America on the productivity of the worker, the number of persons engaged, and the cost of production per unit of product. Materials, 164-70; Ely, 84-5; Sanford, *Story of Agriculture*, 246-65.

4. What is a system of land tenure?

5. What is the influence of a system of land tenure on the agricultural population? Contrast the land tenure policies of Europe with that of the United States in this respect. Bullock, 14-5.

6. Describe the system of land tenure which obtains in the United States and specifically point out the influence which this system has had on our agriculture. Bogart and Thompson, 601-5; Bullock, 41.

7. Point out the influence of a foreign market on the development of American agriculture. Coman, *Industrial History*, 258-60.

8. What are the personal characteristics of the American farmer which distinguish him from the farmers of all other countries? Walker, *Making of the Nation*, 66-7; Bogart, *Economic History of the United States*, 144.

9. Beginning with the manorial economy in England, point out and describe the principal changes that have taken place in the agricultural industry since the Middle Ages. Ely, 37-9, 40-2, 47-9, 50-1 and 84-5.

10. Describe the agriculture of "a generation ago," and contrast the conditions that prevailed on the farm then with those on a farm with which you are most familiar. Nourse, 63-6.

11. Describe the contest which took place between the settler and the cowboy on the frontier of American agriculture. Why is this a significant picture of industrial life? Nourse, 66-8.

12. In what respects is agriculture a "profit-seeking" industry? Is the agriculture of today any more of a profit-

seeking industry than that of a generation ago? Nourse, 68-69, 72-75, and 246-48.

13. The tendency in agriculture at the present time is said to be "from extensive to intensive farming," from large production "per man to large production per acre." How do you account for this tendency? Seager, 37-38; Carver, *Rural Economics*, 110-11.

14. Compare the results obtained respectively by the Bavarian farmer and by the American farmer per acre and per man. Carver, *Selected Readings in Rural Economics*, 148-50.

15. "Intensive agriculture helps society but hurts the farmer." Why? Waters, *Essentials of Agriculture*, 6-7; Fetter 2: 396-402.

16. Contrast agriculture with manufacturing as to the size of the industrial unit and account for the difference. Taussig, 1: 56-57.

17. Contrast the income of the farmer in the United States with the income of farmers in other parts of the world; with the income of other workers in the United States. Waters, *Essentials of Agriculture*, 5-6; Nourse, 833-37 and 890-92; Fetter, 2: 390-1; and Carver, *Selected Readings in Rural Economics*, 630-5.

18. As population increases, should the land be divided into smaller tracts for a large number of small farms or should the present size of farm be maintained and future increases in population be expected to find their livelihoods in other industrial pursuits?

4. MINING AND OTHER EXTRACTIVE INDUSTRIES

Outline:

1. Relative importance of mining as an industry.
 - a) As to number of persons engaged.
 - b) As to value of the products.
2. Nature of the industry.
 - a) Corporate.
 - b) Wage-earning.
 - c) Competitive.
3. Tendencies.
 - a) Toward concentration.
 - b) Toward monopoly.
4. Relative importance of lumbering as an industry.
 - a) As to number of persons engaged.
 - b) As to value of the products.
5. Nature of lumbering as an industry.
6. Tendencies toward monopoly in lumbering.

Exercises:

1. Give a brief description of the development of the mining industry in America. Seager, 40-3.

2. In what metals does the United States lead the production of the world? Seager, 43.

3. What is the relation of the iron and coal industries of the United States to the importance of the iron and steel business of the country? Bullock, 74-6; Bogart and Thomson, *Readings in Economic History*, 752-4.

4. Give the relative importance of the mining industry in the United States, using the number of persons engaged in the industry as the basis of classification. Does the order change any if the value of the products is taken as the basis of classification? Abstract of the 13th Census, 541.

5. To what extent do corporations as compared with individuals prevail in the ownership and management of

mines in the United States? Contrast mining with agriculture in this respect. Abstract of the 13th Census, 552-3.

6. What proportion of the persons engaged in mining are proprietors and officials? Salaried employes? Wage-earners? Abstract of the 13th Census, 548.

7. What is the situation in regard to unemployment and to hours of work in the mining industry? Abstract of the 13th Census, 550-1.

8. Describe the tendency toward concentration in management in the mining industry in the United States. Abstract of the 13th Census, 553.

9. Describe the tendency toward monopoly in the mining industry manifested by the anthracite coal combination. Seager, 408-11.

10. Why is private ownership of mines hard to defend? Gide, *Political Economy*, 544-9.

11. If a man owns a good piece of agricultural land in the United States, should he also be entitled to all the mineral wealth that might be found under the surface of his farm?

12. What is the rule and the tendency in the United States regarding private ownership of mineral wealth? Ely, 675-7; Ely, *Property and Contract*, 1: 154-5 and 161-2.

13. What is the relative importance of the lumbering industry in the United States?

14. What has been the effect of the policy of the federal government regarding forest lands? What changes are being made in this policy? Ely, *Outlines*, 674-5.

5. MANUFACTURES.

Outline:

1. Historical development.
 - a) The "handicraft" industry.
 - b) The factory system.
2. The relative importance of manufacturing.
3. Nature of the industry.
 - a) A machine industry.
 - b) A corporate industry.
 - c) A wage earning industry.
4. Tendencies in the industry.
 - a) Toward concentration.
 - b) Toward integration.
 - c) Toward monopoly.
5. Influence of the nature and tendencies in manufactures on industrial freedom.

Exercises:

1. Point out at least three striking characteristics of the so-called "domestic system" of industry in England as related by Arnold Toynbee; state also definitely the condition of the worker in this system. Hamilton, *Current Economic Problems*, 38-42.

2. Describe the changes which the Industrial Revolution brought into manufacturing. Ely, 51-3.

3. What is a factory? What are the essential elements of the factory system? Bogart, 49.

4. Describe the method of the "factory system," point out the necessities for its successful operation, and indicate the results which may be expected. Hamilton, 59-60.

5. What was the effect of the Industrial Revolution on the growth and distribution of the population of England; also upon agriculture, manufactures, the distribution of

wealth, and the separation of people into classes? Materials, 11-17.

6. May the use of the factory system be expected to have similar results in the United States?

7. What is the relative importance of manufactures in the United States, using the number of persons engaged in the industry and the value of the products obtained as bases of comparison?

6. What is the nature of the manufacturing industry of the United States at the present time? Ely, 86-7.

7. What have been the effects of capitalistic methods and corporate management of the manufacturing industry? Ely, 87.

8. Describe the tendency toward concentration in the manufacturing industry of the United States as set forth by Professor Taussig. 1: 49-52 and 59-60.

9. Define concentration in industry.

10. Describe the tendency toward integration in industry. Taussig, 60-64.

11. Define integration; state also the motives which lead toward concentration and integration. Taussig, 1: 60 and 64.

12. To what extent, if any, does concentration and integration result in monopoly?

13. Are such combinations contrary to law? Follow the accounts in current periodicals of the suits now being conducted by the government against the United States Steel Company and the International Harvester Company.

14. As a young person about to engage in industry, would you rather begin as an employee in a highly concentrated or integrated industry, or as an employee in a small business, such as a farm or a small manufacturing plant which you might hope to own some day?

6. TRANSPORTATION

Outline:

1. Extent and importance of railway transportation in the United States.
2. Monopolistic character of railway transportation.
3. Tendencies in railway transportation.
 - a) In regard to government regulation.
 - b) In regard to government ownership and operation.
4. Ocean transportation.
 - a) Decline in importance.
 - b) Reasons for this decline.
 - c) Plans for future growth and development.
5. Inland water transportation.
 - a) Meaning of the term.
 - b) Relative importance.
 - c) Reasons for decline of traffic on the Mississippi river and its tributaries.
 - d) Future relation between railway and inland water transportation facilities.

Exercises:

1. Tell what you can of the extent and importance of the railway industry in the United States. Seager, 29; Hamilton, 346.

2. On the basis of the number of persons engaged in the business, how does the railway industry rank with agriculture, manufactures and other industries?

3. Why is the railway industry a monopolistic business? Seager, 424-5; Ely, 560-1; Hamilton, 352-4.

4. Give a brief description of the movement toward combination and consolidation in the railway industry of the United States. Ely, 90-93.

5. Give a concrete illustration of the influence of linear consolidation of railway lines on competition in this industry. Bullock, 345.

6. What changes have taken place in the activity of the American merchant marine in the past fifty years? Bogart and Thompson, 651-2.

7. What are the causes for the decline of our merchant marine? Bullock, 67-9; Bogart, 194-6; Day, *History of Commerce*, 545-47.

8. What was President McKinley's view regarding our merchant marine? Bogart and Thompson, 653-4.

9. What is the policy of the United States shipping bill passed by Congress during the summer of 1916? What are the main provisions of this bill. See *Readers' Guide to Current Literature*.

10. What is the personnel of the commission created by this bill? See same source.

11. Point out at least four reasons for the decline of traffic on the Mississippi river. Are these obstacles insurmountable? Bogart and Thompson, 667-675.

12. What is the meaning of the term, "Pork barrel," as applied to legislation relating to rivers and harbors?

13. What should be the future relation between the rail and the water transportation systems of the United States? Bogart and Thompson, 675-80.

7. COMMERCE

Outline:

1. Defined and distinguished from other industries.
2. Relative importance.
 - a) As an industry.
 - b) As an economic function.
3. Nature.
 - a) Corporate.
 - b) Competitive.
4. Kinds.
 - a) Foreign.
 - b) Domestic.
 - c) Relative importance of each.
5. Tendencies.
 - a) Toward large scale organization.
 - b) Toward elimination of middlemen.
 - c) Toward development of co-operative agencies.

Exercises:

1. Define commerce; look up a number of different definitions and compare them.
2. Distinguish commerce from transportation. Robinson, *Business Organization*, 19.
3. Distinguish commerce from manufacturing and from agriculture.
4. Should banking, insurance, and brokerage and commission businesses be regarded as commerce? Give reasons for your answer.
5. On the basis of the number of persons engaged, rank commerce with the other industries studied as to its relative importance as an industry.
6. Which is the more important economic function, to grow food stuff on a farm or to market it; to manufacture a machine or to sell it? Which function at the present time

claims the larger share of the selling price to the consumer. Nourse, 530-3; Materials, 406-14; Weld, *Marketing Farm Products*, 175-8.

7. Describe the foreign commerce of the United States with particular reference to its quantity and character; also account for our commercial development in this particular. Bogart, *Economic History of the United States*, 508-18.

8. Contrast our commerce in agricultural products with that in manufactured products. Bogart, 508-9.

9. Contrast the volume of our foreign trade with that of our domestic trade. Bogart and Thompson, 644-5.

10. What are some of the interesting changes that are coming into the mechanism of our domestic trade? Bogart, *Economic History of the United States*, 519-20; Ely, 618-22.

11. Compare the per capita growth of internal commerce in the United States with the per capita increase in wealth. Bogart and Thompson, 646.

12. Tell something of the importance and influence of the country store as a trading center and as a factor in the social, political and economic life of the community. Day, *History of Commerce*, 474-6.

13. What is the influence of direct selling by manufacturers upon the middlemen and retailers? Point out also the influence of department stores and mail order houses on the retail business in the United States. Bogart and Thompson, 646-51.

8. OCCUPATIONS AND PROFESSIONS

Outline:

1. Classification of occupations and professions.
 - a) As to the nature of the work performed. (Census classification).
 - b) As to the relation of the worker to his work.
 - x) Wage earners.
 - y) Salaried employes.
 - z) Independent enterprisers.
2. The working force.
 - a) Total number of persons gainfully employed.
 - b) Distribution of the working force throughout the various industries.
 - c) Distribution according to the age and sex of the workers.
 - d) Distribution according to the relation of the worker to his work.
3. Possibilities of economic freedom for the individual worker.
 - a) The meaning of "freedom of enterprise in America."
 - b) Present tendencies regarding freedom of enterprise.

Exercises:

1. What distinction would you make between an industry, an occupation, and a profession.
2. Make a list of the principal industries in the United States and specify a few of the occupations that will be found in each. What occupations, if any, are common to all industries? About how many different occupations are listed in the Census classification? Census Reports, 13th Census, Vol. 4, 6-8, and 211-218; Materials, 183-8.
3. Select three of the most important industries in your community and make a list of the different occupations represented in each.

4. Distinguish between a wage earner, a salaried employe, and an independent enterpriser. Are there any social distinctions between these groups of workers, and if so, upon what basis do such distinctions rest? Materials, 640-1.

5. Which one of the three groups of workers mentioned in the preceding exercise is most numerous in your community? Are the social distinctions noted above very apparent?

6. How many persons in the United States are gainfully employed? What proportion of the total population do they constitute? Ely, 129.

7. Tell what you can of the proportionate distribution of these workers among the five main industrial groups. What significant changes are coming about in the relative importance of these groups? Ely, 130.

8. What proportion of the working population are children under 16 years of age? In what respects is child labor an economic problem? Ely, 129 and 476-9; Fetter, 2: 317-8.

9. What are the provisions of the federal child labor law passed in 1916? Ely, 478.

10. Under what conditions may child labor be employed in your community?

11. What part of the working population are women? Ely, 129.

12. Discuss the subject of "women in industry" with special reference to the influence of the factory system and of the law on their employment, the occupations that are open to them, and the special senses in which their employment constitutes an economic problem. Adams and Sumner, *Labor Problems* (1908), 19-30, 37-47, and 51-58; Carroll D. Wright, *Practical Sociology* (1909), 208-215; *New International Encyclopedia* (Revised Edition), Vol. 23, 770-1; Federal Commission on Industrial Relations, *Final Report* (1916), 71-73; Ely, 479-80.

13. How does that part of the population not gainfully employed get its living? Do you think that the proportion between this group and the one gainfully employed is as it should be? If not, specify the changes which you think should be brought about?

14. From the following table prepared by Mr. W. I. King,* figure out the proportionate distribution of workers in 1910 between independent enterprisers, salaried employes and wage earners. Compare the number of independent enterprisers and the number of employed persons in 1910 with those of 1850, and show which groups are proportionately increasing or diminishing.

ESTIMATED DISTRIBUTION OF PERSONS GAINFULLY
EMPLOYED IN CONTINENTAL UNITED STATES

| Census year | Total Number in Thousands | Number of Entrepre- neurs in Thousands | Number of Employees in Thousands | | |
|----------------|---------------------------------|---|----------------------------------|---------------------|-----------------|
| | | | All Employees | Salaried Persons | Wage Workers |
| 1850 | 6,080 | 2,200 | 3,880 | 300 | 3,580 |
| 1860 | 8,240 | 3,150 | 5,090 | 520 | 4,570 |
| 1870 | 12,510 | 4,270 | 8,240 | 810 | 7,430 |
| 1880 | 17,390 | 5,600 | 11,790 | 1,260 | 10,530 |
| 1890 | 23,320 | 7,100 | 16,220 | 1,850 | 14,370 |
| 1900 | 29,070 | 8,720 | 20,350 | 3,190 | 17,160 |
| 1910 | 37,550* | 9,350 | 28,200 | 5,950 | 22,250 |

*Recorded numbers reduced by 617,000 on account of probable errors mentioned on pages 28 and 29 of Vol. 4, 13th Census of U. S.

15. When we speak of "freedom of enterprise in America," what do we mean? What are some well recognized limitations to this freedom? Ely, 26-28.

16. Why is it important that men should be free to choose their occupations? Seager, 248-9.

17. What are some considerations which influence men's choice of an occupation? Seager, 253-5; Fetter, 1: 195-6.

**Wealth and Income of the People of the United States*, p. 264. Copyright by The MacMillan Company. (1915.)

18. "In our day we see opportunities for the mass of men decreasing in range and variety and possibilities. We see wealth becoming more concentrated and less responsible in the hands of a growing class which has not earned it and which gives no service in return for the privileges enjoyed." The foregoing statement is taken from a recent editorial in the *Chicago Tribune*. Specify the respects in which you think it is a correct or an incorrect statement regarding economic freedom for the individual in his choice of an occupation and pursuance of it.

19. During perhaps the greater part of the nineteenth century, men in America had as a part of their economic freedom the hope and the possibility of rising from one position to a better one—from a hired laborer on a farm to tenant and finally owner of the farm, or from clerk in a store or wage earner in a factory to partnership in the business and ultimate ownership of it. In the following selection from Adams and Sumner's *Labor Problems** (pages 5-6), point out the particulars in which the foregoing conditions of freedom may not still exist and the reasons therefor:

"The great majority of men do not possess the abilities or the opportunities to secure the large capital necessary for the successful conduct of a modern business. For the masses, indeed, it is true and increasingly true, that once a wage earner always a wage earner. This permanency of status makes the labor problem in one respect a class struggle. The laborer feels that he is permanently held within a class whose interests are, in part, antagonistic to those of the employers with whom he bargains and higgles over wages. Fortunately or unfortunately, too, industry becomes more highly capitalized as time passes, making it increasingly difficult for men to acquire industrial independence, and steadily reducing the proportionate number of those who can set up establishments of their own. To some it seems that the complexity of industry has outrun human ability, leaving a smaller and smaller proportion of men who are fitted to direct and control. Others explain the phenomenon by asserting that,

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owing to a mechanical tendency towards centralization of business, a decreasing proportion of men have the exceptional means and opportunities to rise to industrial independence. Whatever the explanation, there can be no doubt of the fact that the ultimate control of industry is passing into relatively fewer and fewer hands, with the result that the power and wealth of the few who do reach the top are so enormously swelled that they would threaten—if misused—the purity and stability of the government itself.”

20. Professor Cooley in his *Social Organization** (pages 245-6) describes a new aspect of economic freedom which he thinks is coming to be more important than the mere ability to rise from one position or class to another. Discuss Mr. Cooley’s view with particular reference to what should be done to bring about more “justice, opportunity and humane living” among the less privileged groups.

“Class organization is not, as some people assert, necessarily hostile to freedom. All organization is properly, a means, through which freedom is sought. As conditions change, men are compelled to find new forms of union through which to express themselves, and the rise of industrial classes is of this nature.

“In fact, the question of freedom, as applied to class conditions, has two somewhat distinct aspects. These are :

1. Freedom to rise from one class into another, freedom of individual opportunity. . . . This is chiefly for the man of exceptional capacity and ambition. It is important, but not more so than the other, namely :

2. Freedom of classes, or, what is the same thing, of those individuals who have not the wish or power to depart from the sphere of life in which circumstance has placed them. It means justice, opportunity, humane living, for the less privileged groups as groups ; not opportunity to get out of them, but to be something in them ; a chance for the teamster to have comfort, culture and good surroundings for himself and his family without ceasing to be teamster.

“The first of these has been much better understood in

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America than the second. That it is wrong to keep a man down who might rise is quite familiar, but that those who cannot rise, or do not care to, have also just claims is almost a novel idea, though they are evidently that majority for whom our institutions are supposed to exist. Owing to a too exclusive preoccupation with ideals of enterprise and ambition, a certain neglect, and even reproach, have rested upon those who do quietly the plain work of life."

In the following selection President H. H. Seerley gives a good account of the opportunities open to the early pioneer and of the personal qualities necessary for individual success under such circumstances. Contrast these opportunities with those of the present day and indicate the personal characteristics now required for industrial success and individual prosperity :

Opportunities. It is appropriate to pay high tribute to the Iowa pioneer who had the courage to come into this beautiful land when it was a wilderness and by taking possession and by developing its resources and possibilities has made this great state the wonderful commonwealth that it is today. It is too often customary to assume that the youth of today does not and will not have equivalent opportunities for success and progress as were general in those pioneer times. It is true that the special opportunity to procure such productive land at \$1.25 an acre does not exist today, but such a statement as securing cheap land for a home is not the whole story of the causes of the remarkable civilization that exists today. It must be remembered that Iowa was not a successful country of itself in which to live as it remained for these early settlers to use their industry, their thrift, their sacrifice and their capability in producing the final conditions that developed and expanded in greatness into a successful country. The pioneer had no market for the results of his industry, he had to find it ; he had no schools for his children, he had to found them ; he had no railways, not even wagon roads for transportation of his products, he had to build them ; he had no daily mails to bring him the report on the doings of civilization, he had to get along without them ; he had no newspapers to tell him what to do with his farming or how to meet the

exigencies of climate or isolation, he had to do his own thinking; he found no openings for employment at salaries that were attractive and he became his own master of finance; he had few qualified physicians to treat him or his family in illness and he trusted much to Providence and sanitation; he had no lawyers to give him advice on business points that needed elucidation and he informed himself as to his rights.

“The kind of encouragement he had was chiefly an opportunity to make sacrifices, to endure hardships, to work continually for many years in order that civilization might be established, to co-operate that public enterprises might be organized and that ideals and standards of society and of prosperity might be adopted. This work of opening a new country, of building up industries, of developing markets, of founding a school system, was one continuous struggle for the mastery. Out of these difficulties came conditions that required the employment of his own initiative, that demanded surplus energy for a contest to attain self dependence, that imposed the necessity for self reliance, thus developing a people who became constructive, strong and successful to the highest degree. In becoming leaders in finance, in the professions, in manufacturing and in farming they became their own capitalists because thrift was a prominent reality and cumulative success was an absolute certainty.

“*The Savings of the Pioneer.* The buildings of prosperity and success by self reliance and by rigid economy of the pioneer are among the most extraordinary facts in the history of the state of Iowa and the benefits possessed by the people of today in great measure should be credited to the training in thrift that they gave their children. There were no expenditures in the pioneer family that could be avoided, there were no outlays that were not investments, there were no ideals accepted that did not promise independence and future strength, there were no standards allowed to prevail that did not give assurance of virtue and manliness of life for the masses. The prosperity of the present, the promise of the future, are due to the cumulations that have come from continuing the policies and customs they approved and enforced. The fine farms, the cultured homes, the wonderful credit in the market, the remarkable advantages of many kinds, the great opportunities on every hand, the grand privileges that are everywhere in this state are all legacies of that past when

the pioneers practiced self denial and thrift for the benefit of the generation soon to be in control of public and private affairs. In making an investigation of present prospects, in taking an inventory of the capital of young life now to be invested, in considering the possibilities for progress and improvement in the immediate future—the future belonging to the young people who graduate from the schools from year to year—it is well to be reminded that equivalent success can be procured at the same price and in the same way as that followed by the Iowa pioneers. It must be recognized, however, that it is only the truly fit in physical, intellectual and moral qualities that can survive and that it is necessary to depend upon personal strength, individual wisdom, one's own capital, good fortunes, energies and resources in order to make one's name have value and confidence on the market, one's reputation have reliability and acceptability in society and one's own earnings and services to set up business and establish success."

C. Conditions Giving Direction to Industrial Activity

9. COMPETITION IN INDUSTRY

Outline:

1. Competition—defined and described.
2. The nature of competition.
 - a) Ever-present.
 - b) Uncertain.
 - c) Creative.
 - d) Under certain circumstances, self destructive.
3. Self-interest, the dominant motive in the competitive system.
4. Influence of competition in industry.
 - a) On prices.
 - b) On the quality of goods and services.
 - c) On personal conduct.
 - d) On "human well-being."
5. Influence of legislation on competition.

Exercises:

1. Define competition. Ely, 28; Fetter, 1: 73-4 and 2: 24-28.
2. Is either one of the two sides of business competition which Dr. Ely points out more important than the other? Is the average individual better able to take part in the competitive struggle in one way than the other? Ely, 28.
3. Is the idea of struggle or "endeavor" suggested in one of the definitions cited above antagonistic to the idea presented in the following statement or synonymous with it? "Competition, we have now learned, is neither good nor evil in itself; it is a force which has to be studied and controlled; it may be compared to a stream whose strength and

direction have to be observed, that embankments may be thrown up within which it may do its work harmlessly and beneficially."

4. May competition as a "force" be likened to gravity, chemical affinity, or electricity?

5. In what sense is competition "ever-present" and uncertain? Ely, 28-29.

6. In what sense is competition as a "force" creative in its nature? Seligman, 140-1.

7. Specify the circumstances under which competition may be self-destructive. Gide, 138; Ely, 198-200.

8. In the following selection from Adam Smith's *Wealth of Nations* (Book IV, Ch. 2) point out the motive which leads men to engage in private industry and show how the activity resulting from this motive benefits society. Why would it not be better for the state to specify the kind of industry in which each particular man should engage?

"The produce of industry is what it adds to the subject or materials upon which it is employed. In proportion as the value of this produce is great or small, so will likewise be the profits of the employer. But it is only for the sake of profit that any man employs a capital in the support of industry; and he will always, therefore, endeavor to employ it in the support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods.

"But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchangeable value. As every individual, therefore, endeavors as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labors to render the annual revenue of society

as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.

“What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him. The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.”

9. What is the “invisible hand” referred to in the preceding exercise?

10. Is it true that your father was impelled to engage in his present occupation by the motive suggested above? Will you be guided by the same motive in the selection of your occupation? If not, what one will you substitute for it and why?

11. Make a list of four things which competition is supposed to do in our industrial system. To what extent are these desirable ends attained? Gide, 134-8. See particularly note on p. 135.

12. Is competition the dominant force in American industry? Taussig, 1: 65-66.

13. Contrast the influence of competition on personal conduct as set forth in the following selections. Which view do you think is correct? May there be any middle ground?

“Competition, moreover, is the great safeguard of society. It evokes in individuals the fundamental characteristics of energy, thrift, and power; and it harmonizes to a large extent the interests of the individual and of society, by making the success of the one depend primarily on what he can accomplish for the other.”*

“*The Premium on Dishonesty*: Competition and the profit system make it almost impossible for men to succeed in many lines of business without resorting to deception, unfair advantage and adulteration of goods. Profits are gained by reducing the expenses of production and selling at the highest possible price. The sale of cotton and shoddy for wool, the addition of glucose to sugar, injurious preservatives in foodstuffs, poor building materials sold for good, deodorized eggs and embalmed beef, bogus mining stocks, “city lots” in a Florida swamp, railway rebates, manipulation of legislatures, two hundred per cent on chattel loans, and a thousand other nefarious devices have been developed by a *laissez faire* competitive system. When one competitor resorts to such means the others must follow or go out of business. Restrictive legislation is bitterly fought by personally honest men. One method of deception is hardly made illegal before another is devised. The spirit of the law is violated

*Seligman, E. R. A., *Principles of Economics*, p. 141. Copyright by Longmans, Green and Company. (1912.)

and the letter upheld. Government inspectors must watch all forms of manufacture to detect violations of the law, and it becomes an advantage to the manufacturer to bribe the inspector. Nor must it be forgotten that practically the entire system of government regulation and inspection with its army of employes and expensive departmental machinery is a social waste, made necessary by the nature of capitalism.

“To these evils must be added the danger to health and lives of the workers under the profit system. Every safety device costs money and the manufacturer not unnaturally hesitates to incur the expenditure lest it reduce the margin of profit. One manufacturer may even wish to guard his machinery, but finds himself unable to do so unless his competitors do the same, and even he will fight a law compelling him to protect the lives of his employes. So it is with sanitation. Even a private monopoly is more likely to safeguard the health of its employes than is the best individual employer under competition.”*

14. What is the influence of legislation on competition? Seligman, 147-53; Ely, 29-30; Hamilton, 154-156.

*Spargo and Arner, *Elements of Socialism*. Copyright by The Mac-Millan Company. (1912.)

10. PRIVATE PROPERTY

Outline:

1. Private property, defined and described.
2. Excluding clothing and other articles of ordinary.
3. Relation to individual well-being.
 - a) As a means to economic independence.
 - b) As a basis for social standing.
4. Relation to social well-being.
 - a) As a source of happiness and a stimulus to industry.
 - b) In cultivating care.
 - c) In developing personality.
 - d) In developing and satisfying higher social needs.
 - e) In serving as a "cement for society."
5. Private property—"A seat of social authority."
6. Public policy regarding proposed changes in property rights.

Exercises:

1. Define property. Ely, 21; Fetter, 2:15-19.
2. Excluding clothing and other articles of ordinary household equipment, make a list of five of the most important valuable things in your community in which the right of private property exists? Would this list be the same for any other community in which you have lived. Make a similar list of valuable things in your community which are public property.
3. Why do you think the right of the individual to property should involve the idea of protection by the State?
4. Will the State call out the militia to protect one in the possession and enjoyment of his property? Cite particular instances, if you know of any. Do you think it would be right for the State to use armed force for such a purpose?

5. Was there any private property in the Garden of Eden?

6. Trace historically the steps in the development of private property as we now have it. What has been the determining factor at all times in the extension and development of individual rights to property? Seligman, 125-131.

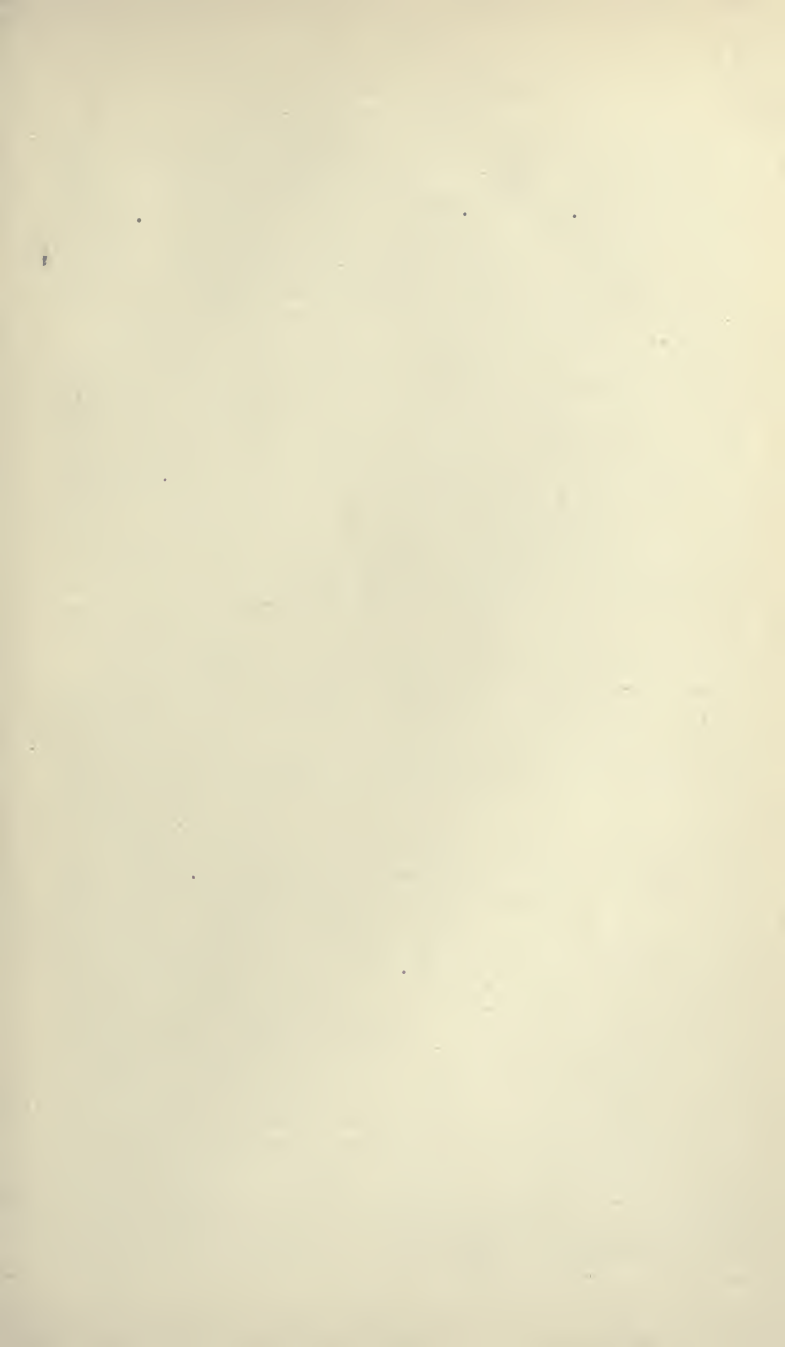
7. What is the present nature of property rights? In what respects are property rights being modified and limited? Fetter, 2: 20-22; Ely, 22-23.

8. What is the only basis and justification for modifying present rights? Fetter, 2: 22-23; Seligman, 134-136.

9. In the following assignment from Dr. Ely's discussion of the influence of private property on individual well-being point out the economic and social restrictions which surround the individual who lacks private property. Ely, *Property and Contract*, 1: 307-309.

10. If private property has so close a relation to individual comfort and independence as was indicated in the preceding exercise, how do you account for the fact so few persons possess any property beyond immediate needs? What are the conditions upon which "financial independence" may be attained? A basis for the discussion of the foregoing questions is found in the following selection from a recent address by President H. H. Seerley, of the Iowa State Teachers' College.

"The United States is a very prosperous nation as a combination of citizens when the total invoice has been taken of real estate, bank balances, resources, merchandising and manufacturing, and yet as individuals in a mass but few Americans are capable of being classified among the truly prosperous. The people of the United States earn lavishly, but unfortunately they spend their incomes so extravagantly and so completely that they prove to the thoughtful that they know nothing at all of either thrift or economy. Such shortcomings among the American people are not chargeable to any one vocation, profession or class, as the general rule



shows that it is supposed to be more creditable to spend than to save, more honorable to go on credit for present day maintenance than to have a surplus beyond needs and immediate expectations, more sensible to buy when it can be afforded, even if such purchase infringes on capital, rather than to become capitalists and investors as independent men and women of affairs in the community and in the state.

"Business Credit. So much so is this habit of spending income true as a practice that were the wheels of industry to stop thirty days, the vast majority of our people would be in the direst distress unless hope of an early revival made it possible yet to mortgage the future. The method of doing business on thirty days credit may be convenient as a system, but it destroys many a family's independence as financiers because the habit of paying obligations when wages or salaries are received is becoming so universal as actually to prevent the attainment of either a competence or a protective fund for the days of misfortune or incapability.

"In the whole United States not over 108 out of every thousand save money and two out of every three who die leave no estate whatever. In New York, where statistics are the best, one out of every ten is buried in the potter's field, 85.3 per cent. leave no estate, 4.3 per cent. leave from \$300.00 to \$1,000.00 and 5.3 per cent. leave from \$1,000.00 to \$5,000.00.

"In the United States there are 1,250,000 wage earners who have become dependent upon the state and their support is costing the taxpayers \$220,000,000 a year. There are in this country 3,000,000 widows over 65 years of age, of whom 32 per cent of them absolutely lack the bare necessities of life and 90 per cent. of them lack the common comforts of life. The country at large is supporting 1,000,000 delinquents in public institutions and yet the wealth that is estimated to exist amounts to more than \$150,000,000,000 in valuation. It ought not to be that 10 to 15 million of our people in 1915 are in absolute poverty when such abundant prosperity exists and when such marvelous opportunities are offered, since it is known that this present untoward condition is not due to lack of making good incomes or to the impossibility to prosper largely and to succeed wonderfully, but that it is entirely due to habits of wastefulness, extrav-

agance and shiftlessness in business and to the lack of comprehending the importance of thrift as a fundamental principle of character and conscience in dealing with the every-day transactions of life.

Preparation for the Future. The first necessity to success in this world in any worthy field of occupation is business ability and integrity, as without them the best talent is lost and the greatest independence of character is sacrificed. Young men and women who desire competency and efficiency must recognize at the outset that financial independence is an essential attribute to any sort of personal prosperity and that such an essential condition does not mean after all the acquiring and the possessing of a vast sum of money. Financial independence means the establishing of a rigid system of prudence, so that the expenditures never equal the income and so that the savings of income are begun early in life, when actual demands are small and prosperity is a certainty. It is a reckless procedure to wait to begin to build the financial fortune until the income gets larger and the amounts to be set aside are greater. The man or woman who can not save from an income of \$300.00 or \$500.00 will not be able to save when the income becomes \$5,000.00 or \$10,000.00, because individual initiative and individual demands constantly increase as developments come and opportunities enlarge. Opulence is a comparative term, a matter of feeling, rather than an absolute term, a matter of judgment. To be governed by emotion in conducting important business enterprises is to surrender judgment and foresight where such applications are essential factors. Prosperity is also a comparative term, rather than an absolute term. Capital as a word is a comparative term when applied to business, since he who saves a dollar and invests it so as to increase his income has attained prosperity, has become a capitalist and is developing a habit that is fundamental to success and efficiency. Financial ability should not be measured by thousands or by millions, but by the possess capability to save money and to invest it wisely for more increase of saving. Thrift means mental discipline, self imposed; it consists of denying the present in order to take care of the future; it compels the exercise of moral stamina of an unusual quality because it demands the possession of the power to refuse to yield to the temptation of

enjoying recklessness, improvidence and dissipation, the special pleasures of the spendthrift. Thrift is the ultimate foundation of the efficiency of individual men and women, of community and of state prosperity in government, of the success and power of organized industry and cumulating business of every kind."

11. Which is the "safer" road to individual fortune? Fetter, 1: 482-6.

12. Which is the wiser policy, individually and nationally, to save or to spend? Discuss this problem from the point of view suggested in the following editorial which appeared in the Des Moines Register, June 27, 1917. What do you think of the test of personal capacity suggested below?

SAVING AND SPENDING

"The problem with every individual is how to save without stinting himself and his family too much in their daily needs, how to accumulate a capital fund, without depriving himself of the enjoyments and conveniences of life.

It is easy to go to either extreme, easier to go to the extreme of spending than of saving. More than one man who in his prime has enjoyed a liberal salary has been buried by the county at the last. On the other hand, less frequently now than a generation or two ago, men have kept the sugar locked up that no personal indulgence might interfere with accumulation.

"To strike a happy medium, to save a working capital, for the future, and at the same time bear a full part in the activities and enjoyments of the present, is the real test of personal capacity. Only the rare man gets the most out of the present while making wisest provision for the future. The average man either spends everything as he goes, or makes a vice of saving.

"The problem of the individual is the problem of the community. Nationally the American people are precisely where every individual American finds himself. The national problem is how to get a working capital for the development of vast enterprises, without depriving too many people of bath tubs. It is tremendously important that we

have accumulated working capital. It is tremendously important that the average family have "the dollar left over" of Wendell Phillips, for books, and leisure and entertainment.

"We shall never strike an exact balance nationally any more than individually. The best we can do is to recognize when the tide is setting too strongly towards one extreme or the other and try and correct the tendency. This is all the harder to do nationally because those who are directly interested in accumulated wealth are one class, while those who are directly interested in more dollars per week for the enjoyment of life are another class. And the problem is further complicated because so many who stand for accumulated wealth scatter so wastefully, while so many who urge more dollars per week get so little worth while out of the leisure they already enjoy.

"The matter has been presented acutely in the proposal to "conscript wealth" for the war. The advocate of accumulation at once protests. Conscription of wealth will not reach the money the wealthy spend on themselves, it will only reach the money ready for investment in new enterprises. Suppose United States Steel is making now \$500,000,000 and was making only \$75,000,000 three years ago. That accumulated earning is merely a new fund for enlargement of the steel industry. An enlarged steel industry means more avenues of employment, higher wages, more comforts in the home. The steel owners cannot spend any more money on themselves. All they can do is to use the new money to enlarge the field of American activity.

"On the other hand, here is the concrete fact: with all the enormous enhancement of wealth in the United States, half the families of America are living below the line of comfort fixed by students of social economics, and one-third of the families of America skirt the hunger line. Although in the two years of war, this country has changed its relation to the commercial world, and become a creditor nation, the day laborer in Des Moines is having as hard a time of it to supply his daily table as he ever had; in fact, many believe a harder time.

"Now it will not do to have too many families go without bath tubs to accumulate enormous aggregations of working

capital. Translating this into terms of taxation for this war, it will not do to distribute too much of the burden in taxes on consumption in order to leave intact the working accumulations of the steel trust. Taxes on consumption are a burden put upon the shoulders of the masses, and they take in too many instances the dollar left over that should go for the comforts of life. Suppose it to be true that to tax United States Steel \$400,000,000 a year during the war would stop many enlargements of the steel industry, there is a point at which it becomes more important that the consumer should have food and comforts in the home than that even the most unexampled enlargement of business should be financed out of earnings.

“The Register would not put the emphasis at the wrong spot. It is much easier to spend every cent we make as a people than it is to accumulate. Moreover, it is easy to harbor unwarranted suspicions of those who are managing the accumulation. We must have accumulated capital, and we must have enlargements and improvements, and we must have money for new things. We must have faith in the men who are at the head of great enterprises. But in our zeal for this side of it, we must not overlook the actual needs of the people who do the work, nor forget that comforts in the homes of the masses are in the last analysis the test of our civilization. For, however hard we may fight for world democracy, we shall never have world democracy excepting as the masses of the world are given the “dollar over” that means books and music and travel and recreation.”

13. What are the social purposes which private property serves and how does it accomplish these ends? Ely, *Property and Contract*, 1:298-304; King, *Wealth and Income*, 54-64.

14. In what sense may private property be the “seat of social authority?” Ely, *Outlines*, 22.

15. From the following description of property relationships in a western mining camp, indicate the group which is able to exercise authority over the other and point

out the source of that ability. How would you remedy such a situation?

“Coal mines are not developed like a factory at a convenient distance outside some town or ‘camp.’ A shaft is sunk wherever the coal happens to be. If there is no town at hand, and there generally is not, the operator must build one before he can get men to come and work in his mine.

“Having assembled a group of people in a place remote from other towns, it becomes necessary to provide them with foodstuffs and other essentials. There must be a store, and usually there is no one with requisite capital to build and maintain one but the operating company. There is no coal mining state, whether east, west or south, where this system of private town ownership, despite occasional exceptions, is not the historic and expected condition.

“This, of course, creates a situation with respect to local government and the relationship between landlord and tenant very different from that obtaining in villages that have grown up in the ordinary way, with varied interests and more than a single property-owner. The coal miner must go away from home to get off his employer’s property. He is on it when asleep in his bed. He is still on it if he stands in the street. He does not escape by going to church, and in many cases his children are still on company property when they are at school. The employing company is frequently the only taxpayer in the camp, and so exercises a greater influence in all phases of local government than do the people who make their homes there, as the stockholders and officers do not.

“It must be evident that this gives the employer a degree of control that he could not possibly exercise if he were conducting an enterprise in a manufacturing town. For example, the lease under which employes of the Colorado Fuel and Iron Company occupy houses belonging to that company contains a clause providing that it may be terminated by the company on three days’ notice, and the occupant dispossessed. The same provision or a similar one appears in the leases of other companies also. A man cannot offend his employer without getting into trouble with his landlord at the same time.

“That this is a wholly natural development is clear. The companies are not to be blamed for it. On the contrary, they would be most severely taken to task if they should fail to provide suitable dwellings, and, where necessary, a store. It is also clear, however, that this system of private ownership of towns gives a power to the coal operators that they could not dream of possessing if they were conducting an enterprise in an established city.” John A. Fitch, *Law and Order in Colorado. The Survey*, 33:245-6.

16. Private property is sometimes said to be a “bundle of rights.” Specify the constituent elements in existing rights to property and discuss certain modifications of these rights that have been proposed as matters of public policy. Seligman, 136-38.

II. CONTRACT

Outline:

1. Contract, defined and described.
2. Relation of the State to contract.
3. Economic significance of contract.
 - a) Relation to the accumulation of wealth.
 - b) Relation to the preservation of advantages once secured.
 - c) The basis of all modern co-operative action.
4. Freedom of contract.
 - a) The meaning of freedom as related to the right to contract.
 - b) Implications of free contract.
 - x) Voluntary action.
 - y) Equal ability.
5. Distinction between "labor contracts" and other contracts.

Exercises:

1. What is a contract? In the general sense of the term? In the economic sense? Ely, *Property and Contract*, 2:561-4; also Ely, *Outlines*, 25.

2. If one man agrees to injure or destroy another upon the payment of a certain sum of money for his act, is such an agreement a contract? Why?

3. If two grocers secretly agree to charge the same price for butter, is such an agreement a contract? Why?

4. Why do you think the enforcement of agreements by the State should be essential to the idea of contract?

5. What is the economic significance of contract? Ely, *Property and Contract*, 2:576-80; Hamilton, 670.

6. What is "freedom" as related to the right to contract? Hamilton, 669-70.

7. What is the relationship between freedom of contract and personal responsibility? Hamilton, 670-73.

8. Distinguish between "legal" freedom of contract and "economic" freedom to contract. Ely, *Outlines*, 26-27; Hamilton, 674-6.

9. Are legal restrictions upon the right of "free contract" necessary and desirable as a means of securing economic freedom? If so, why and in what respect? Ely, *Outlines*, 27-28; *Property and Contract*, 2:674-5.

10. Would a law establishing a universal eight-hour day in factory employments enlarge or restrict the right of free contract for employers? For employees? Hamilton, 678-80.

11. Does the unrestricted right of free contract always result in the largest freedom to the worker? Hamilton, 673-4.

In what respects are "labor contracts" different from other contracts? Commons and Andrews, *Principles of Labor Legislation*, 1-2 and 116-7.

13. In what respect is the "rule of free contract" as applied to "labor contracts" sometimes regarded as being unjust? Ryan, *Distributive Justice*, 328-30.

12. MONOPOLY

Outline :

1. The "idea" of monopoly.
2. Sources of monopoly.
 - a) The law.
 - b) Economic conditions.
3. Kinds of monopoly classified according to the source of monopoly power.
 - a) Personal.
 - b) Legal.
 - c) Natural.
 - d) Capitalistic.
4. Relation of monopoly to industrial opportunity.
 - a) Influence of monopoly not exhausted in price.
 - b) Influence of monopoly may extend to the control of industrial opportunity.
5. Methods by which monopoly influences industrial opportunity.
 - a) Unfair contracts.
 - b) Discriminating prices.
 - c) Control of credit.

Exercises :

1. Set forth the conditions in society in which monopoly may exist and give a good definition of monopoly. Ely, 189-90; Fetter, 1: 76-77.

2. Show why monopoly does not mean either "merely scarcity" or "superior economic power." Fetter, 1:77-8; Ely, 192-3; Taussig., 2: 440-441.

3. Trace the historical development of the idea of monopoly so as to contrast the sources from which it may arise. Which is the more important source in our day? Ely, 190-2.

4. Mention at least four different kinds of monopoly and state the source from which the monopoly arises. What

kinds of monopoly in our day require the most careful public attention and consideration. Seager, 213-16; Bullock, 319-24; Taussig, 1:107-13.

5. Why does the modern man object to monopoly? Ely, 208.

6. In the following quotation point out the reasons why monopoly is believed to result in inequality of opportunity: Do you think this a reasonable view of the situation? "It makes little impression on the American public when it is attempted to show that the Standard Oil Company has lowered prices. The enormous fortunes to which it has given rise suggest that the price has been higher than it should be, yielding far greater than competitive gains; but even if it could be proved that the price had been voluntarily lowered, it would not be convincing, because we are disturbed by the alleged engrossment of opportunities by a few members of the community and not open to others. Nor would it satisfy the American public to be convinced of the sincerity of the professed benevolence and of the personal integrity of the leaders of this gigantic undertaking. The question is one of the action of economic forces; the leaders are often really coerced by these forces; and from one point of view are to be looked upon as their victims." Ely, R. and E. Ed. (1908) 210.

7. Make a list of the different methods by which monopoly limits industrial opportunity. Fetter, 2: 453-4.

8. Describe some of the methods used by private monopoly to crush competition and thereby limit individual freedom of action. Can the law prevent "unfair competition?" Seager, 451-6; Fetter, *Sourcebook in Economics*, 255-65; Hamilton 423-4; Taussig, 2: 425-430.

9. In what respect do you think President Wilson was

correct or incorrect when on two different occasions, in speaking of the credit situation, he said:

“But there is no use taking away the conditions of monopoly if we do not take away also the power to create monopoly; and that is a financial rather than a merely circumstantial and economic power. The power to control and guide and direct the credits of the country is the power to say who shall and who shall not build up the industries of the country, in which direction they shall be built, and in which direction they shall not be built.”

“The tyrannies of business, big and little, lie within the field of credit. We know that. Shall we not act upon the knowledge? If a man can not make his assets available at pleasure, his assets of capacity and character and resource, what satisfaction is it to him to see opportunity beckoning to him on every hand, when others have the keys of credit in their pockets and treat them as all but their own private possession?”

What measures have been passed to remedy this situation?

13. PUBLIC AUTHORITY

Outline:

1. Meaning of the term.
2. The State in relation to industry.
 - a) Mercantilism.
 - b) Individualism—*laissez faire*.
 - c) Socialism.
3. Present policy of the State regarding industry.
 - a) Regarding the right of the individual to establish an industry or engage in business.
 - b) Regarding the manner in which industry shall be conducted.

Exercises:

1. Tell what is meant by the term, public authority, and point out some of the ways in which public authority touches the industrial activity of individuals. Ely, *Outlines* (Revised and Enlarged edition, 1908) 27-28; Bogart, *Business Economics*, 243-4.
2. Tell what is meant by the "Mercantile System" and specify some of the particular ways in which it affected private industry. Hamilton, 33-5; Seager, 11-12; Ely, 42-3.
3. Why did mercantilism never become dominant in America? Ely, 79-80.
4. What was the Industrial Revolution? Tell what you can of the influence of the Industrial Revolution on the Mercantile System of industry. Seager, 12-5; Ely, 47-53.
5. What is the individualistic or *laissez faire* theory of the relation of the State to industry? Ely, 53-4; Seager, 15-7; Bullock, 516-8; Bogart, 246-7; Fetter, 2:458-9; Gide, 18-20.
6. Write a brief biographical sketch of Adam Smith, being careful to state his views regarding the *laissez faire* policy of government and the part that he has had in the development of this idea among the people both of Europe

and of America. Use encyclopaedias, histories, and, if possible, a copy of *The Wealth of Nations* in preparing this exercise.

7. From the following selections make a statement of the advantages claimed for individualism and of the results that have been attained during a century of reliance upon this principle:

“Among the advantages of individualism should first be mentioned the enormous incentive it furnishes to the accumulation of property and so indirectly to the production of wealth. Tasks are undertaken in the hope of unusual personal advantage which would not be undertaken by a man receiving a moderate and fixed reward not influenced by special achievements. It is plain that a considerable class of persons are thus induced to exert to the utmost faculties which would otherwise lie dormant. Further, the control of funds of capital by individuals enables them to develop ideas of great value to society, but ideas which society would not value until so developed. Thus it is claimed that individualism not only excites ingenuity but gives it scope, and utilizes it in a way that socialism would not so obviously do. Finally, quite apart from all material advantages there should be noted the intellectual qualities which individualism develops,—shrewdness, penetration, aggressiveness, and independence. These characterize in a high degree the foremost members of an advanced individualistic society.”*

“Through all the first half of the nineteenth century, however, individualism was in all directions dominant. Its results are well known. The individual, free from legislative restraints, seeks gain. The producer who can produce the most, the best, or the cheapest gains the market. Out of competition to do this has sprung the modern mastery of the methods of production, division of labor, improved machinery, gigantic plants, the factory system, industry on the large scale; if it has produced the capitalist and millionaire, it has also both lowered prices and raised wages for the

*Palgrave, *Dictionary of Political Economy*, Vol. 2, 389-90. Copyright by The MacMillan Co., New York. (1912.)

million. In its search for new markets and commercial gain it has girded the world with the telegraph, continents with railroads, and whitened the sea with sails. It has developed more progress in 100 years than all the other centuries put together. If its characteristic results have been material, it has made education common. It is true that large producers and the development of colossal transportation corporations have created difficulties for the small producer, made the workman largely dependent upon the capitalist, and developed the means of production beyond the present ability to consume, causing the phenomena of the unemployed and the tramp. But it must be remembered, in the first place, that these evils are due to the very success of individualism, so that we should think twice before we attempt to cure them by destroying the system which has created this success; secondly, it is to be doubted if there are more unemployed than before, while certainly real wages, measured by prices, are materially advanced; thirdly, individualists believe that the cure lies not in forsaking the principle which has been the very life of modern progress, but in lifting up every individual to a level of more effective competition till every man receives the means of life because every man is able to contribute something to the social need. What is needed, according to this view, is not less but more individualism.”*

8. In what respects and for what reasons has the *laissez faire* policy broken down in practice? In what respects has it been modified by legislative action in England and in America? Ely, 54-6 and 96-7.

9. In the light of England's experience as briefly set forth in the following editorial taken from the *Chicago Tribune*, July 17, 1915, discuss the problem of individualism as a matter of good public policy:

BRITISH STRIKES

“It does violence to reason to form a wholly censorious opinion of the British workmen who are embarrassing their country by strikes and insistence upon trade union restrictions in the year of national danger.

*Bliss, *Encyclopaedia of Social Reform*. New Edition, 609. Copyright by Funk and Wagnalls, New York. (1908.)

“The British are fighting to preserve what is valuable to them, their national importance and welfare. They believe that to be involved. British workmen have been fighting in social wars for years for what was valuable to them, the conditions of a decent livelihood, and it has been the shame and it is now the peril of Great Britain that only a few of her statesmen, the most conspicuous Lloyd-George, have realized that communal interests were involved in the individual’s comforts and necessities.

“In war circumstances the employing class finds increased profit and the employed class is called upon for increased work. Great Britain has insisted upon an individualism which to the worker meant progress by strife. It now asks for a communism which means progress by sacrifice and the worker asks for more consideration. If the British empire is to be worth working for and fighting for, why should it not be worth something to its workers?

“The question as the British strikers propound it has the ugly aspect of disloyalty, but why should not a state establish itself as something worthy of the great sacrifice it asks? If Britain is to ask men to work and die for her let her make herself worth dying for. The same stipulation soon will apply to the United States.

“There is intelligence in the British labor movement and it wants more than sentiment. Men fight for what is dear to them. Sometimes the value is sentimental, sometimes it is practical. Sentiment for sacrifice in war will not grow sturdily in a soil never enriched by a consideration of human needs in time of peace.

“If the British workman be surly and disloyal it is because his government did not reveal in times of ease sufficient consideration for him to make national emergency a personal danger.”

10. “‘Sink or swim’ says the State to the millions struggling for wordly goods. That is the end of the matter according to the *laissez faire* theory. The modern State helps men to learn to swim.” Make a list of some of the things that the modern State is doing to help you “to swim” in the economic world.

11. "Industry under the competitive regime is a rough game played for high stakes, and if it is to be played fairly, there must be intelligent rules of the game and an umpire powerful enough to enforce them upon all the contestants alike." Who is the "umpire" and what are the "rules" referred to in the preceding statement? What is the result of a lack of such rules and their enforcement and what is the object sought in establishing and enforcing them. Ely, 98.

12. Write a brief biographical sketch of Dr. Richard T. Ely being careful to state the particular idea which he has contributed most notably to economic thought and practice especially in America. *New International Encyclopaedia*, vol. 7, 670; *American Magazine*, vol. 79, April No., pp. 61-2.

13. Write a brief statement of Socialism as a theory expressing the relationship which should exist between the State and industry. In your estimation would socialism afford a solution for many of the problems that are clearly recognized in the competitive system? Give reasons for your answer. Bogart, 248-52; Gide, 26-29; Materials 921-927; Hamilton, 761-767.

14. State specifically the things which the modern State does which pertain directly to industrial activity. Bullock, 160-163.

15. From the following selection specify the conditions which favor an extension or a limitation of public authority in business:

"The extent to which this country will be turned toward socialism will be determined by the business men. We will emerge a highly socialistic state—if co-operation, good sense, and temperance do not achieve our ends. If business seeks all the advantages of its opportunity and charges what the traffic will bear; if it is intemperate and goes upon a debauch of profits, the people in self protection will follow

the tendency of all governments to make hard and fast rules. Business thinking only of today and of quick money will bring upon itself rigid restriction and government control. The people will give their officers plenary power and make things mechanical and inflexible.

“Business can avoid this by taking counsel of itself. It can apply common sense conduct, or let initiative and enterprise go by the board. So I say, moderation, co-operation, consideration—above all, common sense. These are the words for business today.”—Franklin K. Lane, Secretary of the Interior, in the *Chicago Herald*, June 13, 1917

D. The Factors of Production.

Production is the process by which goods and services are rendered more useful to man. This process involves a combining of three elements, land, labor, and capital, usually called "factors of production," each of which is absolutely indispensable to the combination. A clear comprehension of the process of production, therefore, necessitates a study of these factors, first, separately, and second, in combination; and finally, of the business units which make the combination.

14. LAND.

Outline:

1. Land, defined and distinguished from the other factors.
2. Services in production.
 - a) Furnishes standing room.
 - b) Furnishes the materials and forces of nature.
3. Conditions affecting the productiveness of particular pieces of land.
 - a) Extent of space.
 - b) Abundance and quality of the materials and forces provided.
 - c) Conformation.
 - d) Climate.
 - e) Location.
 - f) Intelligence and ingenuity of man.

Exercises:

1. Define and describe land as a factor in production. Seager, 123-4; Gide, 65.
2. Distinguish land from the other factors in production, particularly from capital. Seligman, 300-303; Ely, 507-8.

3. Mention the different services which land renders in production and tell what is meant by each. See the outline above; also Ely, 408-10; Gide 66-77.

4. What portion of the total land area on the earth's surface is, potentially, agricultural land? What part of the land area of the United States is now occupied or reserved, is improved farm land, or unimproved farm land? Nourse, 129; Ely, 119-20; Gillette, *Constructive Rural Sociology*, Revised Edition, 1915, 204-9.

5. What is the relation of land area to the possibility of supporting a large population? Gillette, 209-11.

6. Point out specifically some of the influences of wind and temperature on the productiveness of land in certain regions of the United States and Canada. Nourse, 130-7.

7. What are the principal chemical elements that make up the "fertility" of the soil? Which are the most important? How may the supplies of the chemicals in the soil be exhausted and how may they be replaced when thus exhausted? Nourse, 158-61 and 172-4; Seligman, 303-6.

8. How do topographical features of land affect its productivity? Nourse, 174-181.

9. What is the effect of location on the productivity of land? Seligman, 306-9.

10. What is the limit to the productivity of land? Materials, 58-61.

15. LABOR

Outline:

1. Definition.
2. Nature of economic effort.
 - a) Pleasurable and enticing.
 - b) Irksome and discouraging.
3. Motives to economic activity.
4. Importance of labor as a factor in production.
5. Function of labor in production.
 - a) To furnish part of the physical force needed to enhance the usefulness of the materials supplied by nature.
 - b) To furnish the mental power needed to direct the use of materials and forces of nature in the most advantageous ways and for the most beneficial purposes.
6. The efficiency of labor.
 - a) Of the laborers themselves.
 - b) Of the organization of the labor force.
7. The number of laborers.
 - a) The Malthusian law of population.
 - b) The standard of living.

Exercises:

1. From the group of definitions of "labor" included in the following citation, select the one which you think best expresses your idea of labor. Compare this one with the one given in your text book. Which is the better and why? Materials, 105-6.

2. Specify the conditions under which labor is pleasurable; also those under which it is irksome. Which conditions are the more prevalent for the mass of men and why? Is labor more pleasurable or more irksome now than formerly for the average worker and why? Taussig, 1:8-12.

3. How may the irksomeness of labor be lessened? Is it desirable that it should be lessened? Taussig, 1: 12-14.

4. What are the motives to economic activity? Which one is the dominant motive for the mass of workers at the present time? Which one is impelling you in your economic activities? Do you think society should endeavor to substitute some other motive for the one that is now dominant? Seager, pp. 50-52; Taussig, 1:14; Fetter, 1:171-9; Ely, 103-5.

5. Is labor economically more important than either of the other factors of production? Bullock, 123.

6. The functions which labor performs in industry are specified in the outline above. Show by illustration that these statements are correct. Materials, 106-8.

7. When is labor productive; when, parasitic? Gide, 98-103; Taussig, 1: 15-25. Seligman, 277-9.

8. Can the law distinguish between productive and parasitic labor? Taussig, 1: 25-29.

9. What are the personal characteristics which influence the individual efficiency of the laborer? What economic and social conditions also affect his efficiency? Is either one of these conditions of efficiency more important than the other? Bullock, 123-4; Seager, 135-40; Fetter, 1: 179-92.

10. What has the efficiency of the laborer to do with the cost of production in industry? Hamilton, 336-7.

11. Describe the plans by which the principle of "division of labor" is employed in industry and tell something of its nature and advantages. Taussig, 1: 30-38; Seligman, 290-4; Seager, 153-7.

12. Give some statistical illustrations of the benefits of division of labor. Seager, 157-8.

13. What is the influence of division of labor on the employment of skilled workmen? Materials, 199.

14. What are the limitations to the division of labor as set forth by John Stuart Mill? Materials, 181-2.

15. Discuss the topic, "division of labor" from the standpoint of its effects upon the worker. Ely, 127-8; Seligman, 294-6; Gide, 154-7.

16. Discuss the advantages and disadvantages of "division of labor" especially from the standpoint of the public and of the worker when carried on under the conditions described in the following selection :

DIVISION OF LABOR IN THE FORD AUTOMOBILE FACTORY.

"They don't just produce automobiles at Ford's," a man in another Detroit automobile factory remarked, "they spew them out." Fifteen thousand men work in gangs on the track system. Each gang, and each man in each gang, has just one small thing to do—and to do over and over again. It's push and hustle and go. The man behind may shove his work along to you at any moment—you must not hold him back; at any moment the man in front may be ready for another piece to work on—he must not be kept waiting.

Up one line and down another goes a continual stream of motor parts in process of assembling. One man fits the parts together so that the bolt holes come right. The next man slips the bolts into place. The next man has a pan of nuts before him and all day long he scoops them up and with his fingers starts them on the thread of the bolts. The next man has a wrench and he gives them the final twist that makes them tight.

Over in another part of the great factory there are four or five parallel tracks. On every track are a dozen automobiles in all stages of being put together. Each is slowly moving from one end to the other, and—like a snowball rolling down hill—gathering itself together as it travels, until with a snort and a whir it dashes out at the door on its own power.

The last of these tracks is formed by moving belts. Without a stop from start to finish the machine moves steadily forward on the belt, and, either sitting on different parts of it or walking alongside for a moment, each man adds the

bolt, or gives a turn to the screw for which he is responsible. One fellow has to lie on his back underneath and hammer away at something. He has a little platform on wheels to support him and with a bent rod he "hitches on" the front axle. "Bing"—"bang", instantly he lets go and drops back to hitch on the next machine.

Piled up along the way are the different parts, each to be added as the growing machine passes by. Each man does his part, and gives it a shove. First, to a mere skeleton of a frame, two men attach the rear axle. They fasten it in haste and give it a push—someone else will tighten the bolts. Three men seize it and in a moment the front axle is in place and the four wheels put on. It's easier to move now; a touch sends it on to another gang of three, who put on the truss rods and tighten things up all around.

Another shove, and it goes to where a motor is dangling from chains, directly over the track. A word from someone and down comes the motor to its place, the bolts go in and on goes the machine. Then comes the steering gear, and the control levers—on again, and from overhead a hose is pulled down and a gallon of gasoline squirted into the tank. One more shove and the rear wheels drop into a slot where there are rapidly revolving pulleys. The wheels begin to whirl—the motor starts—a man seats himself on the tank, grasps the wheel and cuts loose, and with a snort and a cough, out the door they go. What was, ten minutes ago, a pile of rods and gears and lifeless steel is now thrilling with power. A car came through that door every 24 seconds Saturday morning, January 24. One hundred and fifty cars were turned out between 8 and 9 o'clock that morning, 140 in the next hour, 163 in the next, and 152 between 11 and 12—605 completed automobiles in four hours. John A. Fitch, Ford of Detroit. *Survey*, 31; 545-6.

17. What are the elements which go to make up the supply of labor? Bullock, 124-5; Ely, 432-4.

18. State the Malthusian theory of population. Materials, 109-11; Seager, 302-4.

19. Discuss this theory in the light of nineteenth century experience. Ely, 434-7; Seager, 304-13; Seligman, 60-65; Gide, 695-700.

20. Write a brief biographical sketch of Robert Malthus. What was his object in writing his *Essay on Population*?

21. Contrast the natural increase in the population in America during the colonial times with that of the latter part of the nineteenth century. Bogart and Thompson, 109-10; Nourse, 218-19.

22. Tell what is meant by a "standard of living." What is the influence of a high standard of living on the growth of population? What is the tendency of the present time in this respect? Bullock, 126-9; Seager, 256-8, 307 and 309; Bogart and Thompson, 827-9; Hamilton, 550-52.

23. What may be regarded as a minimum standard of living at the present time? Would you regard these provisions as being sufficient or do the conditions revealed by investigators seem to warrant social and governmental interference and adjustment? Bogart and Thompson, 829-38; Hamilton, 552-8.

16. CAPITAL

Outline:

1. Capital, defined, described and distinguished from the other factors of production.
2. Function in production.
3. Results of its use.
 - a) Increased product.
 - b) Improved quality.
 - c) Utilities that could not otherwise be obtained.
4. Effect on the employment of labor.
5. Methods of capital formation.
6. Social influences affecting the growth of capital.
 - a) War.
 - b) Luxurious consumption.
 - c) Insurance, savings banks and other savings institutions.
7. "Capitalistic production."

Exercises:

1. Define capital and distinguish it from the other factors of production, particularly land. Ely, 110,121-2, and 507-8; Gide, 65; Seager, 148-50; Bullock, 132-8; Taussig, 1:83-5; for a somewhat different view, see Fetter, 1:266-7; Seligman, 16-8.

2. As clearly as you can, state the two concepts of capital. Which one seems to you to be the more satisfactory one for use in this course? Why? Gide, 113-6.

3. What is the function of capital in production? Give three concrete illustrations of the way in which it performs this function. Materials, 57-8; Seligman, 316-18.

4. Contrast the results obtained from the use of machinery and of hand labor in the making of pins and of certain articles of wearing apparel. Materials, 158-60; Seligman, 294-5.

5. What has been the influence of the use of machinery on the cost of production in agriculture? Materials, 170.

6. Give three concrete illustrations of each of the results of the use of capital as set forth in the outline above.

7. What is the effect of the use of machinery on the employment of labor? Bogart, 51-2 and 149-56; Materials, 693-4; Gide, 85-90; Fetter, 1: 458-467.

8. What are the requisites of capital formation? Bullock, 138-41; Ely, 122-3; Gide, 124-6; Seager, 316-9; Tausig, 1: 71-83.

9. What is the influence of war on the supply of capital in a country? Did the proceeds of the "Liberty Loan" in the summer of 1917 increase or deplete the capital supply of the United States? Materials, 179.

10. What has been the influence of the European war on the use that is being made of the capital fund in England? The answer to the foregoing question is indicated in a large measure by the following table reprinted from the weekly Barometer letter of the Babson Statistical Organization, August 7, 1917.

NEW SECURITIES ISSUED DURING FIRST HALF OF EACH

YEAR

| | Industrial Railroad and Misc. | Government | Total | Approx. Yield New Ind. Issues | Open Market Rate for Bank Loans 3 mos. Bills |
|------|-------------------------------------|---------------|-----------------|--|--|
| 1917 | 10,900,980 | 5,078,384,100 | \$5,089,289,940 | 7.50%* | 4¾% |
| 1916 | 25,932,960 | 1,369,936,800 | 1,395,869,760 | 7.00%* | 4¾% |
| 1915 | 62,698,860 | 283,704,000 | 346,402,860 | 6.75% | 2½% |
| 1914 | 468,222,120 | 272,189,160 | 740,416,140 | 5.95% | 2½% |
| 1913 | 405,348,300 | 179,591,580 | 584,944,740 | 5.50% | 4¼% |

*It is impossible to determine a representative average yield for all classes of industrials because so few issues are permitted by the government.

11. Point out the effects of luxurious consumption on the supply of capital. Ely, 143-4; Seager, 80-3.

12. Name the different agencies or institutions which promote individual saving, briefly describe each, make a statement showing the relative importance of each. Fetter, 2:146-62 and 178-9; Gide, 741-9.

13. What is "Capitalistic production" and what are its advantages and disadvantages? Seager, 140-1; Bogart, 47-8.

17. ORGANIZATION OF THE FACTORS OF PRODUCTION

Preliminary statement:

In preceding lessons the idea has been developed that production will not take place unless there is a combination of the three factors that have been previously described. Just as the housewife, in order to bake good biscuit, must bring the ingredients together in exactly the right proportion, so the producer in general, must bring the three factors of production together in the right proportion in order to achieve the best possible results from his industry. The attainment of this "right proportion" is, in fact, one of the greatest problems in all industry.

A careful study of this problem involves a consideration, first, of the agency by which the proportion is made; second, of the law which expresses the results obtained from different combinations; and finally, of the conditions which determine the size of the combination which gives the best results.

Outline:

1. The entrepreneur.
 - a) The term defined.
 - b) Services rendered in production.
 - c) Characteristics of a good entrepreneur.
2. The law of diminishing returns.
 - a) In agriculture.
 - b) In manufactures and other industries.
 - c) Influences which tend to counteract this law.
 - d) Possibilities of attainment in progressive countries.
3. Large and small scale production.
 - a) Distinction between the foregoing.
 - b) Causes of large scale production.
 - c) Advantages and disadvantages of large scale production.
 - d) Limitations to large scale production.

- e) Consideration of medium- and small-scale production.
4. Some conditions affecting the organization of production.
- a) Nature of the industry.
- b) Character of the people.
- c) Character and attitude of the government.

Exercises:

1. Explain the term, "entrepreneur." Give a brief account of the characteristics of an entrepreneur and of his services in production. What is the special service which he renders? Seager, 159-60; Bullock, 153-4; Seligman, 297.

2. What is the position of the "entrepreneur" in the economic mechanism? Gide, 127-8.

3. Give a brief account of the function of the "entrepreneur" and of the activities in which he is engaged. Point out particularly two difficult factors in his problem of management. Nourse, 314-9; Materials, 204-6.

4. State and explain the law of diminishing returns. Seager, 129-30; Bullock, 170-3.

5. Assuming that each additional expenditure of labor and capital in growing corn on an acre of land would cost \$2.00 and yield returns as indicated below, find the point of diminishing returns:

| | |
|----------------|------------|
| \$ 2 | 15 bushels |
| 4 | 32 " |
| 6 | 54 " |
| 8 | 75 " |
| 10 | 90 " |
| 12 | 104 " |

6. To what extent do we find the law of diminishing returns in manufacturing as compared with agriculture? Taussig, 1: 186-8; Bullock, 173-76.

7. What are the factors in modern civilization which tend to counteract the influence of the law of diminishing returns? Materials, 74-77.

8. Are the results of the operation of the law of diminishing returns very noticeable in progressive countries at the present time? Do the facts set forth detract from the correctness of the principle or from its importance in particular undertakings? Seager, 130-1; Bullock, 176.

9. What are the advantages and the disadvantages of large scale production; what also are the causes for this type of development in industry and the limitations to it? Bullock, 176-84; Seager, 165-8; Taussig, 1:52-6; Carver *Principles of Rural Economics*, 242-8.

10. Point out the advantages and disadvantages of medium and small scale production as applied to agriculture. Carver, *Principles of Rural Economics*, 239-42 and 248-55.

11. Specify the way in which each of the conditions mentioned in the outline above affects the organization of industry.

E. Business Organization

One writer in Economics defines "business" as "activity entered into, not primarily for its own sake, but for the sake of some indirect return." Another writer says that business means profit-seeking. The term is not synonymous with production and includes a considerable number of activities which do not result in an increase of those goods and services which satisfy human wants. Business is frequently acquisitive in its nature rather than productive. Nevertheless, ability to acquire in most instances is dependent upon ability to produce. Thus it is that most of the productive processes and enterprises of society are said to be "business undertakings" and a man who engages in the process of production, especially if he is in any way responsible for the organization and management of the undertaking, is said to be "a business man."

Success in business in modern times is dependent upon man's ability to associate himself with other men in such a way as to give control of the required amounts of land, labor, and capital to carry on the enterprise. The associations built up for this purpose take a variety of forms dependent upon the size and the nature of the undertaking. Most of these forms, however, may be satisfactorily studied under three general headings: viz. (1) The Individual in Business Organization, which includes also the partnership and the joint-stock company. The characteristic feature of this type of organization is individual responsibility for the satisfactory conduct of the enterprise. (2) The Corporation, which includes also the Trust and Co-operative Societies, the characteristic feature of all of which is the loss of individual identity and the legal responsibility of the artificial unit. (3) State Enterprise, which is distinguished from other business units not only by the form of its organization

but also by its purpose to serve the public welfare rather than that of a particular group.

The next step, therefore, in an attempt to understand and appreciate modern industry involves a careful study of the different units of business organization.

18. THE INDIVIDUAL IN BUSINESS ORGANIZATION

Outline:

1. Individual proprietorship.
 - a) Meaning of the term.
 - b) Advantages.
 - c) Disadvantages.
 - d) Extent to which this type prevails in American industry.
2. Partnership.
 - a) Nature of partnership.
 - b) Reasons for organization.
 - c) Conditions of success.
 - d) Relative extent of its use in the United States.
3. Joint-stock companies.
 - a) Distinguishing features.
 - b) Relative importance.

Exercises:

1. Specify the circumstances under which a man may be said to be an "individual proprietor." Is a tenant farmer an "individual proprietor"? Is a manufacturer or a merchant who leases his land, borrows his capital, and hires his labor an "individual proprietor"? If so, why?

2. Point out the advantages of individual proprietorship. Robinson, *Organizing a Business*, 29-31; Seager, 160.

3. What are the disadvantages of this type of organization? Robinson, 31-2; Ely, 215.

4. What are the industries in which this type of organization is suitable and to what extent does it prevail in them? Fetter, 1: 322; Robinson, 66-7.

5. Point out three essential features of partnership. Robinson, 34-5; Ely, 215; Haney, *Business Organization*, 49-52.

6. What are the principal terms specified in a partnership agreement? Materials, 233-4; Robinson, 36-7.

7. Why are partnerships organized in preference to individual proprietorships? Seager, 160-1; Haney, 52-8.

8. Is partnership a socially desirable form of business organization? If so, why? In what respects might social action improve this form? Haney, 61-2.

9. In what respects does a joint-stock company differ from a partnership, also from a corporation? Haney, 63-4; Robinson, 44-5; Ely, 216, note.

10. What are the advantages and disadvantages of this form of organization? Haney, 75-7.

11. In what respects is the joint-stock principle socially important and to what extent and in what respects should its further development be encouraged? Haney, 77-80.

19. THE CORPORATION

Outline:

1. The idea of "legal entity," artificial person.
2. Plan of organization.
3. Corporate stocks and bonds.
4. Capital and capitalization.
5. Characteristics.
 - a) Continuity of existence.
 - b) Flexibility of membership.
 - c) Representative management.
 - d) Limited liability.
6. Advantages.
 - a) Ability to accumulate large funds of capital for a particular undertaking.
 - b) Ability to secure and retain the highest order of personal ability in the management of an undertaking.
7. Consequences of the growth of corporations in the United States, in regard to
 - a) Concentration in the control of business.
 - b) Ethical discharge of personal responsibility in management.
 - c) Effect on individual opportunity and efficiency.
 - d) Effect on private property.

Exercises:

1. Define the term, "corporation" and distinguish it from the other forms of business organization. Ely, 216-19; Taussig, 1: 86-9; Haney, 81-95; Robinson, 47-50.

2. Give a brief historical account of the development of the corporation as a unit of business organization and of the extent of its importance in the business activities of the United States at the present time. Haney, 100-108.

3. Compare the number of business corporations in the United States in 1800 and the purposes for which they were organized with the number and purposes of such organiza-

tions at the present time. In what industries and in what respects has the corporation become the dominant type of organization? Materials, 238; Haney, 107-8; Robinson, 65-67.

4. Briefly describe the plan by which corporations are organized. Robinson, 68-75.

5. Distinguish between the usual kinds of stocks and bonds which corporations issue and state what interests in the business are represented by a stockholder as compared with a bond holder. Ely, 220-221; Robinson, 75-86.

6. Distinguish between "capital" and "capitalization." What is meant by "overcapitalization" or "stock-watering"? What are the evils of over-capitalization? Discuss the proposed remedies therefor. Ely, 219-20 and 221-226; Seager, 457-8.

7. If you were to organize a corporation for the purpose of engaging in a manufacturing business, or a street railway business, which would cost \$1,000,000 to establish as a going concern, what basis would you adopt for determining the proper capitalization of your enterprise? Would the basis be different in one case than in the other? Materials, 252-6.

8. Tell what is meant by each of the characteristics of a corporation as set forth in the outline above and show what advantages accrue to a corporation by virtue of the fact that it possesses these characteristics; show also the evils which are credited to corporate management and conduct of business because of these characteristics. Taussig, 1: 89-95; Haney, 108-116.

9. What has been the effect of increased use of the corporate method of business organization on concentration in the control of business? Ely, 87; Seager, 163-5; Hamilton, 186-7; Taussig, 1: 95-6.

10. What can you say of the ethical way in which personal responsibility has been discharged in the manage-

ment of corporations? Seager, 161-3; or Hamilton, 186-9; Ely, 228-9.

11. "It is no longer possible, it is claimed, for the man of small means, even with good talents, to engage in business for himself; he must accept some subordinate position in a corporation where his individuality is checked and his power of initiative does not find free play." Is this true? Hamilton, 189-91; Bogart, 76.

12. Describe the influence of the development of corporations in industry upon private property. Ely, 229; Taussig, 1: 96.

20. THE TRUST

Outline:

1. Meaning of the term, "Trust."
 - a) A form of business organization.
 - b) Distinguished from monopoly.
2. Development and present status.
 - a) Motives for organization.
 - b) Business and industrial conditions favoring their growth.
 - c) Forms of organization.
 - d) Financial achievements.
3. Economies gained.
 - a) From large-scale production and management.
 - b) From superior methods in marketing.
 - c) From better adjustment of production to consumption.
4. Illegitimate practices.
 - a) In transporting their commodities.
 - b) In discriminating prices to customers.
 - c) In unfair treatment of their competitors.
5. The trust as a problem.
 - a) In business organization.
 - b) In monopoly.
 - c) In public control of business.

Exercises:

1. Look up in two or three different places a definition of the term, "trust," and compare them. Which one do you think is the more nearly correct and why? Distinguish a trust from a monopoly.

2. What are the motives that have led to the formation of trusts, particularly in the United States? Seager, 442-3; Fetter, 2: 436-440; Hamilton, 408-9.

3. State briefly the business and industrial conditions in the United States which have favored the growth of trusts.

Seager, 445-7; Bogart and Thompson, 771-2; Haney, 134-9; *World's Work*, 22: 14465-9.

4. Briefly describe each of the forms of trust organization that have been practised in the United States. Seager, 443-4; Materials, 299-304; Taussig, 2: 420-4.

5. Describe the formation of the United States Steel Corporation as an illustration of a holding company. Note particularly the conditions which brought about its organization, its capitalization, its profits, its position in the industry, and the manner in which it holds its constituent subsidiary properties. Materials, 313-8 and 323-7.

6. What is the relation between the investment of money in the stock of a holding company and the amount of control which such an investment gives over industrial processes? Materials, 239-41; Haney, 221-3.

7. Describe the growth of the "Powder Trust" as an illustration of a merger. Haney, 244-6.

8. From the standpoint of public policy, contrast the merger with the holding company as forms of business organization. Haney, 251-3.

9. To what extent have trusts been organized in this country and to what extent have they been financially successful? Fetter, 2: 434-6; Seager, 447-8; Seligman, 340-4.

10. Point out the advantages gained from the large-scale production and management made possible by the trust form of business organization. Seager, 448-50; Taussig, 2: 424-5; see also again, 1: 60-65.

11. Give a concrete illustration of the efficiency of the trust in the field of production as shown by the experience of the International Harvester Company in the production of grain binders. Materials, 327.

12. In what respects and to what extent do trusts market their products more economically than smaller independent concerns? Seager, 450; Van Hise, *Concentration and Control*, 14.

13. In what way does a trust bring about a better adjustment of "production to demand"? Seager, 450-1; Hamilton, 405-7; Taussig, 2:433-4.

14. In what respects may the advantages claimed for the trusts be regarded as real, or as artificial? Bogart and Thompson, 772-4; Hamilton, 403-5 and 415-8; Fetter, 2:452; Taussig, 2:430-3.

15. Describe some of the "unfair" and "illegitimate" practices that have been indulged in by some of the large trusts in the United States. Can the law prevent "unfair" competition? Seager, 451-6; Hamilton, 423-4; Fetter, *Source-book*, 255-65; Taussig, 2:425-30.

16. What is the size of business unit which results in most efficient production? Does the law prevent the organization of a trust and prohibit its activity in this country if the combination or consolidation is not guilty of some foul practices in order to throttle its competitors?

17. Is the size of a business or the form of its organization *prima facie* evidence that such a business is being conducted contrary to law? What do you consider the vital question in regard to the legality of the business of a trust?

18. What are some of the principles which underlay the regulation of trusts by law? Materials, 333-7.

19. What is the present policy of the government regarding the trust question? What are the provisions of the federal acts which give expression to this policy? Ely, 235-46; Fetter, 2:454-7.

20. What is the significance of the following statement taken from President Wilson's trust message delivered to Congress, January 30, 1914:

"Every act of business is done at the command or upon the initiative of some ascertainable person or group of persons. These should be held individually responsible and punishment should fall upon them, not upon the business

organization of which they make illegal use. It should be one of the main objects of our legislation to divest such persons of their corporate cloak and deal with them as those who do not represent their corporations, but merely by deliberate intention break the law."

What has been done to remedy this situation?

21. CO-OPERATION

Outline:

1. Distinguishing characteristics, as a unit of business organization.
 - a) Membership based on ability and willingness to patronize the business rather than stock ownership.
 - b) Distribution of earnings on the basis of patronage.
 - c) Representation in management based on the idea of "one man, one vote."
2. Plan of organization.
3. Producers' co-operation.
 - a) Purposes.
 - b) Reasons for its limited success.
4. Co-operation in buying and in marketing.
 - a) Economic features of these activities.
 - b) Extent and results of their undertakings.
5. Co-operative stores.
 - a) Experience in Europe and in the United States.
 - b) Reasons for their failure in the United States.
6. The future of co-operation.

Exercises:

1. For descriptions and discussions of plans of organization, see Hibbard, *Agricultural Co-operation, Wisconsin Agricultural Experiment Station, Bulletin No. 238*; *Agricultural Yearbook, 1914, 190-200*; *Materials, 361-4 and 904.*
2. Tell what is meant by the term, producers' co-operation, point out the purposes for which it exists and the obstacles which stand in the way of its success. Fetter, 2:291-4; Taussig, 2:355-9.
3. Describe the work of co-operative creameries as an illustration of the methods used by farmers in assisting one another to market their products. *Materials, 905-6.*
4. In like manner describe the marketing of grain and live stock in Minnesota by this method. Nourse, 545-8.

5. Discuss the question of co-operation in the marketing of farm products in regard to both its favorable and its unfavorable aspects. Fetter, 2: 402-4.

6. Give a brief account of the development of co-operative stores in England and in America. Taussig, 2: 347-352; Materials, 907-8.

7. What are the reasons for the failure of co-operative stores in the United States? Materials, 908-10.

8. On the basis of the information available for this purpose, write a statement of what you think of the probable relative importance of co-operation as a form of business organization in the future?

22. GOVERNMENTAL ENTERPRISE

Outline:

1. Reasons for the Government assuming the functions of an entrepreneur.
 - a) Need for revenue.
 - b) Dissatisfaction with private capitalism.
 - c) Disposition to increase the "power and stability" of the State.
2. Characteristics of a business suitable for public management.
3. Some industries in which public management is most common.
4. Difficulties in the way of public ownership and management.
5. Methods of management.
6. Probable future tendencies regarding public ownership and management.

Exercises:

1. Discuss each of the reasons set forth above for the government assuming the functions of an entrepreneur. Gide, 204-6.
2. What are the characteristics of a business which may make it susceptible to government ownership and management? In what respect may these characteristics not always be decisive? Taussig, 2:401-3; Gide, 206-7; Fetter, 2:467-9.
3. What are the industries in which State ownership and management is most common? Gide, 207-8; Taussig, 2:397.
4. Point out the dangers and the difficulties in the way of government ownership and management of an industry. Gide, 209-13; Taussig, 2:407-411.
5. Describe and discuss the methods by which the State may operate an industry. Gide, 213-5.

6. Point out the tendencies regarding public ownership and operation of industry in the United States. Fetter, 2:464-7.

7. Write a statement setting forth the direction which you think government ownership and operation of industry is likely to take in the United States and the extent to which this movement will be carried.

PART II. VALUE, PRICE AND EX- CHANGE IN INDUSTRIAL SOCIETY.

23. THE MARKET

Outline:

1. Modern methods of marketing.
 - a) Types of sales.
 - b) Salesmen as an agency in marketing.
 - c) Advertising as an agency in marketing.
 - d) Tendencies regarding "middlemen" in marketing.
2. Development of the modern market and its methods.
3. The market, defined and described.
4. Prices in the market.
 - a) "The law of supply and demand," a popular but inadequate explanation of price.
 - b) An "accurate statement" of the relation between "supply and demand" and prices.
 - c) The relation of the market to supply and demand.
5. Forces affecting prices in the market.
 - a) Competition.
 - b) Monopoly.
 - c) Custom.
 - d) Law.

Exercises:

1. State and describe three methods by which goods are commonly bought and sold. Materials, 340-1.
2. Name some commodities which are usually obtainable in a modern market and specify the method by which

they are usually handled. Which of these methods are the better? Give reasons for your answer. Weld, *The Marketing of Farm Products*, 42-4.

3. Describe the method by which farm machinery is retailed to farmers, (a) by most dealers, (b) by the International Harvester Company. Materials, 356-361.

4. Describe the method by which live stock is handled at the stockyards. Nourse, 519-522.

5. Under what circumstances may advertising be used effectively as an agency in marketing? Point out the ways in which this advertising is carried on and tell something of the cost of doing this work. Materials, 348-9 and 438.

6. In what respects is the employment of salesmen a superior method of disposing of goods? Materials, 347-8.

7. What are the functions usually performed by the so-called "middleman" and what are the tendencies regarding the number of "middlemen" in present methods of market distribution? Materials, 342-7.

8. Why "Swat the Middleman?" Nourse, 534-5.

9. If the middlemen are eliminated, who will perform the services they now render? State which method you think would be the better and why. Nourse, 535-7.

10. What arguments are used to justify such specialization in marketing methods as increases the number of middlemen? Nourse, 537-540.

11. Give a brief account of the development of the modern market. Weld, *Marketing Farm Products*, 11-21.

12. Without referring to any books, write out as concise a definition as you can of a market.

13. Compare your definition with those found in the following references: Ely, *Outlines*, 154; Bullock, 190; Seligman, 223.

14. Is a market significant chiefly as a place for the transfer of goods or as a means of ascertaining their prices? Give reasons for your answer,

15. If two men meet in the road and trade horses, does this transaction constitute a market?

16. Mention and describe the different kinds of markets referred to in the references in Exercise 13.

17. In what respects is the "law of supply and demand" a "loose" and inadequate explanation of price? Gide, 225-7; Taussig, 1: 143-4; Materials, 763-4.

18. Give a more accurate statement of the relation between "supply and demand" and price. Ely, *Outlines*, 156.

19. In what respects does the organization of the modern market affect the relation between supply and demand in the determination of price? Nourse, 485-8.

A. Value

24. UTILITY AND VALUE

Outline:

1. The general meaning and significance of value.
2. Kinds of value.
 - a) Subjective value.
 - b) Objective value.
3. Sources of value to the individual.
 - a) Utility.
 - b) Cost.
4. Utility, defined and described.
5. The law of diminishing utility.
6. Marginal utility, a measure of value in use.
7. Utility and demand.
 - a) Demand, defined and described.
 - b) Elasticity of demand.
 - c) The law of demand.
8. Marginal utility in industrial society.

Exercises:

1. What is the general sense in which the term, "value," is used? Ely, 109-11.

2. Distinguish between the "narrow" sense and the "broad" sense in which the term "value" is used. What are the conditions in industrial society which make the subject of value so significant in economic science? Ely, 151-3; Taussig, 1: 113-4.

3. Distinguish, both by statement and by illustration, between subjective value and objective value. Ely, 137 and 155; Seager, 53; Gide, 221.

4. Point out the relation between utility and value, meaning "exchange value." Seager, 54; Gide, 221-2.
5. What are the sources of value? What are the conditions in modern society which make a consideration of these sources important? Gide, 56-7.
6. Define utility. What are the different kinds of utility? Give an illustration of each.
7. State and illustrate the four characteristics of human wants. Seager, 70-2; Ely, 133.
8. State and illustrate the law of diminishing utility. Ely, 133; Seager, 70; Bullock, 88-91; Taussig, 1: 120-124; Materials, 20-5.
9. State the law of diminishing utility with reference to future goods and illustrate it. Seager, 71-2; Materials, 25-7.
10. Define marginal utility and point out its influence in the determination of "values in use." Seager, 89-90; Taussig, 1: 124-6.
11. Define "demand" and specify the conditions under which demand, in the economic sense, exists. Bullock, 110-11; Ely, 156-9.
12. Explain the term "elasticity of demand." Ely, 159-161; Nourse, 456-7.
13. State the law of demand. Bullock, 111-3; Seager, 73-4.
13. Give a concrete illustration of the influence of changes in the price of fresh fruits upon the demand for them. Nourse, 468-9.
15. In what respects is the demand for agricultural products elastic; in what respects inelastic? Nourse, 457-9.
16. Give some concrete illustrations of the influence of the erratic notions of purchasers upon the demand for staple commodities in certain markets. What practical bearing has a knowledge of these practices upon a consumer? Upon the producer? Nourse, 461-5.

17. What is Engel's Law of Consumption? In what respects should the statement of this law be modified so as to be representative of American conditions? Materials, 27-33; Ely, 144-6.

18. What are the circumstances and conditions in modern society which determine the "standard of living" for the majority of people? What is the significance of a "standard of living" in modern life? Materials, 33-37; Bogart and Thompson, 827-9.

19. What is the influence of our standard of living upon the demand for staple commodities and hence upon the prices of these commodities? Nourse, 469-70; Bogart and Thompson, 827-9.

20. Is it the "high cost of living" or the "cost of high living" which is responsible for the present period of high prices?

21. Discuss the possibilities of influencing the demand for foodstuffs through changes in diet. Nourse, 101-7.

25. COST AND VALUE

Outline:

1. Production and sacrifice.
2. Meaning of the term "cost of production."
 - a) Cost of production distinguished from "expenses of production."
3. Marginal cost of production and value to the individual.
4. Marginal cost of production and value in industrial society.
5. Cost of production and supply.
 - a) Supply, defined and described.
 - b) Conditions of limited supply.
6. Relation of utility and cost in the determination of value.

Exercises:

1. What is the relation between production and sacrifice as related to consumption? Ely, 146-8.
2. Define "cost of production" and distinguish it from "expenses of production." Ely, 148; Seager, 58; Fetter, 1: 349-51. Seligman, 242-4.
3. Is there any "expense of production" involved in gathering wild strawberries or grapes, when one has free access to the land on which they grow? How much does such fruit cost?
4. What is the "expense of production" involved in growing a crop of corn? What is the "cost of production" for such a crop?
5. What is meant by "marginal cost of production"? What is the relation of marginal cost to the value of all the available units of a given supply of goods? Seager, 92-4; Seligman, 245-6.
6. Where would you expect to find the marginal producer of wheat? Of corn? Of beef cattle?

7. What is the relation of marginal cost of production to value in industrial society? Bullock, 209-11; Seager, 100-3.

8. Define supply. Distinguish between "available supply" and "potential supply." Fetter, 1: 46-7; Bullock, 194; Ely, 162-4.

9. What are the conditions under which the supply of a commodity may be limited.

10. What are the different kinds of costs that may be encountered in endeavoring to increase the supply of a commodity? Describe and illustrate each. Ely, 170-4.

11. From the cost diagram in the Materials (Page 396) make a statement which will show the constituent elements in the cost of manufacturing and selling a commodity.

12. Make a statement showing the nature, relative importance and most significant aspect of the items that enter into cost. Materials, 397-406.

13. Discuss the desirability of buying "package goods" from the standpoint of cost, as well as utility. Materials, 415-6.

14. For a good illustration of the different costs of production to different producers, See Materials, 417-8. How do you account for the fact that the producer whose cost is \$43 a ton can stay in business in competition with other producers whose costs are from \$5 to \$15 a ton lower than his?

15. Account for the large supply and low prices of agricultural commodities during the period 1870-90, and for the limited supply and high prices of the subsequent period. Nourse, 437-42.

16. State and illustrate the relation which exists between utility and cost in the determination of value. Bullock, 211-12.

B. Price

26. COMPETITIVE PRICE

Outline:

1. The situation in a competitive market.
2. Competition and price at a given time, market value.
3. Competition and price over a period of time, normal value.
4. Influence of speculation on competitive price.
5. The control of organized speculation by law.
6. Public policy regarding competition as a regulator of price.

Exercises:

1. Point out the possible situations that may exist in a competitive market. Which one is the most common and important? Seager, 112-17.

2. Show, graphically or otherwise, that, *at a given time, competition tends to fix price at a point where demand and supply are equalized*, i. e., where "the greatest number of transactions takes place." Seager, 113-4; Bullock, 194-8; Ely, 164-5; Fetter, 1:64-68.

3. What are the circumstances which influence the calculations of buyers in a competitive market? Of sellers? Seager, 109-10.

4. Show how and why it is, that: *Over a period of time, competition always tends to fix price at a point which just corresponds to the cost of production to the marginal producer.* Ely, 167-70; Nourse, 420-21; Bullock, 200-4; Taussig, 1:170-6 and 183-5.

5. In the following quotation from Professor Alfred Marshall, a very noted English economist, point out the

influence of the time element in the determination of competitive price:

"Thus we may conclude that, *as a general rule*, the shorter the period which we are considering, the greater must be the share of our attention which is given to the influence of demand on value, and the longer the period, the more important will be the influence of cost of production on value. For the influence of changes in cost of production takes, as a rule, a longer time to work itself out than does the influence of changes in demand. The actual value at any time, the market value as it is often called, is often more influenced by passing events and by causes whose action is fitful and short lived, than by those which are working more persistently all the time. But in long periods, these fitful and irregular causes in large measure efface one another's influence, so that in the long run persistent causes dominate value completely. Even the most persistent causes are, however, liable to change, for the whole structure for production is modified, and the relative costs of production of different things are permanently altered from one generation to another."*

6. What are some of the conditions which disturb the complete adjustment of competitive price to the cost of production? What is the situation, however, over the greater part of the "economic field" and what is the "tendency"? Taussig, 1: 176-9.

7. For views regarding the relation between cost of production and value which are somewhat different from those set forth in the preceding exercises, see Fetter, 1: 351-2, and Seligman, 260-6.

8. Describe the processes in actual trade which establish a "single price." Seager, 117-8; Taussig, 1: 153-5.

9. What are the advantages of the one-price system? Taussig, 1: 155.

10. What do we mean when we speak of a "fair price"? Taussig, 1: 155-6.

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11. When is a price "just and reasonable"? Ely, 183-4.

12. What is speculation? What is the function of speculation and what are some of the evils connected with it? Taussig, 1: 159-69; Fetter, 1: 363-7.

13. Contrast "dealing in futures" with "selling short." Do you think either of these types of transactions should be abolished by law?

14. Discuss the problem of regulating organized speculation by law? Materials, 391-6.

15. A government agent recently asserted (May, 1917) that the farmers sold their crop of wheat for the season of 1916 at \$1.30 a bushel, whereas the price of wheat on the Chicago Board of Trade was over \$3.00 a bushel at that time. Is it true that the speculator can "manipulate" the market so as to deprive the farmer of the full value of his wheat and the consumer of the full enjoyment of his money income? Hamilton, 168-70; Ely, 622-5.

16. Is life a "gamble"? Hamilton, 165.

17. Point out the border line between investment, speculation and gambling. Hamilton, 165-8.

18. In a recent book (*Concentration and Control*, pp. 76 and 87)* President Charles R. Van Hise, of the University of Wisconsin, makes the following significant statement regarding the effectiveness of competition as a regulator of price:

"Competition for the control of prices and quality of goods has been a faith which has been believed in by the great majority of people of America; it has been the fundamental principle of the common and statute law upon which our court decisions controlling trade have been built up. Every proposal to legalize coöperation in trade has been stoutly resisted as interfering with the inflexible law of competition, the bulwark of our industrial liberty.

"The producer may do as he pleases with reference to quality; he may ask the price he can get, but he cannot combine with another producer in the regulation of price,

or do anything which may be interpreted to interfere with complete independence in trade. The theory is that the quality will be kept up and the price kept down by competition, and that the purchaser needs no further protection. * * *

After pointing out many particular ways in which competition has failed, President Van Hise states the following general conclusion :

“The foregoing description of the situation can not but convince any man who will look the facts in the face that the blind faith that prices are adequately controlled by competition in the United States is no longer justified, if, indeed, it ever was justified. Unrestrained competition does not, as a matter of fact, exist for many articles, except to a very limited degree, at the present time. Everywhere there is restraint of trade by agreement or combination, either lawful or unlawful. So inevitable is this situation that we have seen how the law forbidding restraint of trade has accelerated concentration of industry from the loose agreement to the pool, from the pool to the trust, from the trust to the holding company, and from the holding company to the giant completely consolidated industry.”

Contrast the foregoing statements with those made by Professor Taussig and other economic writers regarding the same point. Which of these men do you consider the most competent to judge of this situation? Taussig, 1: 65-6; Ely, 154.

27. MONOPOLY PRICE

Outline:

1. Determination of monopoly price.
 - a) The principle of monopoly price.
 - b) Explanation of the method by which the principle is applied.
2. Economic limitations to monopoly price.
 - a) Fear of substitution.
 - b) Fear of inducing competition.
 - c) Fear of governmental interference.
3. The law of monopoly price.
4. Contrast between monopoly price and competitive price.
5. Attitude of the public toward monopoly.
 - a) Former.
 - b) Present.
6. Public policy regarding monopoly.
 - a) Distinguishes between different classes of monopoly.
 - b) Condemns and abolishes some.
 - c) Accepts and regulates others.
 - d) Accepts and owns and operates still others.

Exercises:

1. Show how and why it is true, that: *The monopolist always tends to fix price at the point that yields the highest net returns.* Ely, 200-202; Seager, 219-20; or Hamilton, 418-9; Bullock, 316-8.

2. Explain the economic limitations to monopoly price that are listed in the outline above and give some concrete illustrations of their influence on prices at the present time. Seager, 216-19; Hamilton, 420-2.

3. State a law of monopoly price and show the results of its operation as shown by a contrast of monopoly prices in Europe and in America. Ely, 203-4.

4. Point out the difference in principle between monopoly price and competitive price and state the reason for the popular objection to paying monopoly prices.

5. Is the objection of the public to paying monopoly prices well founded? Ely, 204-7.

6. Has the general attitude of the public toward monopoly changed any in recent years? Compare the statements made in Hamilton, 400-401.

7. When the government "accepts and regulates" a monopoly, what principle should it observe in fixing the prices of the monopolized products? Ely, 209.

8. If a government "owns and operates" a monopoly, should it follow a different principle than in the preceding exercise in fixing the prices of its products?

The City of Cedar Falls has a monopoly on the production and distribution of electric light and power within the city limits. Last May the rates for light and power were reduced. Would it have been a better policy for the city to have continued to charge the higher rates for the use of current and to have used the surplus receipts from the higher charge to lessen the amount of revenue for general purposes to be derived from taxation? Give reasons for your answer.

C. Exchange

28. MONEY

1. A barter system of exchange.
2. Functions of money.
 - a) To serve as a standard of value.
 - b) To serve as a medium of exchange.
 - c) To serve as a standard of deferred payments.
 - d) To serve as a store of value.
3. Historical account of the development of money.
4. Qualities of good money.
5. Definition of money.
6. Relation of the government to money.
 - a) Can regulate but not make money.
 - b) Control the coinage.
 - c) Control the issues of paper money.
 - d) Control the legal tender quality.
7. Kinds of money.
 - a) Standard.
 - b) Token.
 - c) Credit.

Exercises:

1. Tell what is meant by the term "exchange by barter" and point out the difficulties and inconveniences of such a system of exchange. Materials, 443-5; Seager, 322; Moulton, 5-6.

2. In what sense does money serve as a standard or "denominator" of value? Is it correct to speak of money as a "measure" of value? Moulton, *Money and Banking*, 7-8; Seager, 323.

3. In what respects does money serve as a medium of exchange? Moulton, 8-10; Seager, 322-3.

4. What is the special significance of the use of money as a standard for deferred payments? Moulton, 12; Seager, 323-4; Fetter 2: 78-81.

5. If a tenant leases a farm for a share of the crop, and, lacking the seed necessary for planting, offers to borrow it and return grain, bushel for bushel to the owner at harvest time, would such an agreement be a satisfactory contract? Give reason for your answer.

6. How does money serve as a store of value? Moulton, 10.

7. Give a brief historical account of the development of money. Taussig, 1: 114-5 and 228-30; Moulton, 46 and 62-6.

8. Make a list of the qualities of a satisfactory money material and tell what is meant by each. Moulton, 54-56; Fetter, 2: 32-3.

9. What is money? Ely, 251-2; Moulton, 6; Fetter, 2: 37.

10. Is the following statement a satisfactory definition of money: "Money is a convenient token of exchange which has been invented by civilized man to facilitate commerce."

11. Point out the relation which exists between the government of a country and its money supply. Seager, 326-8.

12. What is meant by the term "legal tender"? Fetter, 2: 66; Kinley, *Money*, 47; Palgrave, 2: 590.

13. Distinguish between the different kinds of money specified in the outline above. Seager, 328.

29. MONEY (*Concluded*)*Outline:*

1. Concurrent circulation.
 - a) Gresham's law.
 - b) Maintenance of parity in the present circulation.
 - x) Relation of the value of gold coins to the value of gold bullion.
 - y) Relation of other forms of money to gold coins.
2. Relation of the value of money to prices.
3. Inflation and contraction of the currency.
 - a) Natural.
 - b) Artificial.
4. Evil effects of changes in the value of money.

Exercises:

1. State Gresham's law and show how and why it is true. Give some historical illustrations of its operation. Gide, 297-300; Seager, 328-30; Fetter, 2: 60-61; Seligman, 486-8.

2. The United States Treasury report gives the following statement of the money in circulation in this country on July 1, 1916:

| | |
|--|-----------------------|
| Gold coin | \$ 637,250,272 |
| Standard silver dollars | 66,414,932 |
| Subsidiary silver | 171,449,851 |
| Gold certificates | 1,413,823,289 |
| Silver certificates | 489,910,937 |
| Treasury notes (Act of 1890) | 2,098,165 |
| United States notes | 341,719,547 |
| Federal reserve notes | 173,100,785 |
| Federal reserve bank notes | 8,961,995 |
| National bank notes | 719,400,794 |
| Total | <hr/> \$4,024,130,567 |

Show how it is (a) that the gold coins set forth in the table above have exactly the same value in circulation as their weight in gold bullion, and (b) that all the other forms of money set forth in the table above circulate at par with the gold coins. Seager, 330-6; Ely, 252-60; Taussig, 1: 327-8.

3. If Congress had adopted the proposal of the silver advocates in 1896 to coin silver dollars in "free and unlimited" quantities, what would have happened to the value of silver dollar coins?

4. State and illustrate the relation which exists between the value of money and prices. Seager, 324; Moulton, 11-2.

5. Explain what is meant by inflation of the currency; contraction of the currency. Bullock, 258-60.

6. What are some of the evil effects of changes in the value of money? Bullock, 260-63; Taussig, 1: 297-301.

7. Professor Fetter has prepared an excellent diagram (2: 48-9) which shows the changes in the world's production of gold during the past century. What is the effect of the changes in gold production on prices?

8. Give a brief account of the changes that have taken place in prices in the United States since 1860. What has been the influence of changes in the production of gold on these price fluctuations? Fetter, 2: 85-89.

9. What has been the influence of changes in the value of gold on the cost of living during recent years? Materials, 466-73.

30. CREDIT

1. Credit, defined and described.
2. Foundation for credit.
 - a) Probable future value of property.
 - b) Probable future income.
 - c) Personal character of the borrower.
3. Forms of credit.
 - a) Book credit.
 - b) Checks.
 - c) Drafts and bills of exchange.
 - d) Notes.
4. The monetary function of credit.
5. The influence of credit on prices.
6. Credit distinguished from capital.

Exercises:

1. Define credit and distinguish a credit transaction from barter and from a cash transaction. Moulton, Pt. 2: 13-15; Ely, 282-5.

2. Distinguish between the legal and the economic conceptions of credit; also between consumption credit and production credit. Seligman, 518-21.

3. What is the relative importance of the respective bases of credit set forth in the outline above? Ely, 285-6; Moulton, Pt. 2: 15-16.

4. Describe the forms of credit listed in the outline above and as definitely as you can, state the relative importance of each? Seager, 341-2; Moulton, Pt. 2: 32-9; Materials, 500-3.

5. What is the monetary function of credit? Moulton, Pt. 2: 28-30.

6. What is the influence of credit on prices? Seligman, 550-53; Taussig, 1: 427-30; Bullock, 288-93.

7. Distinguish between credit and capital. Seager, 350-2; Gide, 391-4; Moulton, Pt. 2: 26-8.

31. BANKS AND BANKING

Outline:

1. Bank, defined and described.
2. Functions of a bank.
 - a) To receive deposits.
 - b) To make loans and discounts.
 - c) To issue drafts and bills of exchange.
 - d) Under certain circumstances, to issue bank notes.
3. Services which a bank renders a community.
 - a) Serves as a bookkeeper for the community.
 - b) Makes possible an enormous volume of transactions with a minimum of cash.
 - c) Saves time and labor.
4. The bank statement.
 - a) Capital, surplus and undivided profits.
 - b) Obligations to depositors and noteholders.
 - c) Loans, discounts, bonds and other securities.
 - d) Due from "other banks and bankers" and from the government.
 - e) Cash resources.
 - f) Bank building, furniture and fixtures.
5. The function of governmental supervision.

Exercises:

1. Define the term, bank; in what sense may a bank be spoken of as a "manufactory of credit?" Moulton, Pt. 2: 49; Harris, *Practical Banking*, 15-18; Willis, *American Banking*, 2-5.

2. Is the following statement a good definition of a bank: "A bank is a business unit authorized by law solely for the purpose of facilitating credit transactions." Give reasons for your answer.

3. Why should a bank be excluded from the privilege of owning and operating a farm, a manufacturing plant, or

a grocery store if it could make a larger return on its investments in that way than in lending to farmers, manufacturers and merchants?

4. The separate functions of a bank which are usually mentioned when this subject is discussed are set forth in the outline above. Distinguish between each of them. What is the "one underlying function of a bank" and how is this function performed? Willis, 6-7; Moulton, Pt. 2: 60-62.

5. In what respects and in what sense does a bank render the services specified in division 3 of the outline above?

6. What is the meaning of the different items listed above which appear in an ordinary bank statement? Willis, 22-7 and 147-52; White, *Money and Banking*, 3rd ed., 205-215.

7. The following rule is sometimes given for testing the solvency of a bank: "Double the capital stock, add the surplus and undivided profits and find what per cent this sum is of the total assets of the bank; the result will show how much the assets of the bank would have to shrink before the depositors and noteholders would lose anything." Apply this test to the bank statements in Materials, 519-20 and Moulton, Pt. 2: 51-3, and to the most recent statement of your home bank.

8. Is a bank statement a satisfactory indication of the solvency of a bank? Willis, 184.

9. What is the function of governmental supervision of the banking business and what are the principles which are observed in this supervision? Seager, 354-6; Moulton, 197-9; Willis, 186.

10. What are the most frequent causes of bank failures? Moulton, Pt. 2: 213-4.

32. BANKS AND BANKING (*Concluded*)*Outline:*

1. Bank deposits.
 - a) Their nature and use.
 - b) Reserves, a limitation to deposits.
 - c) Legal protection for depositors.
2. Bank notes.
 - a) Their nature and use.
 - b) Legal protection for noteholders.
 - c) Bank notes in the United States secured by U. S. Government bonds.
 - d) Bank notes in the United States secured by the use of "commercial paper."
 - e) Elasticity in the currency, a problem in governmental regulation.
3. The clearing process.
 - a) The general process described.
 - b) Clearing houses, their organization and functions.
 - c) Advantages of the clearing system.

Exercises:

1. State as clearly as you can a true conception of bank deposits and show how these deposits are built up. What is the nature of bank deposits and what are their significance? Willis, 51-60; Seager, 348-9.

2. A cash reserve is sometimes said to be a limitation on the amount of deposits which a bank may carry. Define the term, "reserve," and show how this is true. Willis, 152-4; Moulton, Pt. 2: 64-6.

3. The United States is the only country which specifies by law the amount of cash reserves which the banks should carry. Why should it make this specification? Moulton, Pt. 2: 209-10.

4. What other provisions are made for the security of the depositor? Ely, 286-8.

5. In what respects does a bank note differ from the ordinary promissory note of a borrower and from a deposit account? Why do banks issue bank notes? Seager, 349-50; Willis, 85-7 and 89-91.

6. Why should the government endeavor to protect the noteholder by specifying the conditions under which bank notes may be issued? What are some of the common provisions of law that are made for this purpose? Willis, 87-9.

7. What provisions have been made by law for the protection of noteholders in the United States? What is the ultimate security of the noteholder? Ely, 291-2; Willis, 92-96.

8. Describe the method by which bank notes may be issued under the Federal Reserve system. Willis, 96-101; Conway and Patterson, *The Operation of the New Bank Act*, 146-9.

9. Give a brief description of the Federal Reserve System, being careful to point out what may be regarded as its most significant features, Ely, 307-13; Fetter, 2: 118-128.

10. What is meant by the term, elasticity of the currency? What recent changes in the banking laws of the country are designed primarily to give our currency this desirable quality? Materials, 525-31; Ely, 298-303; Willis, 104-6; Bogart, 183-5.

11. Describe the process by which checks are cleared between banks in communities where there is no clearing house. Moulton, Pt. 2: 100-1.

12. Give a brief account of the early organization of clearing houses in the United States; point out also the principle involved in clearing. Moulton, Pt. 2: 102-104.

13. Describe the organization and operation of a clearing house. Materials, 503-7.

14. Why is there so much "waste motion" involved in the clearance of out-of-town checks? Moulton, Pt. 2: 115-6.

33. INTERNATIONAL TRADE

Outline:

1. The nature of international trade.
 - a) "Productive."
 - b) "Indispensable."
 - c) "Profitable."
2. Advantages of international trade.
3. The balance of trade.
4. The nature and extent of the foreign trade of the United States.
5. International exchange.
6. The rate of exchange.
7. Influences affecting the shipment of gold between countries.
 - a) The interest rate.
 - b) The level of prices.
8. Tendencies in the United States regarding shipments of gold.

Exercises:

1. In what respects does international trade possess the characteristics expressed by the adjectives set forth in the outline above? Ely, 361-3.
2. What is the "law of comparative costs?" Hamilton, 271-3; Fetter, 2: 189-191.
3. What are the advantages of international trade? Hamilton, 270-1; Fetter, 2: 185-9.
4. How does the modern concept of a "balance of trade" differ from the earlier one? Make a list of the items that enter our present balance of trade and tell something of the nature and relative importance of each. Ely, 354-6; Taussig, 1: 468-75; Materials, 549-558.
5. How is the foreign trade of the United States changing in its nature and extent? Taussig, 1: 475-6.

6. Define international exchange and describe the method by which it is conducted. Ely, 345-7; Taussig, 1: 449-456; Hamilton, 275-6; Fetter, 2: 191-5.

7. What is the "rate of exchange" and how is it determined? What are the so called "gold points" or "specie points?" Ely, 347-350; Hamilton, 276-7; Seager, 366-7.

8. Show how it is that the interest rates and the price levels in different countries affect the shipments of gold between them. Ely, 350-4; Fetter, 2: 197-8; Seager, 367-8.

9. What are the tendencies in the United States regarding the shipments of gold? Should the United States seek to export or import gold as a regular and permanent policy? Give reasons for your answer. Seager, 370-1.

10. What has been the influence of the war in Europe on the shipments of gold into and out of the United States; what influence also has the war had on foreign exchange rates?

34. THE TARIFF QUESTION

Outline:

1. The general idea of a tariff.
2. Kinds of tariffs, classified according to the purposes for which the tariff is levied.
 - a) "Free trade" or "tariff for revenue only."
 - b) Protective tariff.
 - c) Prohibitive tariff.
3. Arguments for a protective tariff.
 - a) The infant industry argument.
 - b) The home market argument.
 - c) The "balance of trade" argument.
 - d) The fiscal argument.
 - e) The labor argument.
 - f) The vested interest argument.
4. Arguments against a protective tariff.
 - a) Unprofitable use of capital and labor.
 - b) High prices to consumers.
 - c) Labor does not share in the benefits of the tariff.
 - d) Taxation of one class for the benefit of another.
 - e) Demoralization of the legislature.
 - f) Fosters monopoly.
5. The influence of the tariff in industry.
 - a) On prices.
 - b) On wages.
 - c) On employment.
 - d) On combination and monopoly.
 - e) On general prosperity.
6. The tariff policy of the United States.
 - a) Recent changes in policy.
 - b) The present policy.
 - c) The problem of making a tariff law.
 - d) The future tariff policy of the United States.

Exercises:

1. Look up a definition of a tariff in two or three different places. Is it correct to speak of a tariff as being a tax?

2. Distinguish between the different kinds of tariffs specified in the outline above. Fetter, 2: 201-2.

3. "In all tariff legislation the true principle of protection is best maintained by the imposition of such duties as will equal the difference between the cost of production at home and abroad, together with a reasonable profit to American industries." *Republican National Platform*.

Make a list of the items that account for the difference in the cost of production of wool in the United States and in foreign countries. How great is that difference? Fetter, *Sourcebook in Economics*. 347-357.

In view of the facts presented by the Tariff Commission, what were Ex-President Taft's recommendations regarding the tariff on wool? Fetter, *Sourcebook in Economics*, 358-60.

4. If an English manufacturer can make a reasonable profit by manufacturing woolen cloth and selling it in England at \$1.25 a yard when it costs 5 cents a yard additional to put the same cloth in the American market and costs the American manufacturer \$1.75 a yard to manufacture and sell a similiar grade of cloth, how much tariff should be levied on the English cloth in order to protect the American manufacturer?

5. If Congress should accidently make a mistake and levy a rate twice as high as the one which would just equal the difference in the cost of production at home and abroad, what kind of a tariff would we have?

6. If a protective tariff does just equal the difference in the cost of production at home and abroad so that the foreign and domestic products appear on the counters of

our retail stores at exactly the same prices, which commodities do you think will be most frequently purchased? How will such a tariff affect the revenue to the government?

7. State the theoretical ground upon which a protective tariff may be justified. Hamilton, 295-6.

8. State the infant industry argument for a protective tariff and discuss its validity. In what respects do you think this argument may reasonably be used at the present time? Seager, 386; Taussig, 1: 526-530; Hamilton, 298-301; Fetter, 2: 203-5.

9. Describe the method by which a protective tariff is presumed to build up a "home market" and discuss the validity of this argument. Seager, 387; Fetter, 2: 205-8; Taussig, 1: 510-11.

10. State and discuss the so-called "labor argument." Seager, 389; Taussig, 1: 511-16; Ely, 373.

11. What is the "balance of trade" argument? Fetter, 2: 208-210; Hamilton, 277-8.

12. What do you think of the validity of the vested interest argument? Seager, 390; Fetter, 2: 215-7.

13. What is the theory of free trade? Hamilton, 273-5.

14. What arguments of the free trader should be regarded as meriting serious consideration and why? Ely, 374-380.

15. In speaking of the influence of the tariff on prices, Professor Taussig says: "The truth is that the levy of a duty may have no influence at all on domestic price; or it may raise the price of the dutiable commodity by its full amount; or it may have an effect intermediate between these extremes." Set forth the circumstances under which each phase of the foregoing statement is true. Taussig, *Some Aspects of the Tariff Question*, 3-17.

16. Write a brief statement in which you will specify the influence of the tariff on each of the other phases of

industry mentioned in division 5 of the outline above. Hamilton, 309-313; Fetter, 2:210-15.

17. Give a brief account of the changes in the tariff legislation of the United States since 1890 and indicate the changes of policy that were brought about by the respective Acts that were passed during this period. Fetter, 2:229-36; Bogart and Thompson, 760-68.

18. Discuss the problem of making a tariff law that will equalize the difference in the cost of production at home and abroad. Fetter, 2:236-8; Taussig, 1:516-8; Hamilton, 319-23, 329-30 and 333-43.

19. The trend of tariff legislation during the past century has been distinctly toward protection. Point out some of the influences which may tend to modify the tariff policy of the United States in the future. Ely, 380-82; Taussig, 1:540-46.

20. Who is Professor Taussig? What responsible official position does he hold at the present time, (August, 1917)?

PART III. THE DISTRIBUTION OF WEALTH AND INCOME IN INDUSTRIAL SOCIETY.

35. THE GENERAL ASPECTS OF DISTRIBUTION

Outline:

1. The term, "distribution," defined and explained.
 - a) Wealth distinguished from income.
 - b) The general problem in distribution.
 - c) The personal problem in distribution.
2. The importance of the problem.
 - a) The shift in emphasis from production of wealth to distribution of wealth.
 - b) The facts of distribution.
 - c) Reasons for a more equitable distribution.
 - d) Means for accomplishing a more equitable distribution.
3. The methods by which distribution is accomplished.
 - a) By force and by status.
 - b) By competition.
 - c) By authority.
4. The bases of distribution.
 - a) Equality.
 - b) Productivity.
 - c) Needs.
5. The law of competitive distribution.

Exercises:

I. Define "wealth" and "income" as these terms are used in economics. Use any good text or reference book. Contrast the definitions which you find.

2. Is the following statement a satisfactory distinction: "Wealth consists of the aggregate stock of valuable, material things in a country at a given time: while, income is the flow of goods and services which results from engaging in the process of production over a period of time." Give reasons for your answer.

3. Refer to the tables setting forth the national wealth of the United States in 1912 (Ely, 112; or Bogart and Thompson, 814) and account for the fact that all the paper money and the value of all the farm mortgages and of the corporation stocks and bonds of the country have been omitted from this statement.

4. What are the constituent elements in the national income? How do the per capita incomes of the people of the United States compare with those of England and Prussia? Wilford I. King in Dr. Ely's *Property and Contract*, 2: 829-30.

5. Distinguish between the general and the personal problems in the distribution of wealth. Bogart, 199; Fetter, 2: 470-71.

6. "Within the last century the center of interest in the practical application of economic principles has decidedly shifted from production to distribution. The earlier writers on economics, as evidenced by the mercantilists of the seventeenth and eighteenth centuries, even Adam Smith, were chiefly interested in methods of increasing a nation's wealth. With the introduction of the factory system and the opening up of vast natural resources by improvements in mining and transportation, the production of wealth has enormously increased, and now the question of the method of its distribution or division is felt to be more pressing." (Bogart, 198). The foregoing is a good statement of the modern tendency in economic thought. Is this shift in emphasis from the problems of production to those of dis-

tribution justified by the facts? Ely, 119-20; King, *The Wealth and Income of the People of the United States*, 29-31 and 134-6; *Agricultural Yearbook*, 1916, 18-21.

7. It is frequently asserted in the United States that the rich are getting richer while the poor are becoming poorer. Do the facts of the case warrant this conclusion? Bogart and Thompson, 815-27; Ely, 546-9; Hayes, *Introduction to the Study of Sociology*, 103-8.

8. Contrast inequalities of wealth with other inequalities in human society. State the purposes for which wealth is sought and justify the existing inequalities of wealth or show that they are not justifiable. Gide, 451-4.

9. Why should the public be interested in a more equitable distribution of wealth and income? King, 54-7; Hayes, 98-103.

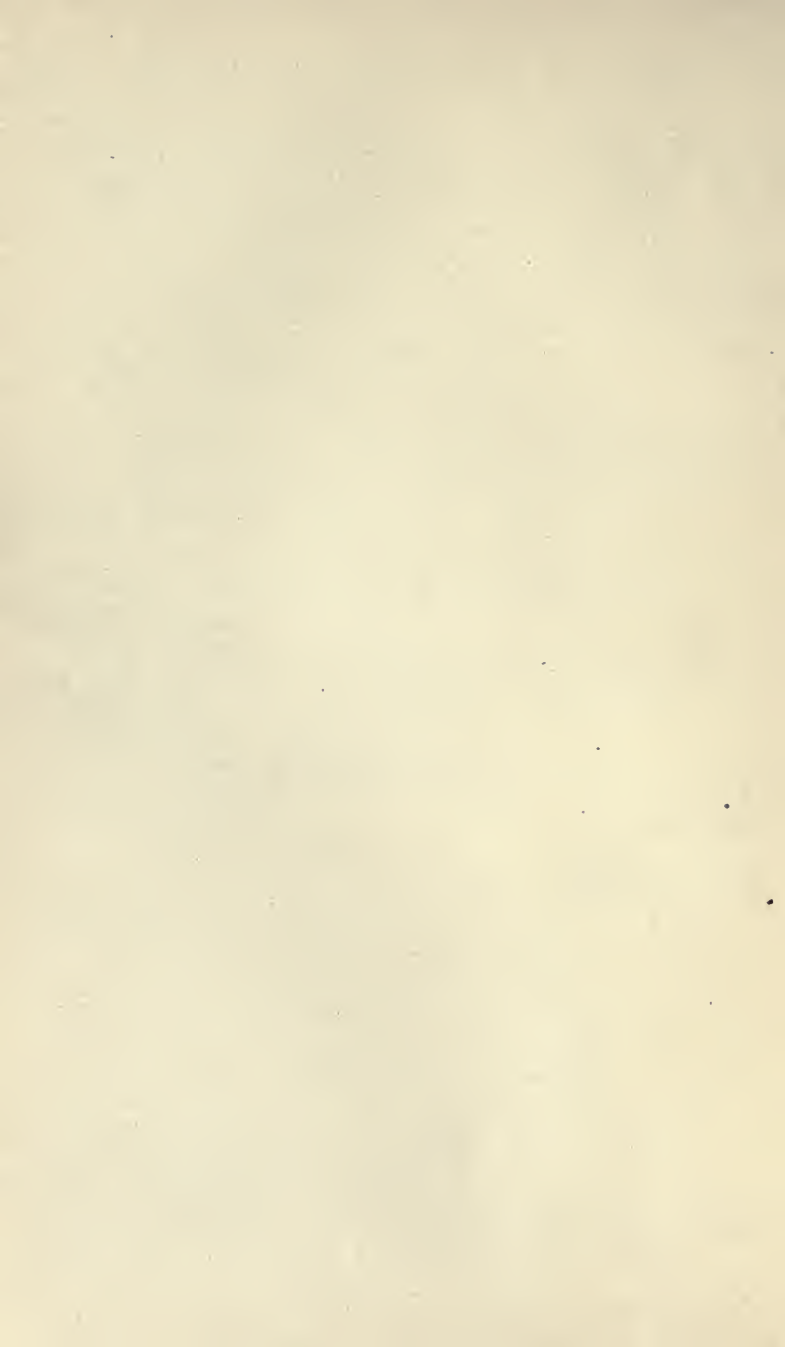
10. Mention and discuss the proposals which are frequently put forth for accomplishing this desirable end. Bogart, 200-1.

11. Describe and discuss each of the methods by which the distribution of wealth is brought about. Fetter, 2: 471-2, 476-81 and 481-2.

12. State the current and popular explanation of the distribution of wealth and point out the fallacies and inaccuracies in this explanation. Gide, 454-8.

13. In a former edition of his *Outlines of Economics* (Revised and Enlarged Edition, 1908, pp. 114-5) Dr. Ely presents three ideas which are frequently regarded by different people as suitable bases of distribution. Tell what is meant by each and discuss the desirability and possibility of putting it into practice. For a somewhat similar discussion, see Taussig, 2: 449-54.

14. Which one of the three bases of distribution mentioned in the foregoing exercise have those in mind who



advocate a legal minimum wage for women? Which one have those usually who object to such measures?

15. State the law of competitive distribution as a tendency in modern economic society. Seager, 276.

16. Which one of the bases mentioned in Exercise 12, above is embodied in the legal system of the United States so far as that system relates to the distribution of wealth?

36. RENT

Outline:

1. The rent concept.
 - a) Rent, that portion of the social income attributable to the services of land in production.
 - b) Distinction between the economic and commercial uses of the term.
 - c) Economic rent not affected by ownership.
2. The determination of rent.
 - a) On the extensive margin.
 - b) On the intensive margin.
3. Rent, a surplus due to the productivity of superior grades of land.
4. Relation of rent to the prices of agricultural products.
5. Relation of rent to the value of land.
6. Rent and social progress.
7. The unearned increment in land values.

Exercises:

1. Look up a definition of rent in two or three good texts or reference books and compare them with the statement in subdivision, "a," in part 1, of the outline above. Is the statement referred to correct? Give reasons for your answer.

2. The term, rent, in economics has come to have a technical use. Contrast its use in this technical sense with its commercial use. Nourse, 626-7; Fetter, 1: 155.

3. If a man owns a piece of land and farms it himself, does his land command rent? Seager, 230.

4. In a general way the modern explanation of rent is said to be the "Ricardian Theory of Rent." State this theory. Nourse, 616-9.

5. Contrast with Ricardo's statement the explanation of modern writers. Taussig, 2: 57-61 or Nourse, 619-21; Ely, 410-15; Seager, 230-5; Gide, 508-11.

6. Are the present high prices of agricultural products due to the fact that many farmers are paying high rents for the use of their land? Taussig, 2: 55-7.

7. If a given farm yields an average annual rental of \$500.00 when the current rate of interest is 5%, what is the sale value of the land? Ely, 418-9 or Nourse, 632-3; Seager, 239-40.

8. As population continues to increase and the land supply to become more and more limited, will rents rise so that the fruits of economic progress will come to be enjoyed only by a select few, the favored landlords, while the masses continue to toil harder and harder for a mere subsistence? What is the tendency in this regard in America? Ely, 419-22.

9. Under what circumstances may a so-called "unearned increment" arise in land values? Is private possession of such an increment of value detrimental to public well-being? If so, what should be done with it? Ely, 422-5; Hamilton, 724-7; Seager, 525-9; Taussig, 2: 70-75.

10. Write a brief biographical sketch of David Ricardo, being careful to specify the particular idea which he has so notably contributed to economic thought.

37. WAGES

Outline:

1. The idea of wages.
 - a) Wages, that portion of the social income attributable to the productivity of hired labor.
 - b) Wages as personal income.
 - x) Relative wages distinguished from general wages.
 - y) Real wages distinguished from nominal wages.
2. The determination of general wages.
 - a) The contractual character of the wage system.
 - b) The maximum wage—productivity of the workers.
 - c) The minimum wage—subsistence for the workers.
 - d) The actual wage—relative strength and skill in bargaining.
 - x) Nature of the demand for labor.
 - y) Labor as a commodity distinguished from other commodities.
3. Other theories of wages.
 - a) The subsistence theory, “the iron law of wages.”
 - b) The wages fund theory.
4. Some conditions affecting the determination of general wages.
 - a) Free land.
 - b) Immigration and emigration.
 - c) Changing standards of living.
5. The determination of relative wages.
 - a) Wages of marginal workers.
 - b) Wages of superior or differential workers.
 - c) Influences tending to perpetuate differences in relative wages.

Exercises:

1. Look up in two or three good texts or reference books some definitions of wages and compare or contrast

them with the statement made in the outline above. Which one do you think really gives the correct idea of wages and why?

2. "General wages" is a term which relates to the share of the social income which goes to hired labor as compared with that which goes to landowners, capitalists and entrepreneurial managers; while "relative wages" is a term used to designate the income of one worker or group of workers as compared with another.

a. Wages in America are usually said to be higher than they are in Europe. Is this a question of general wages or of relative wages?

b. The wages of a carpenter are usually higher than those of a teamster; so are those of locomotive engineers as compared with section men. Are these questions of general or of relative wages? Give reasons for your answer in each case.

3. A worker in the steel plant in South Chicago gets \$140 a month and after meeting his necessary living expenses has \$20 a month left which he may put in a savings bank or spend for some recreational or educational purpose. A similar worker hires out to an Iowa farmer for \$35 a month and his board, lodging and laundry and at the end of the month has \$25 to put in a savings bank or spend for some recreational or educational purpose. Distinguish between the nominal wages and the real wages in these instances.

4. Describe the growth of the "wage system" and discuss its practicability. Fetter, 2: 281-3.

5. Explain the method by which general wages are determined. Ely, 442; Taussig, 2: 197-202.

6. In what sense is there a demand for labor? Ely, 428-30.

7. Man's ability to labor is frequently spoken of as a commodity. In what respects does labor as a commodity differ from other commodities? Ely, 431-2.

8. The right to labor and to dispose of his labor power as one sees fit is regarded in American law as being a property right. In a recent contention before Congress regarding the issuance of injunctions in labor disputes the representatives of the workers asserted that the right to labor should "be held and construed to be a personal right and not a property right." Point out the difference, if any, between these two kinds of rights. Do you think the representatives of labor are correct in their contention?

9. State and discuss the subsistence theory of wages. Materials, 643-4; Ely, 437-8.

10. What was the wages-fund theory and what were its fallacies? Materials, 645-7; Seager, 296-9.

11. Point out the influences respectively of each of the conditions specified in the outline above on general wages. Ely, 440 and 438-9; Fetter, 2:375-7; Seager, 256-61.

12. Account for the fact of differences in relative wages and show how they are determined. Seager, 247-55, 276-9 and 287-8.

13. What may be said of the influence of training and heredity upon the determination of relative wages? Tausig, 2: 129-34.

14. Legally in America the laborer is free to select the occupation he sees fit and to rise from one grade or class of workers to a higher and better one. Point out in a general way the classification which exists among workers in the United States at the present time and indicate the economic considerations which prevent their freedom of movement from one class to another. Taussig, 2: 134-42.

15. Write a brief biographical sketch of John Stuart Mill.

38. LABOR PROBLEMS

Outline:

1. The wage system.
2. The present situation.
 - a) As to wages.
 - b) As to hours.
 - c) As to other conditions of employment.
3. Methods of improvement.
 - a) Progressive attitude of employers.
 - b) Organization of labor.
 - c) Labor legislation.
4. Attitude of employers.
 - a) In making individual labor contracts.
 - b) Toward labor organizations.
 - c) Toward labor legislation.
5. Organization of labor.
 - a) Economic justification for such organization.
 - b) Benefits of labor organization.
 - x) Larger income and privileges due to collective bargaining.
 - y) Legislation favorable to the working classes.
 - z) Training in social democracy.
 - c) Methods of accomplishing the purposes of labor organizations.
 - x) Control of apprenticeship.
 - y) Restriction of output.
 - z) The closed shop.
 - d) Weapons.
 - x) The strike.
 - y) The boycott.
 - z) Violence.
 - e) The future of labor organization.

6. Labor legislation.
- a) To safeguard health and morals.
 - b) To increase wages.
 - c) To shorten hours.
 - d) To promote industrial peace.

Exercises:

1. What is the tendency in the wage system and what is the problem that arises in it? Fetter, 2:28.

2. What is the present tendency regarding the wages, hours and other conditions of employment of the wage earning classes; are they getting better or worse? Seligman, 420-8; Ely, 547; Nearing, *Financing a Wage-Earner's Family*, 126-9; Fetter, 2:332-5; Seager, 536-8. Two very excellent supplementary studies on the question of the present trend of wages will be found in Rubinow, "The Present Trend of Real Wages," *The American Economic Review*, IV: 791-ff; and F. W. Jones, *Ibid*, VII; 319-30.

3. In the following selection from *The New Industrial Day*,* by Hon. William C. Redfield, a manufacturer and present United States Secretary of Commerce, point out the change in attitude that is coming among employers regarding the employment and management of labor:

"I have dwelt thus long, and yet very inadequately, upon certain details of certain phases of a modern shop in order to concentrate on a single broad truth underlying all that has been said. This is that in our buildings or machines or various equipment and in our material, the most exacting study has been used to fit each for the purpose for which it was intended. We have spent, or others have spent in our behalf, years of patient experimenting and sums that thousands will not represent, to determine how best to adapt all these various elements to one another so that their relations shall be harmonious, productive, efficient and economical. By economy we have not meant the absence

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of spending, for these machines and these methods have cost much through many years, but we regard it as well spent. As between the man who offers a machine as a cheap tool and another who asks a greater price, we think first of the question, 'What will these tools do?' and it is the relation of their productiveness to their cost that gives our decision. Let us suppose that, in the shop we have just visited in our thought, the present modern equipment were replaced with another of similar kind but selected chiefly because it was cheaper in its first cost. The result would be disastrous, for, as regards machines, it has been clearly demonstrated that productiveness is more important than first price

"Having the best equipment bought and arranged with its cost as a secondary factor and its productiveness as the primary factor, shall we put at these machines men whose cost is first to be considered and whose productiveness we aim to extract by a process called 'shop discipline?' Having with great care fitted tool to mechanism, shall we, or shall we not, use equal care to fit the men to both? Having utilized the laws of light and of power and of mechanics to the full, intelligently and carefully, shall we, or shall we not, now utilize the laws of human nature to the full with the same intelligence and care? Shall we recognize that at the point where our thought is halting, we are passing over from the inert to the responsive and that in addition to all the other laws and conditions under which we have so carefully worked hitherto there has come into play a new law now, the law of life and growth and thought?

"Here we touch the very core of our subject and upon the way in which we deal with it, shall it be known whether we are of the light or of the darkness, for our fine equipment with its perfectly balanced relations may mean after all that we have learned but the smallest part of our subject, and that the full light of day has not yet dawned on us. I do not here urge details of dealing with men any more than details of the tools and materials we see, but I do urge that as the laws of nature are utilized by us all after keen inquiry into them in the mechanical and material side of our work, so the laws of human nature shall be given at least as keen study in the living and productive side of our

work. For since both the laws of mechanics and the laws of human nature are but a partial manifestation in my thought of the Law of God, there can be no harmony and no basis for permanent peace and for the highest production until we have re-adjusted our factories so that they operate in accordance with the laws of human nature . . .

“With the men that enter our factories, enters the greatest force in all production; I mean the responsiveness of those men to leadership. They work indeed because they needs must earn their bread, and it is needful that supervision should be closely exercised for manifest reasons, but neither the need for bread nor the closest supervision will draw out the best that the workman has to give. That can only be done by the righteous adjustments of wage to product; by the absence alike of injustice and of charity; by the opening of the door of opportunity; by the absence of driving and the presence of leading; by the selection of the man for the task and the adjustment of the task to the man; by the instruction of the man in his task or if unfitted for it, then in some other task for which he is more fitted; by the spirit of candor and frankness between the employer and the worker; by the willingness to hear and to wait; by the closest possible touch practicable in great factories between the management and the working force. It has been said that corporations have no souls; this is a pity, if true, for the men in the shop have souls, and the coming into the minds and hearts of the men that run the corporations of sufficient soul to give them a basis for appeal to and co-operation with the souls of men at the machines may make the difference between profit and loss to the corporation . . .

“Your machines are complex; how much more so the man with his human mind and heart. But if patience is exercised, there is in the man the responsive spirit the machine lacks, and that spirit led and not driven, guided and not abused, is a power in industry of which the wisest of us do not yet dream. Without it, we may be able, or we may not, to profit temporarily. With it, the age of industrial conquest opens.”

4. What are the circumstances and conditions under

which labor organization and labor legislation are looked upon as methods for improving the relation between the worker and his work Seager, 542-4 and 562-3.

5. Compare and contrast the attitude of employers as exemplified in the following assignments with that set forth in Exercise 3. Do you regard either or any of the points of view presented as being exceptional in the sense of being impracticable? Hamilton, 594-6 and 599-600; Ely, 454-7.

6. What is the economic justification for labor organizations? Ely, 445-6; Hamilton, 600-2 and 582-4.

7. Under what circumstances and for what purposes do labor unions practice "control of apprenticeship?" Ely, 447-8.

8. Discuss the practice of "restricting output" from the point of view of the workers and of the public. Ely, 449-51; Seager, 543-4.

9. Discuss also the problem of the "closed shop." Hamilton, 608-14; Ely, 448-9; Fetter, 2: 309-11.

10. Discuss the use of the strike, the boycott, and violence in connection with labor disputes. Hamilton, 614-24; Fetter, 2: 303-6.

11. Outline and discuss the agencies that are being proposed and relied upon for establishing and maintaining industrial peace. Ely, 457-61; Fetter, 2: 325-31; Hamilton, 605-8.

12. Point out as definitely as you can the influence of labor organization upon the wages and living conditions of the worker, upon industry and upon the public, for the purpose of being better able thereby to judge of the probable future of unionism in America. Fetter, 2: 306-9; Ely, 451-2.

13. What can you say of the probable future of unionism in America? Ely, 467-9; Fetter, 2: 311-3.

39. INTEREST

Outline:

1. Definition and nature of interest.
 - a) Interest, that portion of the social income attributable to capital.
 - b) Loan interest.
 - c) Imputed interest.
2. Determination of interest.
 - a) Productivity of given units of capital in industry.
 - b) Limitations to the supply of capital.
 - c) Interest must be high enough to overcome the sacrifice of the marginal investor.
3. Tendency of the rate of interest in progressive countries.

Exercises:

1. Define interest and give a brief account of the origin of the term. Fetter, 1: 301-2.
2. Is interest a payment for the use of money? Nourse, 685.
3. Distinguish between loan interest and imputed interest. Ely, 493.
4. If a farmer buys a wagon and gives his note for it with interest at 6% payable in 90 days, we say he pays interest for the use of capital in the form of the wagon. Would the farmer have escaped the interest problem if he had paid cash for the wagon; will interest on the value of the wagon cease when the farmer pays his note?
5. In what sense is capital in industry productive? Taussig, 2: 5-8.
6. "Why can interest be paid?" Ely, 495-6.
7. "Why must interest be paid?" Ely, 496-9; Taussig, 2:16-22.

8. What are some other factors beside a payment for the services of capital which enter into the cost of loans? Nourse, 693.

9. What is the present tendency of the rate of interest? Is a rise or fall in the interest rate a hardship? Taussig, 2:26-28; Nourse, 685-7.

10. What is "the justification and social significance of interest?" Taussig, 2:41-43.

40. PROFITS

Outline:

1. Definition and nature.
 - a) Profits, that share of the social income attributable to the services of entrepreneurs.
 - b) Profits, a surplus arising after the expenses of production have been met.
 - c) Profits, a payment for the services of risk-taking.
2. Classification of profits.
 - a) As to source.
 - x) Competitive.
 - y) Monopolistic.
 - b) As to magnitude.
 - x) Necessary.
 - y) Differential.
3. Relation to the other shares in distribution.
4. Importance in a competitive industry.

Exercises:

1. Describe the conditions under which profits may arise and indicate the general nature of this share of the social income. Nourse, 870-2; Taussig, 2:158-61.

2. Discuss the personal qualities and motives that enable men to get business profits. Taussig, 2:161-71.

3. Profit is frequently said to be a surplus arising after the expenses of production have been met. Illustrate the truth of this statement by reference to the income account of the International Harvester Company. Can this same method of ascertaining profits be applied to a smaller business? Materials, 815.

4. In what sense is profit a payment for risk-taking? Materials, 795-6.

5. How many classes of risks are there for capital and what are they? Materials, 796-9.

6. Distinguish between an entrepreneur, a speculator, and a gambler. Materials, 799-801.

7. Under what circumstances and why is there a "tendency of profits to a minimum?" Ely, 526-8.

8. Are profits a part of price or a diminution of wages? Materials, 790-4.

9. What is the function of profits in a competitive industry? Ely, 538-40.

10. Is the private taking of business profits socially justifiable? Taussig, 2: 187-91.

41. SOCIALISM

Outline:

1. Definition and general explanation.
 - a) Socialism, a criticism of the existing economic order.
 - b) Socialism, a plan to reorganize the methods of production so as to avoid the wastes of competition and to enlarge industrial opportunities for the masses.
 - c) Socialism, a plan to reorganize present methods of distribution so as to make possible a more equitable division of the social income among the workers.
2. Socialism and the production of wealth.
 - a) Socialist criticism of the competitive order.
 - x) Wasteful.
 - y) Planless
 - z) Restrictive.
 - b) Substitution of government ownership for private ownership of the material instruments of production, so as to
 - v) Eliminate waste.
 - x) Give intelligent direction to industry.
 - y) Enlarge the opportunity for labor.
 - z) Merely extend existing institutions.
3. Socialism and the distribution of wealth.
 - a) Socialist criticism of the competitive system.
 - x) Unequal.
 - y) Unjust.
 - b) Socialist plan for distribution.
 - x) Eliminate private property in rent, interest and profits.
 - y) Pay wages on the basis of efficiency.
 - z) Allow private property only in consumption goods.

4. Objections to socialism.
 - a) Provides no effective check to the growth of population.
 - b) Provides no adequate incentive for individual initiative.
 - c) Affords no guarantee of effective leadership in industry.
 - d) Provides no adequate means for production and accumulation of capital.
5. Socialism and social reform.
 - a) Socially beneficial nature of existing institutions.
 - b) Changeability, the dominant characteristic of these institutions.
 - c) Abolition of old institutions and substitution of new ones, a chief characteristic of the socialist program.
 - d) Readaptation to meet existing needs, the program of social reform.

Exercises:

1. Give a brief statement of the general meaning of Socialism. Spargo and Arner, 3-5; Materials, 911-3; Skelton, 1-3.
2. What is the socialist's criticism of the competitive order? Materials, 911 and 913-20; Skelton, 16-39; Spargo and Arner, 19-29; Hamilton, 757-8; Bullock, *Selected Readings in Economics*, 668-681.
3. What is the "central aim" of socialism? Hamilton, 752-3.
4. How would the socialist reorganize society so as to accomplish his purpose? Hamilton, 754-7 and 764-8; Spargo and Arner, 224-8; Ely, 632-4; Taussig, 2:451-3.
5. Outline and discuss the principal objections to socialism. Taussig, 2:460-73; Ely, 634-6; Hamilton, 773-7; Bullock, *Selected Readings in Economics*, 681-705.

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